ECONOMIC LINKS BETWEEN THE PACIFIC AND NEW ZEALAND IN THE TWENTIETH CENTURY

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Economic links between the Pacific and New Zealand in the twentieth century

Aotearoa/New Zealand became part of the Polynesian Pacific for the first time when it was settled by migrants from what are now the Cook Islands and French Polynesia in about AD 1250. The migrant settlers thereafter undertook local trade around the New Zealand archipelago in seagoing waka (canoes), but do not seem to have maintained longer-distance voyaging links with the rest of Polynesia.

The arrival of European ships in the South Pacific revived the movement of goods and people between New Zealand and the Islands. At the same time, it drew the island Pacific into the wider global trading system. First through whaling and sealing operations, then by a large fleet of (often locally owned) trading vessels. These initially operated alongside, but were later subordinated to, the large merchant houses that by the early twentieth century ran plantation agriculture, phosphate mining, and shipping services in the British, German, French and Japanese imperial spheres of influence in the Islands.1 New Zealand, by then a large British settler colony on the edge of the region, was linked into those networks and for some decades aspired to build its own mini-empire by consolidating the smaller islands of the British Pacific sphere into an expanded colony ruled from Wellington. (The detailed story of New Zealand’s political and imperial ambitions in the Pacific is told in Chapter 5.)

The tide of expansion ran strongly from 1901, when Niue and the Cook Islands were annexed to the New Zealand nation, until 1926 when Tokelau came under New Zealand administration – just as events leading up to the Mau rebellion in Western Sāmoa highlighted New Zealand’s inadequacies as a colonial power.

New Zealand had vigorously pursued its desire to annex Western Sāmoa after seizing control from German forces in 1914, but was stalled at Versailles in 1919 (in common with Australian ambitions in New Guinea) by US opposition. Woodrow Wilson’s newly established League of Nations placed all the former German territories in the Pacific under mandate, with the occupying Allied powers administering them but barred from annexing them.1 Until Sāmoa became an independent state in 1962, New Zealand as the administering power had to submit annual reports on its stewardship: first to the League, and then to the United Nations. These reveal that the mandate territory paid its way in terms of covering the costs of administration, but never held much promise as a source of economic gain for New Zealand.

After the 1920s, imperial ambitions faded and the attention of New Zealand governments drifted away from the Island territories. These produced neither phosphates nor sugar – the two great regional commodities of the mid-twentieth century – and the geopolitical spotlight was shifting north, away from the old South Pacific arena of British–German–French rivalry and towards the Japanese sphere in the North Pacific. The administration of Island territories was left in the hands of a succession of New Zealand residents and administrators, memorably described by New Zealand historian Mary Boyd (in relation to Western Sāmoa) as ‘[a] long line of paternalistic but often misguided soldier-administrators with their underlying belief in the racial superiority of the Anglo-Saxons’.3 The islands over which political control was exercised proved to have little potential for profitable development, but did have a growing appetite for costly infrastructure and public services. Even keeping shipping links operating from the 1930s to the 1970s required New Zealand Government subsidies, equal in some cases to half the value of the goods carried. In due course, New Zealand pulled back from direct rule of its Pacific Island territories. Sāmoa was ushered to full independence; the Cook Islands and Niue were made
the First World War. The event was the establishment of the country’s loyal participation alongside Britain in the First World War, and could never have produced on a scale to match the rising demand for phosphatic fertiliser in New Zealand, New Zealand and Australia from 1900 on. The future lay with guano’s replacement, superphosphate, invented in the 1890s. Superphosphate is a high-grade fertiliser made by mixing sulphuric acid with calcium phosphate (phosphate rock). Discoveries of phosphate rock on Banaba (in modern Kiribati) and Nauru in 1900, Makatea (in the Tuamotu Archipelago, part of French Polynesia) in 1905–07, and Angaur (in modern Palau) in 1906 led to a mining boom which made the island Pacific into a world-class minerals exporter through much of the twentieth century. Merchant capitalists, who had been trading guano from the Islands, were the initial phosphate entrepreneurs. The lead player in development of the industry was an Australian trading company, the Pacific Islands Company, which in 1900 gained an accidental head start when one of its Sydney staff, New Zealander Albert Ellis, stumbled upon the Banaba phosphate deposit.6 The company changed its name in 1908 to the Pacific Phosphate Company, manoeuvred skilfully to secure concessions to the phosphates of German-controlled Nauru and French Polynesia,7 and by 1910 had established large-scale mining operations on Nauru, Banaba and (through a French subsidiary, Compagnie Française des Phosphates d’Océanie) Makatea.8 That year, it sold off its Nauru and Banaba operations, and its Makatea interests, to the RPC, which thereafter became the dominant player in New Zealand’s Pacific Island trade until the 1970s, operating large industrial mining and port operations in the Islands and its own fleet of bulk carrier ships.9 By 1950, New Zealand was importing 500,000
tonnes of phosphate a year, all of it from the Islands, and aerial top-dressing was a major industry. (10 13) (10 19) run small (10 20) run small By 1965, phosphate imports had doubled to 1 million tonnes a year, virtually all from the Pacific. Thereafter, the boom faded for the BPC as Nauru gained independence in 1968 and the Banaba deposits were exhausted a decade later; by 1986, with annual phosphate imports still over 1 million tonnes, Pacific sources were supplying less than half this total and the BPC was being wound up. By 2000, the Pacific’s share of phosphate supplies to New Zealand was down to 23 per cent, all from Nauru, which by then had ceased large-scale production. In the following year, the share fell to 5 per cent, and to zero two years later as Nauru’s reserves ran out. New Zealand’s phosphate imports are now sourced mainly from North Africa and the Middle East, with smaller quantities from Australian-controlled Christmas Island (in the Indian Ocean) and North America.

The rates of exploitation of the phosphate deposits of the Pacific Islands were dictated by the colonial powers, and were far in excess of an economic optimum from the standpoint of the Islanders.10 Angaur (under Japanese control until the 1940s) was exhausted by 1955, Makatea by 1966 and Banaba by 1979. Phosphate mined by the BPC was sold in Australia and New Zealand during the middle of the century at prices that were typically between one-half and one-third the open-market world price.11 Later attempts by Islanders (and their governments after independence) to secure compensation for their low returns from the UK and Australia were either blocked by legal action or settled out of court by cash payments.12

(10 22) In addition to the devastated landscapes and derelict equipment left behind when mining ended, the phosphate era had two long-term impacts on the economic development of the Islands. First was the effect on the regional labour market of the
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Employment provided to Islanders who were recruited to work on the phosphate diggings as migrant workers, earning wages to send back as remittances to their homeland families and communities. Wages on the phosphate islands were at a level sufficient to attract the required labour force as temporary migrants, on contracts that were generally of one or two years’ duration. In the early years, the preferred source of indentured labour was Asia: the French used Vietnamese labourers on Makatea, while Banaba and Nauru were mined by Chinese workers. Increasingly in the 1930s, and rapidly after the Second World War, the latter were replaced by Gilbert and Ellice Islanders, while the Makatea labour force became dominated by Cook Islanders and French Polynesians.

(10.21) Employment on the phosphate diggings spread cash from miners’ wage packets into villages across modern Kiribati, Tuvalu, Micronesia (from Angaur) and the Cook Islands. Thus phosphate played a central role in the emergence of the migration—remittance labour market, which became characteristic of the Pacific Islands by the late twentieth century, following a pattern earlier established by the Chinese migrant labourers on Nauru.

The Cook Islands case is of special interest here. With Angaur, Nauru and Banaba all in Japanese hands by 1941–42, Makatea was left as the sole wartime Pacific source of phosphate for the New Zealand economy, and the New Zealand administration in the Cook Islands helped organise the BPC’s recruitment of migrants to work there. Between 1942 and 1955, a total of 2767 Cook Islands men worked on Makatea, at a time when the total population of the Cook Islands was about 15,000. Even allowing for double-counting of workers who spent more than one period as migrants, this was a large fraction—possibly a majority—of the economically active male population. This experience with wage labour and migration meant that Cook Islanders were well prepared for migration to wage work in New Zealand, which took off in the mid-1950s as employment opportunities on Makatea disappeared.

The second lasting impact of phosphate mining in the Pacific was the disposition of rents. Apart from wages, the cost of phosphate at the point of shipment was made up of the cost of capital (all collected by the mining companies) and economic rents (pure profit) on the natural resource itself, which in theory should have accrued to the landowners. The key to landing phosphate cheaply into Australia and New Zealand was holding down royalty payments to Island landowners and communities, so that the gains from cheap labour and efficient capital equipment passed downstream to the buyers. The resulting implicit subsidies from phosphate island communities and landowners to New Zealand farmers were substantial. On all phosphate islands there were disputes between the indigenous landowners and the mining companies over three related issues: the amount of royalty payable for rock extracted; the honouring of pre-existing property rights of the indigenous landowners; and the question of whether ownership of the subsoil resources was vested in the Crown or the surface landowners. On all three issues the performance of the BPC echoed familiar themes from New Zealand’s history of Maori land grievances and Australia’s history of dealings with its Aboriginal population.

On Nauru, the BPC position was described in 1954 in such terms: “[T]he Nauruan people have no legal rights to royalties either as individuals or as a national group, that royalties are paid merely out of goodwill, and that they should be related principally not to costs and prices but to the Nauruans’ needs.” Independence in 1968 suddenly brought all the profits from mining into the hands of the state-owned Nauru Phosphate Corporation, which was able to fund the nascent nation state for several decades during which Nauru seemed for a while destined to become the Pacific’s financial powerhouse, before financial mismanagement, bad luck, and exhaustion of the phosphate reserves turned it after 2000 into a candidate for the title ‘failed state’.

On Banaba, the BPC funded the costs of British administration of the entire Gilbert and Ellice Islands colony for decades. This absorbed 30 per cent of the fob (freight on board) value of phosphate produced in the 1930s and 40 per cent in the 1940s, about ten times the amount paid to the Banaban landowners in royalties (though their property rights were at least acknowledged as valid, in contrast to the situation on Nauru). In that case, the UK government, as one of the three BPC partners, effectively paid itself a subsidy out of the company’s earnings. From 1956, some of this revenue was set aside in a ‘revenue equalisation reserve fund’ to provide a fiscal cushion for the colony’s administration, and in 1970 this fund, by then worth $68 million, became the principal asset of the government of the newly independent state of Kiribati. The careful and successful management of the fund was central to achieving fiscal sustainability in Kiribati over the subsequent four decades.

The New Zealand Government collected a share of BPC cash profits via dividends. All three governments that subscribed the initial capital to set up the BPC in 1919 were guaranteed full repayment (via a sinking fund) over fifty years, plus a 6 per cent return on their investment, representing a very good commercial return during a period that included the Great Depression and the Second World War. However, this financial return was never the central reason for New Zealand’s participation in the company: the true payoff went to New Zealand farmers via the effect of the BPC in holding down their fertiliser costs for half a century.

This translated into a contradiction in New Zealand policy on decolonisation after the Second World War. Peter Fraser, as prime minister of New Zealand in the late 1940s, was ideologically predisposed

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TANGATA O LE MOANA

was of little economic or strategic importance and that the administration of the mandate was a rather troublesome and thankless task’.18

The origins of the phosphate industry followed a pattern that was typical of early twentieth century merchant-capitalist enterprise in the Pacific. Trading houses sought to control a vertically integrated supply chain from the production of raw materials in the Islands to sale of the final product in metropolitan markets such as Australia and New Zealand. In the British Pacific, the centres of merchant capital were Melbourne, Sydney and Auckland. Major trading operations included Lever Brothers, Burns Philp and WR Carpenter (merged in 1956 with Morris Hedstrom). All three companies had headquarters or subsidiaries in Australia and New Zealand, and specialised in products made from copra (dried coconut), with copra plantations in the Islands, shipping operations, and (in Lever Brothers’ case) factories producing soap and other copra derivatives; Lever’s Sunlight soap was familiar in New Zealand laundries.19 More important for New Zealand–Pacific economic ties in the early twentieth century, however, was another merchant-capitalist venture, Chelsea Sugar.

A Sydney-based firm, the Colonial Sugar Refining Company (CSR, still in existence in 2011 as the owner of Chelsea Sugar) established sugar mills and plantations in Fiji and the Chelsea refinery in Auckland, with a shipping link between the two, in the 1880s.20 (10 18) CSR thereafter was the dominant player in New Zealand trade with the Islands until the 1920s, and held a virtual monopoly of the New Zealand sugar market throughout the twentieth century. Over the three decades from 1895, raw sugar from Fiji made up 4 per cent of New Zealand’s total imports, at a time when the entire Pacific Island market was absorbing only 1

Not all was smooth sailing, however. The Nauruan chiefs lost no time in presenting a petition to the United Nations Trusteeship Council in 1947–48, which the Australian government stonewalled with tacit New Zealand support. While Western Samoa was allowed to drift steadily towards eventual independence, the strategic economic importance of access to cheap phosphate made Nauru’s progress in that direction much more hotly contested, and the BPC hung on to the last against growing UN pressure, which finally secured Nauruan independence in 1968. The contrast between Samoan and Nauruan independence is easily explained in economic cost-benefit terms. In Western Samoa, as Boyd explains, New Zealand made ‘a rapid transition from imperialism to trusteeship . . . facilitated by the rapid discovery that Western Samoa
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The balance of trade in goods between New Zealand and the Pacific Islands underwent a fundamental shift, from deficit to surplus, over the course of the twentieth century. Up to the late 1920s, New Zealand ran a trade deficit with the Islands, equal to about 0.6 per cent of New Zealand GDP. This reflected a classic colonial economic set up where New Zealand imported raw materials (mainly sugar and phosphates, but also fruit from the Cook Islands, Sāmoa and Niue) from the Islands and exported consumer goods such as tinned meat, clothing, toiletries and other manufactured goods.21 Because Pacific markets for New Zealand exports were limited by low consumer purchasing power and costly transport, the region’s sales of raw material to New Zealand greatly exceeded its purchases from New Zealand.

The decline of its share of the New Zealand sugar trade did not cause the removal of Fiji as a trading partner; it reappeared in the trade statistics in the late twentieth century as a producer of cheap clothing and some other consumer goods, benefiting from preferential tariff arrangements. In the two years 2009–10, Fiji accounted for 56 per cent of New Zealand imports from the Islands and 23 per cent of New Zealand exports to the Islands. In the first decade of the twenty-first century, Papua New Guinea (PNG) emerged as New Zealand’s other main Pacific Island trading partner, supplying around half of total imports from the Pacific (falling sharply to 20 per cent over 2009–10) while taking 14 per cent of New Zealand exports to the Pacific in 2009–10. PNG and Fiji together now account for over three-quarters or more of total New Zealand imports from the Pacific. (PNG supplies oil, coffee and tropical hardwood timber; Fiji supplies fruit and vegetables, a dwindling volume of clothing, and some timber – its sugar exports have virtually ended.)

The bilateral trade surplus has fluctuated around 0.6 per cent of New Zealand GDP since 1980 – a complete reversal of the situation in 1895–1925 (see Figure 1).

Figure 1: New Zealand’s Trade Balance with the Pacific Islands

Source: Author’s calculations from New Zealand trade statistics.
In the past half-century, the main traffic between New Zealand and the Pacific Islands has not been in trade goods, but in people and money. Money - the aforementioned tourism earnings, migrant remittances and aid packages - has become the key source of funding for living standards in the postcolonial Pacific. This represents a major change in the nature of the Island economies over the half-century since the Second World War. Formerly, Island spending power was limited to export earnings from copra, phosphates, fruit, sugar and other primary commodities. Remittances from migrant workers in the phosphate mines redistributed some of the export incomes to other Islands, and some of the employment and spending provided by colonial administrations was funded from budgetary subventions, but basically the region's imports had to be paid for from its commodity exports.

Beginning in the 1950s, New Zealand began to import labour and provide a growing amount of financial aid, shifting the funding of imports away from primary commodity exports in Samoa, Tonga, the Cook Islands, Niue and Tokelau. The most important modern legacy of the colonial era is the structure of the regional labour market, which sets the terms on which access to employment in New Zealand is available to migrant workers from the Islands. Automatic entry status is given to New Zealand citizens and is a major economic asset for inhabitants of the actual or former territories of Tokelau, Niue and the Cook Islands. In the case of Samoa, New Zealand citizenship was denied by Wellington for two decades after independence until it was affirmed by the 1982 Lesa decision of the Privy Council (see Chapter 11). The New Zealand Parliament promptly overturned that decision by withholding citizenship from Samoans not yet in New Zealand, but was forced to concede legal status to Samoan migrants who had already entered the country.

By the time of the 2006 census, the population of Pacific Islanders in New Zealand had risen to 266,000 - nearly 7 per cent of New Zealand's total population. Of these, 51 per cent (136,000) had been born in the Islands and 49 per cent were second- or third-generation Islanders born in New Zealand.22 The first large wave of migrants in the 1950s included both temporary labour gangs from Fiji and the Cook Islands and individuals from the New Zealand-linked territories finding employment in manufacturing. The footholds established by these trailblazing individuals enabled the rapid expansion of Islander labour in the 1960s in several key manufacturing sectors in New Zealand: pulp and paper in Tokoroa, car assembly in Porirua and general manufacturing in South Auckland. (10 15) By the 1970s, as the New Zealand economy slowed and unemployment rose, government measures to slow in-migration targeted the Pacific Island migrant communities, culminating in the deportation of ‘overstayers’ in 1976 (described in Chapter 11). The pace of migration slowed again after the mid-1980s as jobs growth in the New Zealand economy slackened. In the period from 1976 to the 2006 census, the Pacific migrant communities have accounted for 23 per cent of New Zealand’s overall population growth (204,636 of the increase of 898,564). At the margin of the national society, thus, Pacific Islanders have been more important than their total numbers might suggest. Pacific islanders today make a substantial productive contribution to the New Zealand economy.24 An important feature of the migrant communities is the continual circulation of individuals between New Zealand and the Islands. The diasporas in New Zealand are not cut off from their roots; on the contrary, there is an organic unity between the communities in the home islands and those in New Zealand. Between 1982 and 2006, there were 1.17 million arrivals of Pacific Islanders into New Zealand and 1.07 million departures, compared with a total Polynesian population in the Islands of 740,000.
Tourism has grown in parallel with migration. As Islanders have migrated to New Zealand to secure jobs, lifestyles, education and access to services, New Zealanders on holiday have been moving the other way to experience warmth, sunshine and island environments. Migration and tourism are now central to the economic relationship.

Tourism is not new in the Pacific Islands; there is a long history of European visitors drawn by exotic settings and peoples, and following the Second World War the combination of greater knowledge of the region and improved transport links had brought mass tourism to the north Pacific (Guam, Hawai‘i and the Northern Mariana Islands) by the 1960s. In the South Pacific, much tourism is still in an earlier (pre-mass-market) stage of the industry life cycle, with relatively high participation of local small enterprises and local labour.26 Fiji and French Polynesia (Tahiti) were the leading early tourism destinations (the Suva Tourist Board was established as early as 1923),27 and Fiji is furthest advanced towards mass tourism dominated by trans-national enterprises.

Annual total visitor arrivals to South Pacific island destinations were 688,000 in 1990, 821,000 in 1995, 976,000 in 2000, and 1.3 million in 2005 (representing an average annual growth rate of 4.3 per cent), since when the regional total has remained stable but growth has continued in the Cook Islands, Sāmoa, Niue, and Vāinatu – countries whose tourism sectors are driven largely by Australian and New Zealand tourists.28 In 1985, there were 50,000 short-term departures from New Zealand for the Pacific Islands. Of these 33,400 (67 per cent) were New Zealanders going on holiday, 8400 (17 per cent) were business trips, and 6000 (12 per cent) were visits to friends and/or relatives. By 2000, the total had grown to 118,000, of which 76,000 (64 per cent) were holiday trips, nearly 14,000 (12 per cent) were business trips, and 20,000 (17 per cent) were trips to visit friends and/or relatives. By 2010, there were 254,000 short-term departures to the Islands, of which 155,000 (61 per cent) were holiday trips, 20,000 (8 per cent) were for business, and 53,000 (21 per cent) were visits to friends and/or relatives.29 The fastest-growing category of travel from New Zealand to the Pacific, thus, has been New Zealand residents (mainly Islander immigrants and their families) visiting friends and relatives in the Islands. In the cases of Tonga, Sāmoa and Tokelau that proportion is 40 per cent or more of short-term departures from New Zealand. For Niue it is about 30 per cent. In other Island destinations, more than three-quarters of visitors from New Zealand are tourists in the usual sense. Of people going to the Islands on holiday in 2010, roughly 40 per cent travelled to Fiji, 30 per cent to the Cook Islands, and 11 per cent to Sāmoa. The most dramatic change over the past three decades has been the rise of the Cook Islands from 8 per cent share of the Island holiday-travel market in 1980 to 31 per cent by 2010, at the expense of destinations such as New Caledonia, Norfolk Island and French Polynesia.30 The impact of tourism on the Island economies is large. The ratio of tourist spending to GDP is over 50 per cent in the Cook Islands, 20–25 per cent in 1995.

This continual fluid movement of people maintains networks that are of great importance in the ongoing development of the Island economies. It provides a vital conduit for the delivery of remittance goods as gifts carried by visitors to relatives and friends in the Islands, while also maintaining an integrated regional labour market, with potential migrants in the Islands kept well informed about employment prospects and market conditions in New Zealand and Australia, and Islanders living in New Zealand equally well informed about emerging economic opportunities in the Islands.

[Image of a street scene]
cent in Vanuatu and Fiji, and 15–20 per cent in French Polynesia and Samoa. Simon Milne of the New Zealand Tourism Research Institute estimated that in 2004, total tourist spending across the twelve members of the South Pacific Tourism Organisation was US$1.5 million, of which two-thirds remained within the local economy for at least one round of derived expenditure: 25 per cent paid to local workers, 24 per cent to local suppliers of goods, and 18 per cent to other outlays including insurance, profits and tax. These estimates imply that the multiplier impact of tourism in the small Pacific Islands may actually have risen since the late 1980s (when Milne produced an earlier set of estimates, but for a smaller subset of islands).

A recent analysis of tourism multipliers in four of the larger economies in the region (Fiji, Tonga, the Solomon Islands and Papua New Guinea) estimated that on average a 1 per cent increase in tourism exports increases GDP by 0.72 per cent in the long run.

Despite the aggregate effect on GDP, the impact of tourism on poverty and income inequality in the Pacific Islands is less clear. Within booming tourist enclaves such as Rarotonga and Aitutaki in the Cook Islands, or Port Vila in Vanuatu, the effects seem generally positive. The worst excesses of mass tourism seen in the northern Pacific (dominant overseas ownership, large-scale enterprise, imported labour and materials) have not to date been evident in the South Pacific, though there are anecdotal accounts of pressure on customary land rights, inadequate protection of some environmental resources such as coral reefs, and capture of policymakers by wealthy developer interests. Outside the enclaves, direct tourism impacts remain limited, and indirect effects (via market linkages) are probably positive more than negative, but there is little systematic research available.

Migration plays a key role in regulating the living standards of the resident populations in the Islands. These rest on three pillars: traditional local subsistence production, imports of manufactured consumer goods (clothing, tinned meat, beer, machinery and so on), and services such as health and education provided by the government sector (10.24). The first, subsistence production, is sustainable so long as population growth does not outstrip available land and other natural resources. Here migration has played a key role, with many Island communities exporting their population growth via migration to the metropolitan economies of New Zealand, Australia, the United States and Canada. The numbers are often startling: the total number of Cook Islanders increased from 36,638 in 1951 to 92,981 in 2006, but the population of the Cook Islands rose only from 15,279 to 19,569 - of which over 5000 were tourist visitors, so that the resident population had not changed at all. Effectively all of the increase in the Cook Islander community thus ended up outside the home islands, mainly in New Zealand (where there were 78,000 Cook Islanders in 2006), while population pressure on land and other resources in the Islands was kept at much the same level as in past centuries (the pre-contact population of the Cook Islands was around 16,000, though it fell to less than 9000 by 1916, largely as a result of disease, before rebounding).

Samoa and Tonga had similar, though less dramatic, experiences. The total number of Samoans rose from 68,913 in 1951 to 92,981 in 2006, while the population in Samoa itself rose from 68,397 to 106,741, so 74 per cent of the increase ended up in the diaspora - 11,100 in New Zealand and 100,000 elsewhere, mainly Australia and the United States. Over the quarter-century 1981-2006, the population resident in Samoa rose only from 76,349 to 86,741, an average of half a percent a year. The population resident in Tonga grew from 42,145 in 1945 to 98,000 by 1971, then stabilised, even though the total number of Tongans continued to grow rapidly. By 2006, there were 211,622 Tongans, but the population of the Islands was still only 102,448, so half of the community was living abroad (51,000 of them in New Zealand), while population on the Islands was stable.

These examples reflect a centuries-old tradition in the Pacific where population is kept in line with the carrying capacity of local resources by various practices including migration. The balance has not always been maintained, of course. In Niue, the island population fell from 4,273 in 1945 to 2,615 in 2006, while the total community of Niueans rose from 4,478 to 27,580, of whom 22,473 lived in New Zealand, leaving the island’s subsistence resources under-utilised. In Kiribati, where out-migration has been tightly restricted by lack of access to outside labour markets, population rose from 40,760 in 1966 to 96,558 in 2006 with virtually no out-migration, resulting in severe pressure on land resources for subsistence production. In both cases, the nature of historic links with New Zealand was material. Niueans are New Zealand citizens with automatic entry, while Kiribati has no such political basis for migration.

The second and third pillars of living standards - imports and government services - are where money flows come in. Since the 1950s, imports of goods from New Zealand to the Islands have risen steadily while commodity export earnings have stagnated or fallen, leaving a funding gap that has been filled by other sources of hard currency. Initially, the key flows were remittances sent back by migrants, and aid from rich countries to support the budgets of Island governments, leading to the emergence of so-called MIRAB (Migration-Remittance, Aid-Bureaucracy) economies. While both aid and remittances remain important sources of import funding, they have been overtaken in recent decades by the rise of tourism to the Islands from New Zealand, Australia, North America and Europe.
The funding balance between New Zealand and the Islands was roughly as follows in 2008, before the global financial crisis struck. New Zealand imported $200 million worth of goods from the Pacific, exported roughly $1 billion worth to the region, and provided official aid of around $200 million. Meanwhile, Pacific Islanders in New Zealand sent home private remittances of more than $200 million per year. Remittances, trade and aid thus funded two-thirds of New Zealand’s exports to the region. Tourist spending in the Islands by visiting New Zealand residents (tourists plus business travellers and visiting migrants) can be roughly estimated as $300 million annually. The global financial crisis roughly halved New Zealand’s imports from the Islands by 2010, while leaving exports almost unchanged, raising the profile of aid, remittances and tourism even further as key sources of funding to sustain living standards.

In conclusion, while trade with the Pacific Islands was important for the firms engaged in it, except for sugar (until the 1920s) and phosphate it was always marginal to the New Zealand economy as a whole. For all the grandiose ambitions of Vogel, Grey, Seddon and other advocates of a New Zealand mini-empire, exports to the Pacific Island region remained a mere 1 per cent of total exports, accounting for between 0.2 and 0.4 per cent of New Zealand’s GDP, from the 1890s until the end of the 1960s. Meanwhile, imports from the region started at around 4 per cent of total imports (1 per cent of New Zealand’s GDP) before the First World War, but fell sharply in the 1920s to match the Pacific share of exports. Only in the 1970s did the Pacific Island market gain new significance during the rapid diversification of New Zealand’s exports following the wool slump of 1967–68 and Britain’s entry to the European Economic Community in 1973. Even in the recent era of export surpluses, New Zealand’s trade surplus with the Islands has been of the order of only half a per cent of New Zealand GDP.

While New Zealand benefited economically from the ability to secure cheap supplies of certain basic commodities, the Island territories that New Zealand actually took over politically early in the twentieth century proved expensive to run and mostly lacked major natural resources or industrial potential. In the case of the highly profitable phosphate islands, New Zealand’s role was as a junior partner to Australia and the UK in the BPC. Because New Zealand’s own territories never lived up to the economic dreams of the country’s early imperialists, the retreat from those territories paid dividends more to New Zealand than to the inhabitants of the islands. By the early 1960s, with imports from Niue, the Cook Islands and Sāmoa totalling about $1 million, the cost of shipping subsidies funded by New Zealand was running at roughly one-third of that figure, which means that far from profiting from these territories, New Zealand was carrying considerable costs for the benefits of producers of copra, fruit and handicrafts for export from the Islands. While possibly justified in the name of maintaining prosperity and social stability in the Islands, the need for these subsidies gave early warning of the unsustainability of export-led growth as a development strategy in the smallest and most isolated island groups. Successive New Zealand governments have persisted in the hope that such a strategy might succeed, but the Islander populations themselves have been hard-headed in opting for the alternative of migration and joining the labour forces of the large economies around the Pacific Rim. Migration and the remittances sent home by migrants have been of much greater significance for sustaining living standards and economic development in the Islands than the trade and investment links that tend to dominate New Zealand policymakers’ agendas. Added to the
gains from Islanders’ movement to New Zealand have been the benefits flowing from New Zealand tourism spending in the Islands, which has grown steadily in the past half-century.

Overall, from an Islander perspective their historical relationships with New Zealand have been economically beneficial though marred by occasional tensions over palagi conceptions of political and economic development. Infrastructure and services were developed to a reasonably good standard under New Zealand rule and have been sustained since by ongoing aid commitments. By opening its doors to migrants from its Pacific Island territories in the 1950s and 1960s, New Zealand gained a source of cheap labour while giving Islanders access to cash incomes at levels that could not have been secured at home: a genuine win–win outcome. By extending migration access over subsequent decades to a widening range of Pacific Islanders – Tongans, Tuvaluan and, most recently, Melanesians – New Zealand has cemented its role as a development hub for the peoples of the region.

The interpenetration of small-island economies with metropolitan national economies such as New Zealand’s means that conventional national-accounts statistics conceal rather than reveal the true developmental performance of the Islander communities, dispersed as they are across several different national economies. Pacific Islanders resident in New Zealand produce output which is simultaneously both part of New Zealand’s GDP and a key component of the collective income of their transnational ethnic groups. Migrants pay income taxes and GST in New Zealand, and probably comprise 3–5 per cent of the New Zealand tax base, an amount well in excess of the total value of aid and other grants from New Zealand to the Islands.

The modern economic sector of any Pacific Island people with migration outlets lies offshore in the diaspora of entrepreneurs and wage-workers, which controls a large share of the financial and human capital of each Island community. Remittances form a direct cash-flow link between the diaspora and the home population, but other links are equally important for long-run growth – especially patterns of return migration, visiting, communication via media channels, and accumulation of financial assets in metropolitan banks and share registers. National-accounts aggregates prepared for the home population in isolation not only ignore much of the actual (but offshore) modern sector; they also miss the degree of success in preserving non-material wealth (in the form of culture and human capital) while raising material welfare.

Thus ‘sustainable development’ need not mean either strong trading performance or large-scale industrial development in the Islands, but can be secured by other forms of economic activity, many of which point towards an informal process of regional economic and social integration that transcends the narrow categories of national sovereignty and domestic product.
When Samoans were first introduced to the wonder of tinned food, this was in the form of pea soup. As no Samoan word can end in a consonant, they tacked an ‘o’ on the end and made... *pisupo*, pronounced ‘pea-soup-o’. As time wore on and other edible matter arrived in tins, the generic term *pisupo* was used for all of it. Now it is more or less confined to tinned meat.

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With this powerful work, *Pisupo Lua Afe* (*Corned beef 2000*), made in 1994, artist Michel Tuffery takes a hard look at New Zealand’s history of trade practices in the Pacific. For Tuffery, tinned corned beef stands for one of the ways that Western colonialism has affected Pacific people.

Imported corned beef, known as *pisupo*, has replaced local foods and become a staple in the Pacific diet. It is even served at important cultural events, such as weddings and funerals. The consumption of imported foods such as *pisupo* has resulted in a decline in fishing, cultivation and other subsistence activities in the Pacific Islands. Through the work, Tuffery asks the question: Does foreign intervention encourage cultural and economic independence – or dependence?

New Zealand company R & W Hellaby Ltd began exporting tinned corned beef into the Pacific in the 1880s and soon became a household name. The first brand they developed specifically for the Pacific was *Crown*. Today tinned corned beef, especially the Pacific brand, remains popular with Pacific communities in New Zealand. The cans used in *Pisupo Lua Afe* are from a brand of corned beef distributed in Fiji.

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Banabans think of blood and land as one and the same... in losing their land, they lost their blood. In losing their phosphate to agriculture, they have spilled their blood in different lands. Their essential roots on Ocean Island [Banaba] are now essentially routes to other places... like New Zealand, Australia, and Fiji.

Teresia Teaiwa

These costumes are worn during an annual dance-drama that retells the history of Banaba Island (also called Ocean Island), part of Kiribati, and its people.

A key part of the dance depicts New Zealander Albert Ellis discovering phosphate on Banaba in 1900 – and buying mining rights to it for a mere 24 pence. Ellis’s discovery led to a combined New Zealand, Australian and British operation that stripped Banaba of its phosphate to make fertiliser for farms. And while those countries prospered, Banaba was left barely habitable.

In the 1960s, Banaba and nearby Nauru exported 1.8 million tonnes and 450,000 tonnes of phosphate a year respectively. The twentieth-century history of these island groups is closely intertwined with the economic development and a rise in living standards in New Zealand. Another part of the dance depicts the Japanese occupation of Banaba in the Second World War, during which many inhabitants were executed. It also tells how, after the war, the British relocated the islanders to Rabaul Island in Fiji. The drama ends with a celebration of the Banabans’ enduring faith in their survival in a new land. In New Zealand, there are growing Banaban communities, particularly in Auckland and Wellington.

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Austral Islanders with boxes of corned beef at Rimatara, about 1931.

Photograph by John Macmillan Brown, reproduced courtesy of Macmillan Brown Library, University of Canterbury.

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New Zealand’s Twentieth-Century Economic Ties with the Pacific Islands
ECONOMIC LINKS BETWEEN THE PACIFIC AND NEW ZEALAND IN THE TWENTIETH CENTURY

1. Brij V Lal and Kate Fortune (eds), The Pacific Islands: An encyclopedia, University of Hawai'i Press, Honolulu, 2000, pp. 202–10. By the beginning of the twentieth century the North Pacific was under the sway of the US (in Hawai'i) and Japan (in Micronesia), while the South Pacific was partitioned among Britain, France, Germany, New Zealand and, in the far west, The Netherlands.


7. The Banabans were resettled by a German firm, Jahn Guillauch, until their 1997 acquisition by the Pacific Phosphate Company.


9. For a history of the HPC, see Williams and McDonald.


28. The consuming 2% of the spending linked out to imports and offshore payments in the first round. Simons: The Economic Impact of Tourism in New Zealand, p. 10.


32. Joshua Liava’a, quoted in Liava’a, p. 31.


34. See Sharón Liava’a, ‘Dawn Raids: When Pacific Islanders were forced to leave New Zealand’, Massey University, Auckland, 1998, p. 31.

35. Mitchell, p. 34.

36. ‘Lik e It or Not, It’s an Issue for Us All’, Auckland Star, 20 January 1976, p. 1; quoted in Liava’a, p. 31.


41. ‘Ministers of Meeting with Officials on ‘Aunt of Immigration Overseas’, Auckland Central Police Station, 12 October 1976, quoted in Mitchell, p. 236.


44. ‘Overstayers: Illegal migration from the Pacific to New Zealand’, Auckland Star, 19 February 1976, p. 1. The archive, consisting of seventy-two items from 1975 to 1979, was held at the Special Collections, MSS & Archives A-193, Box 1, Folder 5. Special Collections, Auckland University Library.


46. Mitchell, p. 34.
