A HISTORICAL PERSPECTIVE ON AID AND DEPENDENCY: THE EXAMPLE OF TONGA

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Economies of Pacific island nations are frequently described as dependent, meaning they cannot sustain their present levels of activity (including consumption, production, investment, and savings) without the continuation of loans, grants, favorable marketing treatment, or some other gratuitous circumstances. In other words, their economic activity is not autonomous but contingent on decisions and events that are not of an economic nature, and which may be described as political or diplomatic.

Foreign Aid and Pacific Island Nations

Most Pacific island nations depend heavily on foreign aid, although reliable, up-to-date measurements of this are not generally accessible. In 1979, aid per head for the Pacific islands as a whole averaged 19% of gross national product and 75% of export revenue. Aid expenditure was about 77% of the non-aid government expenditure in the Pacific island nations as a whole (Knapman 1986:146). In 1982, the South Pacific Commission estimated that aid provided 50% or more of the incomes in each of four countries (South Pacific Commission 1986:22-23). Although this was less than the nine countries in that position in 1980, during the last twenty-five years or so, the general trend is that aid has increased in absolute terms and at a faster rate than productive sources of income.

There is dependency also in the sense that much of the commercial

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sector of Pacific island economies is owned by foreign interests. Such trading giants as Burns Philp, Morris Hedstrom, W. R. Carpenter, and Westpac Banking Corporation for many years dominated the retail, wholesale, and financial services sector. Economic decisions made by these companies could have major effects on national economies; their potential to influence politicians and policies is often thought to be considerable, although the allegation is more commonly made than demonstrated (see for example, Hughes 1983:260-261 for a typical statement of the scenario; also Howard 1983; UNCTAD 1974:3, 11, 12; cf. Mac. donald 1982:57).

Most Pacific governments, however, seem aware of this danger and have acted in ways that appear to reduce it. They have taken advantage of centralized authority to try to diversify their economies, reduce reliance on the small number of trading partners, and widen the circle of economic participation (Fairbairn 1985:72-73). Diversification has been one objective of aid programs: greater local participation, greater local ownership, and a broader productive base.

A frequent criticism of aid programs, though, is that they compromise the freedom of recipient governments in diplomatic activity or economic and social policy-making. This allegation arises from the origin of the modern aid phenomenon in the Marshall Plan of the United States of America. Under that scheme, massive funds were made available to Western Europe shortly after World War II to alleviate the poverty and distress that would favor a westward expansion of communism. At the same time, the consequential economic growth and expansion created opportunities for American businesses, and the nations of Western Europe joined with the United States in an alliance (NATO) to oppose the communist bloc. During the 1950s, aid to Southeast Asian and South American nations was similarly expanded and directed to serve the American view of international politics and global security (Mikesell 1968:2-5). American subordination of aid to foreign policy in this manner came increasingly under criticism, and by the early 1970s this critical mood was captured in the title of a book by Teresa Hayter, *Aid as Imperialism* (Harmondsworth, Eng., 1971). This book was commonly interpreted as proving that aid was an instrument of neocolonialism, directed not at promoting national independence and self-sufficiency but at subordinating the recipient country to the will of the donor, a view echoed frequently ever since (for example, Hughes 1983:251-253).

Although major aid donors to the Pacific islands in the 1970s modified their aid methods in an attempt to allay such fears (Maizels and

Nissanke 1984:891; Needs 1988:11), the fear of domination through aid lingers, at least at a popular level. The political intention of aid has been plausibly argued by Knapman (1986:139-140), who points out that Pacific islanders collectively are greater recipients of aid on a per capita basis than residents of any other region in the world, though far from being the neediest. The correlation lends support to the view that aid is used as a political lever.

Evidence of such political leverage is, however, not usually conspicuous, despite Fiji's change of policy leading to the banning of visits by nuclear-armed or nuclear-powered ships in the early 1980s or the softening of criticisms of France within the South Pacific Forum in the late 1980s following an increase in French aid to the anglophone nations of the region. On the other hand, the forum countries have not been sparing of criticisms and diplomatic snubs of the major aid donors to the region, Australia and New Zealand, especially over their reactions to the military takeover in Fiji in 1987, or of their criticisms of Japan and the Republic of China (Taiwan) over fishing practices. Such criticisms do not imply that Pacific islanders feel obligated by being aid recipients; on the contrary, aid seems to be regarded by them as a right.

Nevertheless, the fact remains that the Pacific island nations trade mainly with the major aid donors (Fairbairn 1985: tables 4.5, 4.8); and, therefore, the suspicion continues that aid is a way of controlling economies or of attracting trade. For example, in Tonga's case, Australia and New Zealand are the major trade partners and the greatest aid donors (Tonga 1987b:11-12); Britain, formerly Tonga's greatest donor, has allowed its share of aid to fall steadily since the mid-1970s[1] and during the same period its share of Tongan imports has fallen from about 14% to practically zero. Any putative causal link here may be called into question by the fact that in the 1970s New Zealand's share of Tongan imports grew while its percentage contribution to aid fell (Tonga 1981:81).

Trade relations in the Pacific are not the result of aid but of geographic proximity. Where geographic logic has been distorted, the distortion results from direct colonial power, as indicated by consideration of the economic history of the Pacific islands.

During the precolonial and early colonial period, Pacific economies were not dependent in the sense that they relied on subsidies. But their economic development, such as it was, was the accomplishment of foreign entrepreneurs on whom they were therefore dependent for their products to reach the limited markets available to them; similarly, they had to rely on a limited range of suppliers. During the late nineteenth century, the range was wider than it became later, with traders from Australia, New Zealand, Britain, Germany, and the United States all competing for the limited trade of the Pacific islands. Japan became increasingly prominent in Micronesia from the 1890s onwards. France was prominent only in those areas where it had acquired political power and in the New Hebrides. Traders of other nations were also prominent in the French territories. This concentration primarily reflected the fact that Britain, France, Germany, and the United States were the major industrial nations of the time and dominated world trade generally. Australia and New Zealand were prominent because as settler-societies with proximity to the region their economies complemented those of the islands. The growth of protectionism as a feature of world trade early in the twentieth century drew colonial possessions into trading blocs, which were artificial only in the sense that they constrained the choice of which one of a small number of industrialized countries an unindustrialized country might trade with.

The Case of Tonga: Background

Tonga provides a good case study of trade patterns in this period because there was no colonial government to distort them. In 1887, Tonga's exports were 90% copra, 2.5% kava, and 5% wool. Practically all the copra that year was exported to Portugal. Of imports, about 50% came from New Zealand, 20% from Australia (much ultimately of British origin), and 30% from Samoa (almost entirely goods of German manufacture). The main imports were drapery and foodstuffs, followed by timber (for construction) and liquid fuels (mainly kerosene for lighting) (Tonga 1887). This pattern differs little in broad features from that of 1987: Samoa and Germany had become insignificant and wool had long since ceased to be a Tongan product, but the concentration of trade on Australia and New Zealand, the dominance of coconut products in Tongan exports, and the configuration of the imports is the same (Tonga 1987b:10-13).

During the period of the British protectorate (1900-1970), Tonga's overall trade pattern changed only slightly. The major changes were the disappearance of German imports during and after World War I and the increasing prominence of Japanese goods during the 1930s, despite the preferential tariff favoring British empire countries (Great Britain 1928, 1932, 1938). After the return to full independence in 1970, the earlier pattern remained basically unchanged, with heavy reliance on coconut products for exports and most imports coming from Australia and New Zealand. Such change as has taken place in trading patterns since 1970 has been small, accomplished only with great effort and a specific intention to diversify both products and partners to reduce vulnerability to fluctuations in both supply and prices. In 1986, Australia and New Zealand still supplied 63% of Tongan imports. Japan and Singapore had between them increased their share to only 11% (Tonga 1987b:12).

Thus, with strong continuities between the precolonial, colonial, and postcolonial trade patterns, it is difficult to argue that foreign aid so far has been responsible for economic exploitation or domination. On the contrary, it is more likely that the quasi-colonial relationship with Britain played no role in consolidating this pattern because the Tongan government itself played no significant role in economic development before 1940, when the Agricultural Organization Act was passed. Far from playing into the hands of foreign interests, this act drove the private and corporate copra traders out of business by establishing a centralized marketing authority for the nation’s copra and other produce.

In the years before 1940 the Tongan economy, like those of colonial possessions generally, was self-supporting, propped up neither by subsidies nor special marketing agreements; unlike most colonies, Tonga was not shackled by regulations that kept it locked into an accustomed pattern. From the early 1930s, however, there was a preferential tariff on goods coming from British Empire countries. This was a reciprocal arrangement, whereby Tongan exports benefited by escaping heavy taxes at their destinations. The tariff levels for Tongan imports were, in any case, set by the Tongan government itself with a view to raising revenue rather than manipulating trade.[2] Moreover, after the collapse of the German economy following the World War I, with little American interest in the region and before the period of Asian industrialization, British Empire countries were the only likely trade partners for Tonga, and thus any supposed influence by the British consul may be discounted as superfluous. Notwithstanding such influence, and the imperial preferential tariff, Japanese imports increased significantly in the 1930s (most coming via New Zealand), reaching the level of 15% of the total in 1937, after which a tariff adjustment cut the Japanese share back to 8% in 1938 (Great Britain 1938).

Nor can it be said that commercial penetration before 1970 established structures that Tonga would not be able to shake off after independence. No land was foreign-owned; foreign-owned plantation leases were small and few (Simkin 1945:112) and were allowed to lapse when they expired. Improvement in living standards before about 1960 was slow, and there was virtually no capital accumulation; two large firms (Morris Hedstrom and Burns Philp) dominated retailing, but the rate of commercial penetration of what was still overwhelmingly a subsistence economy was set by the slowly growing demand of the Tongan landholders for nonsubsistence goods. These were of the most basic kind: drapery and other consumables, and manual tools used in subsistence agriculture, as demonstrated by surveys by Simkin in 1945 and Thaman in 1973 (Simkin 1945:107-108, 112; Crane 1979:30). Private capital investment and policies directed thereto are post-1970 phenomena, and even mundane monetization was quite rudimentary before the late 1960s (Bollard 1977:130-131).

It might still be thought, however, that even if quasi-colonial status made no difference to Tonga's economic development before 1970, aid arrangements since then might have compounded Tonga's economic dependence. The nature and origins of these arrangements, therefore, need to be considered. Foreign aid to the Pacific in general, and to Tonga in particular, is in most cases unconnected with the Marshall Plan and the American schemes derived from it, with their connotations of neo-imperialism. The precursors of aid in this region are the Colonial Development Act of the British government of 1929, and its successor, the Colonial Development and Welfare Act of 1940, which, although they were not applied directly to Tonga, led to later acts under which Tonga was a beneficiary in the 1960s. Such aid sprang not from a postwar worry about the international spread of communism but from a prewar concern about living standards and the desirability of progress in the territories for which Britain had a colonial responsibility (Abbott 1971; Meredith 1975; Mikesell 1968:4, 13-14).

British aid schemes thus predated the Marshall Plan and its connotations of Great Power global strategy. Britain's prewar colonial policy was reinforced during the war by the Atlantic Charter, signed between Britain and the United States in 1941; the Treaty of San Francisco of 1945, which led to the founding of the United Nations Organization; and the United Nations trusteeship agreements for dependent territories (colonies). These documents all stressed the rights of peoples everywhere to national self-determination. This stance reinforced the goal of accelerated development in consultation with and in the interests of the indigenous populations.

The second descent line of Pacific aid schemes began with the Canberra Agreement of 1944 between Australia and New Zealand. This agreement, the result of shared sentiments between New Zealand Prime

Minister Peter Fraser and Australian Minister for External Affairs H. V. Evatt, had two main objectives: regional security (the war still in progress at the time was demonstrating how much Australia and New Zealand were responsible for the defense of the South Pacific) and social progress for the peoples of the Pacific islands (Hudson 1988:72-73). This second goal reflects the reformist zeal of the Labor parties that at the time formed the governments of both nations, their tradition of anti-imperialism, a sense of having neglected responsibilities to promote their neighbors' progress, a feeling of obligation to compensate for the suffering the war had brought, and an idealism about seizing the opportunity offered by the destruction of war to reconstruct their part of the world on more humanitarian principles. Evatt regarded the Canberra Agreement as applying the principles of the Atlantic Charter to the Pacific (Hasluck 1980: 119-123).

Consequently, in almost all Pacific colonies, the immediate postwar years saw significantly increased expenditure: loans were made available for development and in some cases budgets were subsidized for new hospitals, schools, roads, harbor works, airfields, electricity supplies, radio communications, and agricultural research and development. Efforts were also made early in the 1950s to stimulate tourism as a means of diversifying economies and increasing incomes (see, for example, Fiji 1951). Cooperative societies were encouraged and assisted to promote the local formation of capital and to give people experience in administering enterprises and financial management (see, for example, Fiji 1948). The cooperative society movement was expressly intended to eliminate reliance on foreign entrepreneurs and institutions (Finney 1968:65). In Tonga, cooperatives were not established until 1964 (Tonga 1981), probably because the Agricultural Organization Act of 1940 had accomplished the goal of eliminating private and corporate foreign traders from the copra and fruit export industries.

By the time that international events in the 1960s brought pressure to bear on colonial administrations to accelerate decolonization, there was a strong feeling among settlers and expatriate civil servants that they were being asked to leave their tasks uncompleted, that much remained to be done before the Pacific islands were "ready" for independence. Standards of living had been raised by the postwar programs, but there was an expectation of further development. The independence agreements usually included provision for continued assistance, often budgetary support as well as developmental funding. Although such support may be regarded as a devious plot to maintain dependency and foreign control, Pacific island leaders themselves requested such support to allay their own anxieties about independence (Larmour 1983:9-10; Macdonald 1982:51, 53).

This background helps to explain the nature of early foreign-aid schemes in the Pacific, with their emphasis on development and preference for either grants or "soft" loans (that is, loans either interest free or at nominal rates) to avoid the trap experienced elsewhere among underdeveloped countries, where assistance led to a drain of capital out of the country. Such aid was also expected to be an interim arrangement, intended to accelerate the coming of economic independence, when island economies would "take off" and thus be able to sustain the levels of welfare and consumption desired (Mikesell 1968:39, 70-77).

The Case of Tonga: 1965 to 1986

This scenerio is well illustrated by the case of Tonga, which, not having been a formal colony, had never received any budgetary or commercial subsidies. Throughout the reign of Queen Salote (1918-1965) Tonga was economically independent in the sense that economic policies and development decisions had been determined by Tongan politicians and employees of the Tongan civil service (senior ones were admittedly expatriate but most made their careers in Tonga, and in any case did not have absolute power in such matters) and paid for out of Tongan government revenues. Tonga paid its own way with budget surpluses and balance of trade surpluses throughout the protectorate period from 1905 until the 1960s; by the late 1940s, accumulated foreign reserves equaled two years' expenditure and continued to accumulate after that. Since World War II the government had been planning and spending more on development in a drive to raise living standards, paying the development expenditure of the 1950s out of either current revenue or accumulated reserves. Tonga's experience with foreign aid began in 1957 with the World Health Organization sharing the cost and supplying the technical expertise for an environmental sanitation scheme. The first bilateral aid (that is, government to government) was a loan of £514,000 from Britain under the Colonial Development and Welfare Act for the first stage of the Queen Salote wharf in 1965 (Great Britain, various dates).

Plans for higher living standards were limited by rapid population growth (3.1% per annum between 1956 and 1966; Crane 1979:48) and the inefficiencies of the agricultural economy (Tonga 1965). Meeting growing needs required a more coordinated approach to development than had previously prevailed. Accordingly, in 1965, the first Five-Year Development Plan was drawn up, with particular emphasis on improving agricultural productivity, roads and harbor, and health and educational facilities. The cost of this plan was met 52% from Tongan government accumulated reserves and 48% from foreign sources, 96% of which were British government loans. The plan's final cost was $4.85 million (Tongan currency), compared with a planned expenditure of $4.1 million (or about three times the government's expenditure for the fiscal year 1965-1966). At this time, growth in foreign aid was neither expected nor envisaged, and the recognition of and aspiration for self-reliance was clearly evident in the first Development Plan. Implementation of the first plan, indeed, began with the hope that aid would become available, rather than with guarantees that it would.

The Second Development Plan (1970-1975) was a more elaborate document than the first one but was conceived as a continuation of the first plan, undertaking capital works and public health projects that could not be encompassed or accomplished in the first. Emphasis, however, shifted, with a substantially increased provision for economic services. Overall, the planned expenditure was modest ($4.778 million), well within the absorptive capacity of the Tongan economy, and about 1.6 times the 1970-1971 expenditure estimates (therefore considerably smaller than the first plan, making allowance for inflation). It was planned that about 52% of the necessary funds would be raised from overseas, but, the preamble stated, "It is expected . . . that the successful implementation of the present plan will make Tonga less dependent on foreign aid in the future" (Tonga 1971). The modest scope suggests that the Tongan government believed that with this plan it would have "caught up" and achieved the infrastructure Tongan society needed. Clearly, the emergence of a "development industry" was not envisaged,

The aims of the Second Development Plan, however, were not achieved; indeed, the amount allocated was not even spent. The failure was attributed to inexperience in development planning, failure to define responsibility and monitor implementation, and the absence of a central planning authority (Tonga 1976:35).

During the time frame of the third plan, aid acquired an entirely new dimension. The targets were set much higher than previously, with the explicit intention of making use of larger amounts of aid then becoming available. The assumptions of the planners (foreign consultants on this occasion) were that the very base of the Tongan economy could be changed: agriculture could be made more productive and export-oriented, including expansion into livestock production; manufacturing and processing (which had actually declined during the previous five years) for export could be initiated through the creation of an industrial estate; and the private commercial sector much enlarged.

The projected cost of the Third Development Plan was $49.6 million, of which 53% was expected to come from foreign sources, for as the plan put it, "Wherever possible the capital investment programme will be financed by foreign aid, particularly those projects which have a substantial import content" (Tonga 1976:92). The volume of aid available, though, now reached unprecedented levels; as a result fully 97% of the Third Development Plan was funded in this way.

The plan proved to be only a mixed success. Construction and replanting targets were not attained, and the provision of services and capital expenditure on infrastructure did not lead to significantly increased levels of private sector business activity. The reasons were the same as before, to which were added the difficulties of drought and declining export prices. In fact, although the total projected expenditure was met, high inflation meant that in 1975 values, spending reached only two-thirds of the projected level (Tonga 1981:81). This apparent lack of achievement may be overstated, for the physical plant added to the nation's assets in terms of health, training, buildings, roads and wharves, and so on represented permanent achievements, even though the more directly productive schemes (such as livestock production) accomplished little. One lesson learned from the shortfall of this plan was that development on this scale required a more numerous, and more skilled, administrative staff. Increased growth of the permanent public service was the most immediate result.

The Fourth Five-Year Development Plan (Tonga 1981) made no reference to the aspiration of economic independence, and was at least as frank as the third plan in targeting aid donors. The projected five-year expenditure for 1981-1985 was placed between $65 million and $80 million, depending on how much aid could be attracted. The amount hoped for was $55 million. In the event, $89 million was spent on this development plan, 90% (or $81 million) being of foreign origin. The programs laid out were even more comprehensive than in the third plan, suggesting that the government was bent on the most rapid possible development to take advantage of aid while the opportunity lasted. The government's plans were in any case much more ambitious, aiming at Western standards of living whereas the first plan (1965-1970) seems to have been devised to improve the quality of a sustainable, traditional way of life.

The Fifth Development Plan, 1986-1990, expressed aims more directed to encouraging the private sector as a basis for more rapid social and economic change. Although recognizing the continuing need for foreign assistance, it offered the disclaimer, "Nevertheless, it remains the Government's long-term objective to achieve economic independence and reduce the Kingdom's reliance on foreign aid for development in the future" (Tonga 1987a:i). The aid target was set this time at 83% of the total of nearly $150 million. Aid grants, as distinct from loans, however, were planned to be only 52% of the total, compared with 64% in the fourth plan (Tonga 1987a:65-67).

Official indebtedness had been kept at a manageable level. A creditor nation until the First Development Plan (1965-1970), Tonga's public debt in 1975 was still only $1.36 million; during the Third Development Plan it rose sharply to $16.4 million, reflecting the growing use of multilateral sources of aid; in 1986 it was $42.7 million, of which about 70% was either interest free or at a nominal rate. Debt repayment in 1986 was only 6.7% of the recurrent budget (Tonga, various dates), but in the fifth plan the government clearly adopted a policy of increasing indebtedness as part of its strategy to reduce aid dependency. Its policy on aid in development was to move away from grants and more toward loans as a means of funding; more particularly, the intention has been to seek commercial loans at market rates of interest (not assistance loans) for these projects (such as buying commercial aircraft) that could be expected to generate revenue and to pay for their own costs (Tonga 1987a:67).

Over the course of twenty years of planning, the development budget projections thus increased by a factor of almost 25, whereas the recurrent budget for 1985-1986 was about 17 times that of 1965-1966. This may be taken as evidence of growing dependency, but the development policies of the Tongan government suggest that it believes what it says about ultimate economic independence. Since the Second Development Plan (1970-1975), the recurrent budget has been distinguished from the development budget; the former is met by locally raised revenue and up to the time of writing (1990), usually had either a small surplus or a small deficit. Foreign aid is allocated to the development budget only, and has been directed to projects that increase the capital assets of the nation, recent examples being harbor developments, airport reconstruction and expansion, road improvements, a foreshore protection scheme, training programs in a variety of specialties--education being perhaps foremost, the national cultural center, and sports stadiums. In other words, aid provides things that are either of permanent value or that Tonga could probably afford not to have but are nevertheless desirable.

Whether the future maintenance of these assets can be encompassed by the recurrent budget is an open question, but the growth of the recurrent budget over twenty years seems to suggest that it may be.

Implications

If Tonga's aid programs were abruptly terminated, some economic contraction would follow. Many public servants currently employed on development administration, and their support staffs, would become redundant, the loss of activity in construction would be a serious matter, and the retail sector would suffer. There would almost certainly be a period of negative growth. But the loss would be less serious than appears at first sight because much of the aid is not received as revenue. For the 1985-1986 financial year, only $6.5 million was received as revenue of total aid estimates of $12.8 million. This was due in part to underspending and in part to the fact that much of the aid is for offshore costs (Tonga 1987b:8). Also, some projects are entirely carried out by the donor in Tonga with a large foreign-labor component (such as the foreshore protection scheme provided by Japan) and do not appear as treasury receipts; they probably contribute little to the local money supply.

For all this, the Tongan economy is structurally weak. But it was structurally weak (though prosperous) before the development plans, with their foreign-aid implications, were adopted: it relied almost entirely on a single crop (copra) in which productivity and for which world prices were both declining; and it was vulnerable to drought and hurricane that had severe effects at least once each decade (Naisoro [1986] estimated that Tonga had suffered 108 cyclones between 1830 and 1982). After almost twenty-five years of intensive development spending, though, Tonga has a slightly more diversified economy, receiving the benefit of value-added components for its produce through local processing.

Aid dependency is therefore not the cause of the structural weakness of Tonga's economy, nor is aid causing further weakness. The vulnerability is best shown through an examination of the balance of payments. Tonga had a trade surplus from probably 1906 until 1961 with the exception only of 1958. Since 1961, the trade deficit has increased as shown from the following export-to-import ratios (data from successive development plans; Tonga, various dates) :

1961-1962	1966-1967	1971-1972	1976-1977	1980-1981	1986
96%	87%	35%	28%	24%	14%

The ratio has not stood above 48% since 1970-1971, and at its lowest point, after Hurricane Isaac in 1982, was only 9%.

The reason for the deficit in the early to mid-1960s was increased imports for development purposes, paid from accumulated funds. Since the beginning of the Second Development Plan (1970-1975), the cost of capital imports has been met by foreign-aid grants and loans. This has still left a substantial payments deficit, which has grown steadily but has always been covered by invisibles, of which tourist receipts have been only a small part--estimated for 1985-1986 at only $6.3 million of a total trade deficit of $45.6 million. The bulk of the deficit is caused by private consumer demand, paid for by remittances from Tongans overseas and reflecting the rate of Tongan emigration. It was estimated in 1984 that 40,000 Tongans were living abroad (Naisoro 1986), compared with a domestic population of perhaps 96,000. Remittance receipts (as estimated officially) rose sharply in the late 1970s; during the five years of the Fourth Development Plan, (1980-1985), the receipts were double what they had been in the previous five years. During the third plan, remittances had amounted to 1.5 times the value of exports; during the fourth plan, they amounted to 4 times the value of exports. In 1981 their value was estimated at $12.2 million; in 1984, $21.1 million; in 1987, $30.8 million as compared with a trade deficit for that year of $45 million (Tonga, various dates).

Official estimates of remittances are based on the sums transmitted through banking channels: additional large sums are sent as cash or in the form of goods. A study of a group of donors in Auckland suggests that informal cash transfers and goods equaled the value of money sent through formal channels (Fuka 1985:61, 70). The result is that, despite the gloomy trade situation, Tonga's balance of payments usually shows a surplus, and the level of foreign reserves remains at a comfortable level, usually equivalent to four to six months' imports (see, for example, Tonga 1987b:14).

Parallel with the rise in emigration and remittance income has been a decline in the productivity of Tonga's major resource, copra. The table below shows estimates of tons per head (compiled from Great Britain, various dates; Tonga, various dates):

1882	1912	1923	1938	1947	1956	1969	1976	1981	1985
.47	.51	.60	.38	.44	.34	.17	.16	.12	.06

These figures are approximations only, based on data that are admittedly unreliable, but the general trend is probably accurate. The dates shown reflect gaps in the data or have been selected to avoid atypical years: 1981 was the last full crop year before Hurricane Isaac in 1982; by 1985 trees would not have recovered sufficiently for full production to be resumed. Nevertheless, the trend shows the importance of alternative sources of income during a time of rising living standards.

Therefore, insofar as Tonga can be described as economically dependent, this dependency is due neither to supposedly misguided policies of the government nor to the government's having been beguiled by the blandishments of foreign consultants, diplomats, and aid donors. On the contrary, the government has been determinedly following a policy of modernization since the end of World War II; it has shown much ingenuity and resourcefulness in trying to find sources of income based on services that Tonga might provide to the region and the world, such as in shipping, engineering, banking, oil supply, and communications--and more recently by such doubtful schemes as providing high-priced passports for noncitizens, None of these schemes has proven to be a panacea for the problems that derive from isolation and a small land area of limestone origin.

The basic consideration has been to provide for a growing population on a narrow resource base; emigration has provided an unexpected solution. But this has also given Tongans remaining at home access to a standard of living not otherwise achievable, and this higher standard is the basis of the nation's present dependency or vulnerability. The fragile prosperity depends on things beyond the government's control, including continuing emigration, the continuing prosperity of the overseas population, their continued loyalty to their families in Tonga, exchange-rate stability, and the absence of foreign-exchange controls in the host nations.

Any lessening in the level of remittances will cause an abrupt fall in Tongan imports rather than a further widening of the trade deficit. A reduced import level would have a seriously adverse effect on government revenue directly and lead to further losses from the consequential contraction of other activity, especially in construction. A reverse multiplier effect would cause many bankruptcies in the retail sector, the contraction of government services, and a declining standard of living that would force many people back into the subsistence economy, with increased pressure on land and kinship relationships. Political upheaval could be a further downstream effect.

Some idea of the severity of the loss of remittances on government revenue may be deduced from the following table, which shows the ratio of exports to government revenue (recurrent budget only--thus excluding aid sources) (compiled from Great Britain, various dates; Tonga, various dates):

1955	1960	1965	1970	1975	1980	1985
300%	209%	159%	89%	78%	60%	26%

Export productivity has clearly not kept pace with government spending, and since, despite attempts to diversify the economy, Tonga does not produce very much for local consumption outside the subsistence economy, the invisibles (mainly remittances) in the balance of payments are keeping Tonga afloat economically.

The consequences of the loss of remittance income is therefore much more threatening than the cessation of foreign aid. Unless the remittances continue for long enough to allow enough private capital formation to convert Tonga into a service economy for the central Pacific, the prospects look bleak. The cause, however, is primarily geographic, to which is added the Tongan demand to enjoy living standards and consumption habits similar to other peoples. Dependency in this case is simply the measure of the difference between resources and demand.

NOTES

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1. Britain supplied 96% of Tonga’s foreign aid during the First Development Plan, 1965-1970; 68% during the Second Development Plan, 1970-1975; and 8% during the Third Development Plan, 1976-1980 (Tonga 1965:8; Tonga 1971:19; Tonga 1976, 1981). For Britain’s trade with Tonga, see Tonga 1976:11 and Tonga 1987b:8.

2. The proportion of government revenue raised from taxes on imports and exports were: 1927-1928, 42%; 1938, 45%; 1952-1953, 60%; 1975, 44%; 1985-1986, 57%.

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