



AN UPDATE ON NEW CALEDONIA

I. POLITICAL ECONOMY OF THE FRENCH CONNECTION TO NEW CALEDONIA (NC)

Political uncertainty continues to diminish substantially as New Caledonia (NC), France's "overseas country" in the Pacific, implements the Noumea Accord which transfers most economic and financial powers from France to NC. Last year's elections for the new territorial congress and provincial legislatures, as required by the Noumea Accord, produced a new civil administrative structure for the territory and the three provinces.

The first important change is that of NC's status in relation to France. NC is now an "overseas country." As an overseas territory, the indigenous Kanaks viewed NC as a French possession with no clearly-defined rights for themselves. At the same time, the Kanaks had already decided that they did not want independence since it may have meant a disruption in French transfer payments and other benefits. To move toward a status acceptable to both sides, NC's citizens agreed to make their home a country within a country, the more familiar likes of which are the Commonwealth of the Northern Mariana Islands and Hong Kong.

Since the intent in Paris was to keep NC French, France agreed to changes in its relationship to NC. The result is a compromise that enables both sides to claim victory after more than a decade of contentious talks and conflict. Now that the Accord is being

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implemented, the only question is: How much new money is France willing to invest in NC to make it more self-reliant? As the Accord gets implemented over the months and years to come, it paves the way for unequalled political and financial stability in NC, especially in its two rural provinces which need large amounts of capital to develop their nickel (North Province) and non-nickel (Loyalty Islands Province) resources.

Specific elements of the financial aid package France is committed to will be defined over the next few months. The main pieces of a Contract for Development, an economic development scheme similar to that between France and French Polynesia, for example, have yet to be worked out. The purpose of the Contract is to put in place the

infrastructure NC needs to raise its share of income from domestic resources. The main issues in the Contract are the total amount of aid over its five-year life span and the distribution of aid among the three provinces. Among the most notable pieces of the Accord, apart from giving NC some control over immigration and employment, is the emphasis on economic development in the Kanak-dominated and less developed North and Loyalty Island Provinces.

The Accord's three signatories are France, NC's pro-France majority party and the Kanak-dominated pro-independence party. Quarreling over the interpretation of certain provisions of the Accord will continue. But there is no dispute over the fact that the Accord will prepare NC for a final status referendum in the last five years of the 20-year agreement.

II. MACROECONOMIC REVIEW & FORECAST

II.1 INTRODUCTION

Macroeconomic uncertainty in NC lies in its economic structure, dependence on French transfer payments and nickel as the main sources of income and cover for imports. French transfer payments will rise with implementation of the Noumea Accord. The increases in transfer payments will mostly be in capital flows, as there will be no large changes in civil service and other ordinary components of the French payments.

The main source of economic and

NEW CALEDONIA'S MAJOR ECONOMIC AND FINANCIAL INDICATORS

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Nominal GDP (\$US 000)	2,529.4	2,653.8	2,921.4	2,822.3	3,038.8	3,628.4	3,607.0	3,291.1	3,390.9	3,055.8	3,058.0
Nominal GDP Per Capita (\$US)	14,999	15,325	16,453	15,504	16,254	18,897	18,439	16,525	16,734	14,834	14,616
Nominal GDP (mill F CFP)	250,427	272,235	281,427	290,609	306,748	329,296	335,482	349,260	338,782	342,170	347,303
Nominal GDP Growth (%)	(1.2)	8.7	3.4	3.3	5.6	7.4	1.9	4.1	(3.0)	1.0	1.5
Nominal GDP Per Capita (000 F CFP)	1,485.0	1,572.1	1,585.0	1,596.4	1,640.8	1,715.0	1,715.0	1,753.7	1,671.9	1,661.0	1,660.0
Nominal GDP Per Capita Growth (%)	(3.6)	5.9	0.8	0.7	2.8	4.5	(0.0)	2.3	(4.7)	(0.7)	(0.1)
Real GDP (mill F CFP, 1990 Prices)	250,427	262,698	264,064	265,463	272,339	288,516	289,814	295,631	286,170	288,746	294,810
Real GDP Growth (%)	(3.6)	4.9	0.5	0.5	2.6	5.9	0.5	2.0	(3.2)	0.9	2.1
Real GDP Per Capita (mill F CFP)	1,485.0	1,517.1	1,487.2	1,458.3	1,456.7	1,502.6	1,481.5	1,484.4	1,412.3	1,401.7	1,409.1
Real GDP Per Capita Growth (%)	—	2.2	(2.0)	(1.9)	(0.1)	3.1	(1.4)	0.2	(4.9)	(0.8)	0.5
External Trade											
Exports of Goods (mill F CFP)	46,298	46,032	38,585	38,101	41,706	51,251	51,484	57,600	40,621	44,764	—
Imports of Goods (mill F CFP)	86,929	88,798	89,160	87,951	87,306	86,894	93,087	98,561	99,531	112,888	—
Exports Less Imports (mill F CFP)	(40,631)	(42,766)	(50,575)	(49,850)	(45,600)	(35,643)	(41,603)	(40,961)	(58,910)	(68,124)	—
Trade Balance as % of GDP	(16.2)	(15.7)	(18.0)	(17.2)	(14.9)	(10.8)	(12.4)	(11.7)	(17.4)	(19.9)	—
Exports of Goods/GDP (%)	18.5	16.9	13.7	13.1	13.6	15.6	15.3	16.5	12.0	13.1	—
Imports of Goods/GDP (%)	34.7	32.6	31.7	30.3	28.5	26.4	27.7	28.2	29.4	33.0	—
GDP by Industry (mill F CFP)											
Agriculture & Food Processing	9,076	9,852	10,186	10,760	11,890	11,681	11,687	12,835	—	—	—
Energy, Mining & Metallurgy	32,334	37,070	29,054	26,946	27,241	33,734	34,065	37,232	—	—	—
Other Diversified Industry	11,889	13,029	13,623	13,623	14,141	13,887	13,298	13,815	—	—	—
Construction & Public Works	14,151	15,491	15,411	18,400	18,403	18,928	16,776	17,447	—	—	—
Transport & Communication	13,957	14,505	15,875	17,244	19,234	20,908	22,634	23,415	—	—	—
Services & Commerce	104,265	111,519	121,962	123,573	134,198	141,872	147,127	152,659	—	—	—
Salaries	64,755	70,770	75,316	80,063	81,641	88,286	89,895	91,857	—	—	—
Ratios, GDP by Industry (% Shares)											
Agriculture and Food Processing	3.6	3.6	3.6	3.7	3.9	3.5	3.5	3.7	—	—	—
Energy, Mining & Metallurgy	12.9	13.6	10.3	9.3	8.9	10.2	10.2	10.7	—	—	—
Mechanical Assembly & Other Industry	4.7	4.8	4.8	4.7	4.6	4.2	4.0	4.0	—	—	—
Construction & Public Works	5.7	5.7	5.5	6.3	6.0	5.7	5.0	5.0	—	—	—
Transport & Communication	5.6	5.3	5.6	5.9	6.3	6.3	6.7	6.7	—	—	—
Services & Commerce	41.6	41.0	43.3	42.5	43.7	43.1	43.9	43.7	—	—	—
Salaries	25.9	26.0	26.8	27.6	26.6	26.8	26.8	26.3	—	—	—
Fiscal Indicators											
French State Spending (mill F CFP)	—	—	60,771	72,510	73,899	78,091	80,088	81,668	83,023	88,758	—
French State Spending as % of GDP	—	—	21.6	25.0	24.1	23.7	23.9	23.4	24.5	25.9	—
Territorial Gov't. Revenues (mill F CFP)	—	58,417	60,025	65,158	64,268	66,465	78,555	65,150	71,736	77,747	—
Territorial Gov't. Spending (mill F CFP)	—	56,745	62,327	64,910	63,057	65,774	68,630	68,729	73,198	74,218	—
Budget Balance (Revenue less Spending)	—	1,672.0	(2,302.0)	248.0	1,211.0	691.0	9,925	(3,579)	(1,462)	3,529	—
Budget Balance as % of GDP	—	0.6	(0.8)	0.1	0.4	0.2	3.0	(1.0)	(0.4)	1.0	—
Government Revenues/GDP (%)	—	21.5	21.3	22.4	21.0	20.2	23.4	18.7	21.2	22.7	—
Government Spending/GDP (%)	—	20.8	22.1	22.3	20.6	20.0	20.5	19.7	21.6	21.7	—
Budget Balance/GDP (%)	—	0.6	(0.8)	0.1	0.4	0.2	3.0	(1.0)	(0.4)	1.0	—
Consumer Price Inflation (%)	1.4	4.4	2.5	2.9	2.0	1.6	1.7	2.1	0.2	0.1	(0.6)
Exchange Rate (F CFP/\$)	99.01	102.58	96.33	102.97	100.95	90.75	93.01	106.12	99.91	111.97	113.57
Population & Employment											
Population	168,635	173,163	177,560	182,038	186,953	192,010	195,621	199,157	202,631	206,001	209,222
Population Growth (% per year)	2.1	2.7	2.5	2.5	2.7	2.7	1.9	1.8	1.7	1.7	1.6
Payroll (Salary) Employment	—	40,866	42,037	42,618	44,169	43,777	44,832	46,296	48,116	50,348	—
Payroll (Salary) Employment Growth (%)	—	—	2.9	1.4	3.6	(0.9)	2.4	3.3	3.9	4.6	—

Source: Bank of Hawaii

financial uncertainty in NC is nickel price swings. Since nickel is an important piece of NC's economic pie, the cyclical nature of nickel (commodity) price movements forces its business

cycle to behave as a commodity market. The uncertainty inherent in commodity prices imposes extra risk on producers and lenders. However, with prudent planning and setting aside sufficient

reserves for unexpected and prolonged price (revenue) declines, the negative impact on cash flows and credit viability can be minimized. Prudent financial planning will become critical in the

NEW CALEDONIA HOTEL ROOM INVENTORY

	1993	1994	1995	1996	1997	1998	1999
South Province	1,394	1,551	1,735	1,692	1,687	1,691	2,028
Noumea	1,129	1,267	1,438	1,414	1,411	1,361	1,667
North Province	246	278	278	294	288	277	287
Loyalty Islands Province	49	59	59	89	83	93	73
Territory	1,689	1,888	2,072	2,075	2,058	2,061	2,388

Source: Institu d'Emission d'Outre-Mer

future as NC develops new nickel mines.

Grande Terre, NC's biggest island, contains the world's largest known nickel deposits.¹ Nickel is not only important to NC today, it will become a much larger piece of the pie when two new projects, Falconbridge's in the North Province and Inco's Goro Nickel in the South Province, come on line in 2-4 years. Preliminary feasibility shows both to be viable. It will be at least 2-3 years before either project commences production and export.

The direct contribution of nickel (mineral and metallurgy) to NC's GDP is about 10 percent. Indirect impact may be another 10-15 percent. With the two major new projects, nickel may account for up to one half of the NC economy. The argument that NC will become too dependent on nickel will be like saying that Michigan is too dependent on the auto industry or Hawaii is too dependent on tourism.

Economic forecasts on NC have to take into account nickel's much larger and longer contribution to GDP in the years ahead. Now that nickel prices are higher than their long-term average, the urgency of a price subsidy and other aid from France has disappeared. Instead, the French territorial and provincial governments all offer the developers tax benefits to make the mines, which require large sums of capital, financially viable because they are important to NC, especially the North Province.

A means of reducing

economic and financial

uncertainty in the long run is the

development of other

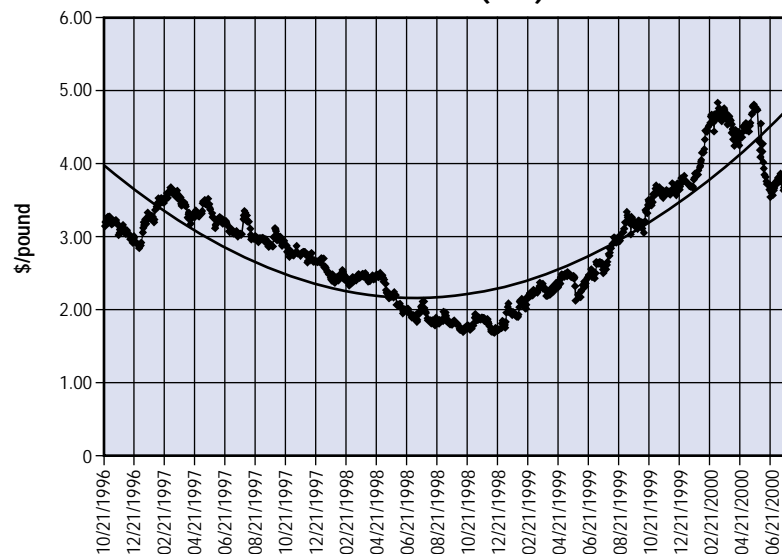
income sources such as tourism,

aquaculture, fish and fisheries and farm products. They all contribute to the economy, but they are small and not close to their potential contributions to GDP.

II.2 THE STORY OF NICKEL

True to its reputation for large and unpredictable swings, nickel price has shown a classic commodity price pattern since mid-1997 when the Asian financial crisis was brewing. On March 17, 1997, nickel price on the London Metal Exchange (LME) reached \$3.64 per pound and, as we know now, it became the peak of that cycle. It fell steadily for the next 20 months and hit \$1.69 on December 15, 1998, the lowest since the late 1980s.

NICKEL PRICES (LME)



NEW CALEDONIA NICKEL PRODUCTION AND EXPORTS

	1993	1994	1995	1996	1997	1998	1999
Mineral Production (000 tons)							
Wet Mineral	5,589.0	5,728.0	7,028.0	7,266.0	8,146.9	7,252.9	6,561.4
Metal Content	97.1	97.3	120.7	124.8	136.5	125.319	110.1
Mineral Exports (000 tons)							
Wet Mineral	3,353.9	3,478.4	4,589.0	4,773.9	5,391.3	4,237.4	3,799.1
Metal Content	49.8	49.4	68.0	70.0	79.6	59.9	52.9
Price per Ton of Wet Mineral (F CFP)	2,254	2,085	2,513	2,520	2,687	2,038	2,215
Price per Ton of Metal Content (F CFP)	151,790	146,743	169,711	171,847	182,033	144,112	158,735
Export Value of Mineral (mill F CFP)	7,561.1	7,253.4	11,532.4	12,032.0	14,485.6	8,637.9	8,394.2
Export Value of Metallurgy (mill F CFP)	—	—	36,271.0	36,565.0	38,599.0	27,425.0	34,769.0
Total Export Value (mill F CFP)	7,561.1	7,253.4	47,803.4	48,597.0	53,084.6	36,062.9	43,163.2
Average Price/kg of Metal Nickel (F CFP)	—	—	699	677	700	481	616

Source: Institu d'Emission d'Outre-Mer

¹National Geographic, "New Caledonia: France's Untamed Pacific Outpost," May 2000, p. 61.

NEW CALEDONIA SALARIED EMPLOYEES BY TYPE OF ACTIVITY

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture, Forestry and Fish	1,847	1,972	1,965	1,979	1,972	2,143	2,123	2,273	2,378
Construction & Related Industries	6,027	6,115	5,971	6,081	6,131	6,086	6,169	6,710	7,020
Other Industries	4,913	5,160	5,211	5,107	5,160	5,383	5,237	5,324	5,463
Mines	1,310	1,346	1,408	1,557	1,596	1,748	1,918	1,714	1,605
Transport	2,238	2,392	2,589	2,463	2,551	2,135	2,449	2,531	2,490
Commerce	6,813	6,975	7,091	7,328	7,686	8,027	8,414	8,697	8,980
Clerical	3,565	3,678	3,630	3,916	4,151	4,236	4,302	4,458	4,783
Public & Semi-Public Service	9,289	9,231	9,403	10,250	8,869	9,055	9,575	10,099	11,061
Professional Services	788	818	906	977	987	1,025	1,071	1,119	1,175
Other Activities	4,076	4,350	4,444	4,511	4,673	4,814	5,038	5,191	5,393
Total	40,866	42,037	42,618	44,169	43,776	44,652	46,296	48,116	50,348

Source: Institu d'Emission d'Outre-Mer

In early 1999, the question was whether nickel price would ever return to its long-term average of \$2.80-3.80 per pound. In New Caledonia, miners and the territorial governments were asking France for emergency financial relief and permanent nickel price subsidy because the drop in the price was steep, steady and considered to be the beginning of an emerging secular trend.

The theory behind the secular trend was that new technology, using a chemical process, would replace smelting and reduce production costs by as much as half. Meanwhile, the Asian financial crisis dampened demand for nickel, two-thirds of which goes toward stainless steel production, for which there is no substitute. Any prospect of recovery in nickel (and metal) prices was years away. Russia and East Europe dumped both virgin and scrap metal because they desperately needed cash. Putting these (technology, weak demand and dumping) together, nickel producers worldwide were praying for survival. Some new projects had to be put on hold.

In March 1999, the price was back up to \$2.25. It climbed to \$2.40 by mid-June. All the parameters dictating the nickel price's rise in line with long-term trend and forecasts of the time were still in place.

And then something mysterious happened that caused the price of nickel to climb rapidly and steadily. On November 11, 1999, the price matched the previous peak of \$3.64 and began to rise rapidly. On February 2, 2000, it

crossed the psychological barrier of \$4.00 a pound which was considered a miracle. On March 7, the price reached \$4.84, but dropped for the next few weeks before it turned back up again to hit \$4.81 on May 19. It never crossed the \$5.00 threshold and started to slide. On July 19, 2000, it was back down to \$3.72 and most likely headed to its long-term average.

The factors pulling the price down (the Asian crisis, widespread use of new technology and Inco's Newfoundland mine flooding the market by 2001-02) have all turned the other way. The end of the Asian crisis would have returned the price to its long-term stability zone. The price passing the \$4.00 mark and flirting with \$5.00 was based on the belief that, (a) new technology is not as promising as it has been in experiments, and (b) that nickel coming on line from large new mines is not as easy as economic and financial forecasters would like. With inventory still down to less than half of what it was in late 1999 and dropping, the price may rise once again but that is to be seen. Now that the price is headed down once again, it may be time to set aside reserves for future price (revenue) declines.

II.3 FORECAST

The most recent official macroeconomic accounts are those for 1997, throughout most of which the price of nickel declined steadily. However, total export value increased in 1997

because of higher quantities of both mineral and metallurgical products. As a result of higher nickel export value, a record number of tourists and a modest gain in French spending in 1997, NC's real (adjusted for inflation) GDP increased 2.0 percent.

The corroborating evidence for GDP growth in 1997 can be found in payroll employment which increased to 46,296 from 44,652 in 1996. The 2.0-percent growth in real GDP in 1997 followed a small (0.5) percent in 1996 and a similarly small increase in total payroll employment.

As nickel prices continued to decline through 1998, they showed up in most economic and financial indicators of NC, except for total payroll employment. Total nickel export value (metal and metallurgy) dropped 32.1 percent from 53.1 billion F CFP in 1997 to 36.1 billion F CFP in 1998. Coincidentally, the impact of the Asian financial crisis also showed up in the 1998 tourist arrivals, although the drop was relatively small. Tourist count dropped from 105,137 in 1997 to 103,835 in 1998.

The increase in French spending from 81.7 billion F CFP in 1997 to 83.0 billion F CFP in 1998 had the impact of lessening the negative effect of nickel price (and revenue) decline. The end result was an estimated 3.2 percent decline in real GDP in 1998. Instead of declining, as one would expect, payroll employment in 1998 increased in the midst of a severe recession. The secret was gains in public and semi-public

NEW CALEDONIA TOURIST ARRIVALS											
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total Arrivals by Country	81,675	85,213	80,930	78,264	80,753	85,103	86,256	91,121	105,137	103,835	99,735
Japan	26,957	28,350	25,073	25,669	26,901	23,695	25,066	26,987	34,629	35,420	31,017
Metropolitan France	12,485	13,761	14,965	14,831	16,225	21,172	24,707	27,640	30,149	28,805	29,500
Australia	17,129	17,067	17,121	16,740	16,740	17,445	15,325	14,401	17,229	15,455	14,567
New Zealand	8,284	10,373	9,400	7,867	7,658	8,761	7,168	6,768	7,448	7,164	7,090
Other	16,820	15,662	14,371	13,157	13,229	14,030	13,990	15,325	15,682	16,991	17,561
Shares by Country	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Japan	33.0	33.3	31.0	32.8	33.3	27.8	29.1	29.6	32.9	34.1	31.1
Metropolitan France	15.3	16.1	18.5	18.9	20.1	24.9	28.6	30.3	28.7	27.7	29.6
Australia	21.0	20.0	21.2	21.4	20.7	20.5	17.8	15.8	16.4	14.9	14.6
New Zealand	10.1	12.2	11.6	10.1	9.5	10.3	8.3	7.4	7.1	6.9	7.1
Other	20.6	18.4	17.8	16.8	16.4	16.5	16.2	16.8	14.9	16.4	17.6

Source: Nouvelle-Caledonie Tourisme

employment, construction and small gains in services and clerical workers.

Reflecting weaknesses in the economy, NC's financial position deteriorated in 1997-98 as budget surpluses of the previous four years turned into deficits. The impact of the Asian financial crisis showed up even more in the 1999 tourist statistics when arrivals dropped to 99,735. In the first quarter of 2000, tourist traffic was down 29.1 percent, but it picked up in April with a new Air Caledonie International flight to Osaka.

With continued improvement in nickel prices and subsequent gains in the economy in 1999, NC's financial position was once again favorable as the two years of deficits had given way to yet another surplus. Price inflation nearly disappeared in 1998-99. Inflation was 2.1 percent in 1997, 0.2 percent in 1998 and 0.1 percent in 1999. The year 2000 started with deflation (0.6 percent in the first quarter) and will probably be that way for the rest of the year because of weak aggregate demand.

Now that NC has embarked on a much more secure path in its relation to France and nickel prices are higher, the timing of the two nickel mines coming on line in the next 2-4 years will be excellent. Full implementation of the Noumea Accord and nickel price stability will be the key factors in shaping NC's economy and finances. Signals point to a slow pickup in 2000, followed by stronger growth in 2001-02

and fast growth in 2003-05.

Robust economic growth, 4-5 percent annually, in NC will come from new infrastructure projects, mainly funded through the Noumea Accord, and the new nickel mines when they start construction in 2002-04. Inco's Goro Nickel in the South Province is about 18 months away from starting construction and Falconbridge's North Province project is about 3-4 years from starting building in Kone, the capital of the North Province.

Both groups are cautious about the information they feed to the public. Because of the scales of the projects, they are obviously aware of the expectations these projects raise with any news. However, it appears quite likely that both projects are technically and financially feasible, but the final definitive feasibility (drawing up construction plans) awaits further research and testing, especially in the North. The advantage Inco has in NC is its knowledge of nickel in particular and mines in general. The advantage the North Province's project has is the political support it will receive from both the French and NC governments, as it will be the largest undertaking of any kind in the North Province.

PACIFIC ISLANDS FACT SHEET

US DOLLAR-DENOMINATED ECONOMIES

	Population	Land Area (square miles)	Notable Geographic Characteristics	Capital/Distance from (miles)	Currency	Major Languages	GDP (US\$ million current)	Per Capita GDP (US\$)	Major Income Sources	Political Status	Major Sources of External Investment	Major Sources of Future Income
GUAM	163,373	212	One island. Major US naval base and regional trans-shipment center at Apra Harbor. In hurricane path.	Agana/Honolulu 3,800 Tokyo 1,600	US dollar	English, Chamorro, also Tagalog, Japanese	3,065.8	18,766	Tourism, military, trade and services	US territory since 1898. Guam Organic Act of 1950 conferred U.S. citizenship. Some push for commonwealth status.	US, Japan, Korea	Tourism, services
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (CNMI)	79,429	177	Saipan the largest island, Tinian and Rota next, 14 others in the chain. 125 miles north of Guam. US territory closest to Asia.	Garapan, Saipan/Honolulu 3,700 Tokyo 1,500	US dollar	English, Chamorro, Carolinian	664.6	8,367	Tourism, garment manufacturing, trade and services	After WWI under Japanese mandate. In 1947 became part of US Trust Territory of the Pacific. Since 1978 a Commonwealth of the US. Islanders are US citizens.	Japan, Korea, Hong Kong, US	Tourism, services
FEDERATED STATES OF MICRONESIA (FSM)	116,268	270	607 islands and atolls, Pohnpei 130 square miles, other major islands Kosrae, Yap and Chuuk. The 4 FSM states span 1,700 miles from east to west.	Kolonia, Pohnpei/Honolulu 3,100 Hong Kong 3,100	US dollar	English, 8 major local languages	230.0	1,977	US payments, government services, fisheries, tourism	After WWI under Japanese mandate. In 1947 became part of a UN Trust Territory. Became sovereign in 1979. In compact of free association with US as of 1986.	US, Japan	Compact status being renegotiated. Fisheries development, tourism
REPUBLIC OF PALAU	18,500	170	343 islands, the main group encircled by a hundred mile reef. Babeldaob 136 square miles. 8 other inhabited islands. Rock Islands.	Koror/Honolulu 4,600 Tokyo 2,000 Hong Kong 1,700	US dollar	English, Palauan, Sonsorolese-Tobian	129.3	6,989	US Compact payments, tourism	After WWI under Japanese mandate. In 1947 became part of US Trust Territory. Became sovereign in 1994, in compact of free association as of 1994. Compact ends 2044.	Japan, US	Compact money, tourism
REPUBLIC OF THE MARSHALL ISLANDS (RMI)	50,840	70	34 coral islands, 870 reefs, highest elevation 33 feet above sea level, average elevation 7 feet.	Majuro/Honolulu 2,300 Guam 1,800	US dollar	English, Marshallese dialects	102.1	2,009	US payments, Kwajalein Missile Range, government services, copra, fisheries	After WWI under Japanese mandate. In 1947 became part of a UN Trust Territory. Became sovereign in 1979. In compact of free association since 1986.	US, Japan	US military. Compact being renegotiated. Fisheries.
AMERICAN SAMOA	58,900	76	5 islands, 2 atolls. Pago Pago Harbor. Home of newest US national park. In hurricane path.	Pago Pago, Tutuila/Honolulu 2,600 Los Angeles 4,800	US dollar	English, Samoan	253.0	4,295	Tuna canneries, government services, remittances from Samoans overseas	US territory since 1899. Samoans are US nationals.	US	Canneries, remittances, US entitlements
TOTAL/AVERAGE	488,632	975					4,430.6	9,067				

NON-DOLLAR ECONOMIES

FRENCH POLYNESIA	226,000	1,609	130 islands, mostly atolls in 5 archipelagoes. Tahiti the largest island, 400 miles square, maximum elevation 7,464 feet.	Papeete, Tahiti/Honolulu 2,800 Los Angeles 4,100 Paris 10,400 Tokyo 5,900	French Pacific franc (F CFP)	French, Tahitian	4,106.8	18,172	Payments from Metropolitan France, tourism, Tahitian pearls	French controlled from the 19th century. Overseas territory of France since 1957. Active independence movement.	Metropolitan France	French transfers, tourism, pearls
NEW CALEDONIA	203,672	7,376	Main island, Grande Terre 250 miles by 30 miles (larger than the Hawaiian Islands together), mostly mountainous. Several small islands.	Noumea/Honolulu 3,900 Paris 10,400 Brisbane 900	French Pacific franc	French, 30 Kanak dialects	3,373.0	16,561	Payments from Metropolitan France, nickel, agriculture and ranching, tourism, aquaculture	1853 became a French possession. Overseas territory of France since 1946.	Metropolitan France	French transfers, nickel, tourism, agriculture, aquaculture
WALLIS AND FUTUNA	14,800	106	2 main islands, highest elevation 2,493 feet.	Wallis Island/Honolulu 2,700 Paris 10,000	French Pacific franc	French, East Uvean, East Futunan	28.7	1,939	French transfer payments, trochus shells	French controlled from the 19th century. Overseas territory of France since 1961.	Metropolitan France	French transfers
PAPUA NEW GUINEA (PNG)	4,150,000	179,490	Eastern half of the island of New Guinea. Largest by far Pacific island-state land mass. Other main islands New Ireland, New Britain and Bougainville.	Port Moresby/Honolulu 4,300 Cape York, Australia 300 Tokyo 3,100 Hong Kong 3,100	Kina	English, Tok Pigin, Hiri Motu, hundreds of vernaculars	4,957.0	1,194	Minerals, oil and gas, forestry, agriculture, tourism	Under Australian & German control before WWI. Administered by Australia after WWII. Independent within the British Commonwealth since 1975. The Bougainville secessionist movement ended by a formal treaty in April 1998.	Australia, UK	Minerals, oil, timber, fisheries, tourism
COOK ISLANDS	19,600	92	15 widely dispersed islands including volcanic peaks and atolls. Rarotonga the largest island 26 miles square. In hurricane path.	Rarotonga/Honolulu 3,000 Wellington 2,000	New Zealand dollar	English, Cook Islands Maori	76.1	3,882	Government aid, services, tourism	Self-governing since 1965 in association with New Zealand. Cook Islanders are citizens of both Cook Islands and New Zealand.	New Zealand	Tourism
SAMOA	168,000	1,158	4 inhabited islands, 5 uninhabited. Highest point 6,100 feet, Mt. Silisili on Savai'i. In hurricane path.	Apia/Honolulu 2,600 Suva 700 Brisbane 2,500	Tala	English, Samoan	199.0	1,185	Agriculture, remittances from abroad, tourism, manufacturing	Under German control before WWI, New Zealand after. New Zealand trusteeship after WWII. Independent since 1962.	New Zealand, Japan	Agriculture, tourism, light manufacturing

PACIFIC ISLANDS FACT SHEET *(continued)*

	Population	Land Area (square miles)	Notable Geographic Characteristics	Capital/ Distance from (miles)	Currency	Major Languages	GDP (US\$ million current)	Per Capita GDP (US\$)	Major Income Sources	Political Status	Major Sources of External Investment	Major Sources of Future Income
FIJI	815,045	7,055	320 islands. Viti Levu 4,000 miles square, Vanua Levu 2,100 miles square. Major islands are mountainous and forested to windward.	Suva/ Honolulu 3,100 Sydney 2,000 Tokyo 4,500	Fiji dollar	English, Fijian, Hindi	2,148.9	2,637	Sugar and other agriculture, tourism, forestry, fishing, mining, garment industry	Annexed by Great Britain in 1874. Became independent within the Commonwealth in 1970, rejoined the Commonwealth in 1997.	Australia, New Zealand, EU, Japan	Agriculture, tourism, mining, light manufacturing
KIRIBATI	83,976	266	33 islands scattered 2,400 miles east to west, 1,300 miles north to south. Almost entirely low-lying atolls, Christmas Island the largest.	Tarawa/ Honolulu 1,300 Tokyo 3,900	Australian dollar	English, Micronesian	76.0	905	Agriculture (copra), remittances, aid	Annexed by Britain in 1919. A republic within the British Commonwealth since 1979.	NA	Fisheries development
SOLOMON ISLANDS	393,000	11,197	850 mile long double island chain. 6 mountainous main islands, Guadalcanal 2,080 miles square.	Honiara, Guadalcanal/ Honolulu 3,960 Port Moresby 900	Solomon Island dollar	English, Solomon Islands Pijin, more than 80 vernaculars	343.7	875	Agriculture, timber sales, fishing and fish canneries, aid	British protectorate as of 1873. Politically independent within the Commonwealth since 1978.	Australia, Japan	Agriculture, fisheries, tourism
TONGA	97,800	386	Main islands volcanic, some 150 coral atolls, 36 permanently inhabited.	Nukualofa/ Honolulu 3,100 Brisbane 2,000	Pa'anga	Tongan	177.0	1,810	Agriculture, tourism	British protectorate as of 1900. Independent monarchy within the Commonwealth.	NA	Tourism, agriculture
VANUATU	185,000	4,707	80 scattered islands, several active volcanoes. Largest island Espiritu Santo 1,500 miles square, highest point 6,158 feet.	Port Vila, Efate/ Honolulu 3,500 Tokyo 4,100	Vatu	French, English, Bislama	247.0	1,335	Agriculture and ranching, tourism, Offshore Finance Center, services	Anglo-French New Hebrides Condominium in 1906. Republic of Vanuatu within the British Commonwealth established in 1980.	Australia, Japan	Tourism, agriculture
NAURU	11,200	8	A single island with a 100 foot high central plateau of now nearly exhausted phosphate-bearing rock.	Nauru/ Honolulu 2,800 Banaba, Kiribati 200	Australian dollar	English, Nauruan	368.0	32,857	Phosphates and investments from phosphates	From 1919 administered by Australia. Became an independent republic in 1968.	NA	Investments from phosphate
NIUE	1,745	101	Coral island rising 65 feet from the ocean and another 130 feet to a central plateau.	Alofi/ Wellington 1,800 Suva 800	New Zealand dollar	English, Niuean	6.1	3,476	Subsistence activity, government aid	Self-governing since 1974 in free association with New Zealand.	NA	Tourism
TOKELAU	1,507	4	3 atolls with islets 10 to 16 feet above sea level. In hurricane path.	Nukunonu/ Honolulu 2,300 Wellington 3,800	New Zealand dollar	English, Tokelauan	1.2	796	Subsistence activity, government aid	Non-self-governing territory administered by New Zealand beginning 1925.	NA	Subsistence activities, government aid
TUVALU	10,900	10	5 atolls, 4 coral islands, maximum elevation 16 feet above sea level.	Funafuti/ Suva 700 Sydney 2,500	Australian dollar	English, Tuvaluan	9.0	826	Subsistence activity, government aid	Independent state within British Commonwealth since 1978.	NA	Subsistence activities, government aid
TOTAL/AVERAGE	6,384,245	213,565					16,117.5	2,525				
GRAND TOTAL/ AVERAGE	6,869,555	214,540					20,562.2	2,993				
HAWAII	1,205,126	6,423	4 main islands. Island of Hawaii 4,028 miles square, highest point of Mauna Kea 13,796 feet. Mauna Loa and Kilauea on Hawaii both active volcanoes. Maui 727 miles square, Oahu 597 (Waikiki), Kauai 552. In hurricane path.	Honolulu/ San Francisco 2,400 Los Angeles 2,600 Washington 4,800 Tokyo 2,500	US dollar	English	35,146.4	29,164	Tourism, services, trade, government	Annexed in 1898, became a US territory in 1900, became a state in 1959.	US, Japan, Australia	Tourism, defense, services, trade, government

SOURCES: Europa, *The Far East and Australasia*, 2000; Gary L. Fitzpatrick and Marilyn J. Medlin, *Direct-line Distances, International Edition*, New Jersey, 1986; International Monetary Fund, *International Financial Statistics*, March 2000; David Stanley, *Micronesia Handbook*, Chico, California, 1989; David Stanley, *South Pacific Handbook*, 5th Edition, Chico, California, 1993; State of Hawaii Department of Business and Economic Development, *Data Book 1995*,

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