

XI. Toward a Strategy for Private Sector Development in the Pacific

We have discussed the common concerns experienced by many countries in the Pacific that are realizing their earlier policies have failed to bring prosperity to the region in spite of the highest per capita aid flows in the world. Donors are concerned that in spite of their substantial efforts in granting aid to the Pacific islands, poverty has increased in the region. At the same time, policymakers in the Pacific countries fear that reforms designed to open their economies could result in more intense competition and lead to even higher unemployment.

These concerns are understandable. However, Samoa's recent history illustrates that there can be policy shifts, trade reform, and moves toward reducing the role of the state in the economy while promoting rapid growth at the same time. Furthermore, several Pacific governments now acknowledge that growth can only be generated by private sector activity and there are signs of willingness to change the environment for business by improving incentives, promoting efficiency, and reducing costs. This situation provides optimism for the future.

Countries in the region are looking for a way forward and are seeking support (technical as much as financial) from funding agencies to assist in designing and carrying out reforms that would stimulate the private sector and in so doing address the employment/poverty nexus. This circumstance represents an opportunity for individual countries, ADB, and other funding agencies. The

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private sector assessments undertaken for this publication provide the elements for the development of road maps for Pacific countries.

By following private sector-friendly growth-oriented policies, Pacific countries will ensure that they capitalize on the growth of the world economy. In many ways, the issues raised here represent the confluence—or conflict—of tradition versus modernization. The countries of the Pacific wish to secure improved opportunities and incomes for their people, but the fundamental question they wrestle with is whether they must modernize—and by implication give up cherished traditions and customs—to do so. Modernization is a necessary condition for development but this modernization does not necessarily mean foregoing traditions and customs. Incentive structures can evolve to include local cultural practices, just as they have in other parts of the world. The countries of the Pacific have already embarked along this journey toward modernization. The key issue for Pacific countries to determine is how far along that road they wish to travel and at what speed.

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Considerations for Pacific Governments

The Countries and Private Sector Development Policy

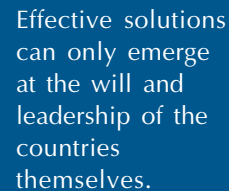
While generic problems are widespread, details vary from country to country, and in the case of private sector development policy, effective solutions require thorough investigation. For example:

- Legal systems on which commercial transactions are based are inadequate in most countries. But reform requires microlevel analysis.
- Although land arrangements have many common features across the Pacific, in each country there are crucial and important differences.
- Utility provision is almost invariably high-cost, but arrangements as to which utility services are supplied vary—from government electricity and water departments to high-cost, barely regulated monopolies.
- The weak systems of property rights for both movable property (chattels) and for land, which exclude the large majority of the local population from access to the financial system, require urgent attention, but specific solutions will vary from country to country and will depend upon local conditions, practices, and customs.

These examples illustrate that there can be no substitute for comprehensive country-level analysis in diagnosing and prioritizing local solutions. Further, it is important that differences between Pacific countries be accounted for in any solution. Interventions for reform must take into account cultural traditions of individual countries—there is no single formula to be applied across the region.

Furthermore, the implementation of policies must be based on a high-profile and broad-based discussion of the issues within PDMCs themselves before reform should be attempted—long-lasting and far-reaching change will only be brought about if the Pacific countries are sufficiently convinced that it is the appropriate course to follow. Funding agencies can indicate that they will no longer support failed policies of the past. They can encourage the search for new solutions. They can describe initiatives that have been effective in other countries. But effective solutions can only emerge at the will and leadership of the countries themselves. In addition, aid coordination is essential if policies toward the private sector are to be consistent and carry an unambiguous message.

Improving the environment for business requires commitment, analysis, persuasion, political action, and coordination at the country level between governments and the private sector, plus coordination and support on the part of funding agencies.



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- First, no successful strategy can be implemented without the wholehearted support and cooperation of the government of any country where it will be implemented.⁷¹
- Second, success requires carefully identifying priorities for reforming the enabling environment.
- Third, it requires a prioritization and commitment on the part of funding agencies to make private sector strategy the centerpiece of country programs.

Alternatively, the funding community might seek to convince Pacific countries that changes in policies toward the private sector will lead to improved growth and prosperity. They might achieve this end through initial analysis and discussion at the country level, which can lead to requests for assistance. There is no single path that promotes private sector development. The discussion

⁷¹ The governments must also engage their citizens in a dialogue so there is a general understanding of the need for change and support for it.

that follows outlines a general approach at the country level, the international donor level, and then, in some detail, options and suggestions for funding agencies such as ADB. In practice, however, the process is likely to be the result of focused interaction, which will not follow any predetermined pattern.

The role of the government in private sector development lies in establishing an enabling environment that promotes long-term contracting and a planning time horizon that is not distorted by political uncertainty. It requires clear rules and the absence of corruption. In some Pacific states, governance is either weak or nonexistent, with several states being on the verge of failing completely. Funding agencies have tried to address issues of governance, but the knowledge of what to do and how to promote good governance is still in its infancy.

For government to provide an environment in which the private sector can flourish, it needs to understand the problems that affect the business community while at the same time maintain sufficient insulation from special interests seeking to promote their own concerns at the expense of economic efficiency. In the final analysis, competition will always bring about the best solution to problems of efficiency, allocation, and growth.

Need for Interaction Between Government and Business

To appreciate fully the factors that affect private sector development, the government and the private sector need to understand and interact on problems and issues. In addition, the government and the funding agencies must be

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prepared to guard against the initial reaction of the private sector to probably request special concessions, often in subsidized credit and protection against competition. A striking feature of the private sector assessments undertaken as part of this regional technical assistance was the low level of communication between the business community and the government in the countries visited, which has resulted in suspicion, resentment, and at times, hostility between the two parties. A unique exception occurred in Vanuatu in October 2002 when the Chamber of Commerce and the Government held a weeklong seminar in which grievances were aired and action plans for future cooperation were developed. On the one hand, this dialogue was clearly constructive, while on the other, there were signs that special interests were being promoted, and calls for subsidized credit and insulation from foreign competition illustrated this point. Nevertheless, Vanuatu's business forum process is certainly a step in the right direction and other Pacific countries

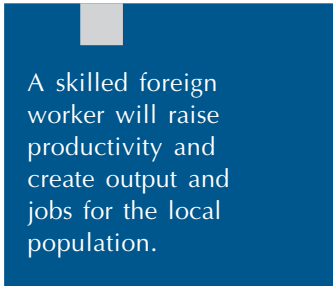
should be encouraged to establish similar mechanisms of dialogue between government and business.

The Need for Analysis

The Vanuatu example illustrates the necessity for the parties involved in such an interchange to have a view of the parameters that define the debate. Nevertheless, without close cooperation between the private sector and the government, many opportunities for improvements in the business environment are foregone. An additional area where understanding of problems and issues is required is the informal sector. The needs of rural communities attempting to start and grow commercial ventures of their own are often virtually ignored by both government and the formal private sector operating in urban areas. Since they do not yet formally exist, they do not have a voice. Yet, policies for such private sector development need to be formulated.

Foreign Workers, Foreign Investment, and Incentives

Most Pacific economies are critically short of skills of all types, which is one of the causes of low productivity in the region. Yet, in most countries, there are restrictions and cumbersome procedures for obtaining or renewing work permits for foreigners who have the needed skills. This policy, like many others implemented with intent to help the economies of the region—whether explicit or implicit—has a contrary effect. It drives down overall productivity levels, keeps salaries low, which in turn encourages the emigration of skilled Pacific workers. Reluctance to approve work permits for foreign workers is based on what is known as the “lump of labor fallacy,” namely that there is a limited amount of work to be divided among the workforce. In terms of this fallacy, it follows that if a worker is brought in from outside, a local must lose a job. The reality is far different, however. A skilled foreign worker will raise productivity and create output and jobs for the local population. In addition, the foreign worker provides an opportunity for skills transfer to local workers. Every country in the Pacific should welcome any skilled foreigner with open arms. Rather than make it difficult for businesses to bring in skilled workers, processes should be simplified and expedited.



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Similarly, the fastest way to upgrade business practices is to learn them from foreign investors. The world abounds with examples of foreign investors bringing improved business practices and methods to developing countries, which are

then learned by locals who use them to start businesses of their own. Foreign investment is one of the best ways for countries to acquire skills and techniques, generate employment, and promote growth. Unfortunately, in much of the Pacific, foreign investment procedures are mired in red tape and delays, onerous registration requirements, and difficulties in bringing projects to fruition. Tales abound of potential investors leaving frustrated and going elsewhere.

A Schematic of Government Policy for Private Sector Development

The first step in promoting country-level private sector development must be a commitment to promoting it and an acceptance by government that sustained growth and prosperity can only be achieved through a dynamic, expanding private sector.

The central theme of any private sector strategy is not fostering specific companies or sectors. It is not whether countries have potential because of endowments of natural resources. Rather, it is ensuring that the incentives and conditions that affect business and entrepreneurship promote productivity and growth.

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As a result, private sector issues encompass almost every area of the economy. In addition, the government is not the only one responsible for implementing a strategy to encourage private sector development. The private sector itself must play a central role in formulating policy, and both have responsibilities—the government must not erect barriers to business and commercial activities; the private sector must not expect special preferences.

The process that the countries could undertake entails

- identifying problems that hinder the development of the private sector, which require significant technical expertise, especially in the early phases (an area where funding agencies can be particularly effective);
- consulting with the private sector to prioritize and reduce the large number of identified problems (including changes in the law or the ways in which services are provided), and communicating this to politicians and the public; and
- consulting a second time with the private sector to maintain enthusiasm and involvement with the implementation of new policies in the design (including feedback mechanisms and quantifiable criteria) and evaluating periodically to monitor implementation.

An Agenda for Governments

The private sector in PDMCs faces numerous challenges. Solving them requires a commitment and action plans (road maps) by governments to address adequately those challenges through regulatory and legislative reform. The agenda is large, and issues of sequencing, selectivity, and priority will arise. Since this report is regionwide, it is not possible to provide detailed country road maps. Rather, in this report, the most important issues are identified in a general context. Individual countries will need to decide what specific actions within a particular issue they should take and in what order the improvements should be made. Priority issues that inhibit private sector development across the region are

- state interference in the economy
- poor provision of public goods
- high-cost operating environment
- underdeveloped financial markets
- land rights issues
- poor investment policies
- natural resource management issues

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State Interference in the Economy. The size of government in PDMCs, compared with other developing countries, is large. Even when it does not constitute a large percentage of GDP, in many Pacific countries, governments have imposed burdensome regulatory regimes on private business and own a large number of business enterprises—many of which are monopolies. Private business is regulated out or crowded out of much business activity. This situation distorts investment and returns to capital, and results in a less efficient economy than one with fewer controls and fewer state enterprises.

Where public goods require public finance, modern practice suggests separating financing from the delivery of service, and introducing, where possible, competition-based private sector participation in service provision, even if it is financed by the state. In the Pacific, an improved regulatory regime that allows for competition and the rapid adoption of technical change, combined with the sale of government-owned commercial businesses, would greatly lower costs, and decrease the size of the state. This then, is the beginning of a reform agenda. It will be difficult for the private sector to perform at its full potential and create jobs at the needed rate until these aspects are resolved.

Poor Provision of Public Goods. The state fails to supply public goods that underlie an effective and efficient private sector—secure property rights, a legal system that allows contracting with confidence, and efficient and low-cost

infrastructure and regulations. There is the paradoxical situation in the Pacific where states are engaged in activities where they should not (owning commercial businesses) and are not supplying what they should supply (secure property rights, a well-functioning legal system, low-cost infrastructure, etc.). This misallocation of government effort is a primary contributing factor to the low rates of return on capital, aggravating the problems of size and distance, and acting as a tax on development. Reorienting the role of the state should be an early and continuous agenda item.

High-Cost Operating Environment. The most common complaint heard from the business community during country visits was the high costs of conducting business. Part of the problem arises from the size and remoteness of the countries, but these effects are compounded by misguided government intervention and policies that further push up costs and reduce competition. Electricity generation and distribution are typically state monopolies as are telecommunications and water supply, and the state owns and operates critical infrastructure such as ports and airports. These businesses are operated and often owned by the private sector in much of the world. Where monopolies exist, they are regulated, but often, competitive or contestable solutions can be found so that heavy regulation is unnecessary. Novel solutions for small island economies, such as an offshore regulator, could also be considered. When the costs of doing business are high, firms are discouraged from establishing or expanding their business. There is a great deal that can be done to escape the costs associated with the regulation of businesses and monopolies. It is here that PDMCs should strive to introduce international best practice to provide an environment conducive to private sector development.

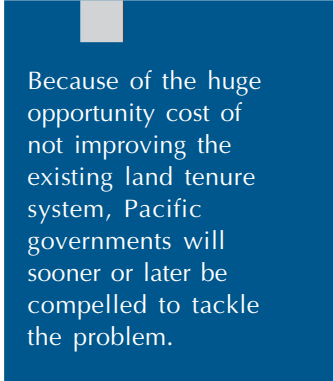
Underdeveloped Financial Markets. The financial markets of the Pacific are underdeveloped and do not provide sufficient support for the private sector. While interest rates and the money supply are no longer controlled by fiat, the banking industry is poorly developed—banking services seldom reach beyond urban areas, credit to indigenous entrepreneurs is extremely limited, interest rate spreads are large (with some exceptions), and informal lending substitutes for commercial banking. The poorly developed financial sector is related to shortcomings in the secured transactions framework and the incompatibility of the customary land system with secured lending. When banks cannot secure their lending with collateral, lending is costly. In PDMCs, the system for using property as security is cumbersome, expensive, and often unavailable. To deepen financial markets and increase credit availability, these two elements should be addressed. The longer-term aim should be to strengthen property rights so that financial markets can channel funds from savers to investors to stimulate

economic development. While external funds are substitutes for financial deepening, they are not a long-term solution and will not aid in the development of the financial sector.

Land Rights Issues. Secure ownership and the ability to exchange land is needed to create a positive investment climate for small entrepreneurs, in addition to being a precondition for the emergence of financial markets—a situation that does not exist in PDMCs. The institutional framework for land ownership and use (land use, land rights, and land tenure) is one of the most long-lasting, culturally sensitive, and politically controversial issues in Pacific societies. Suggestions to modify customary land systems are extremely contentious and are usually considered by politicians to be too hard to undertake. Yet maintaining the current form of customary ownership comes at a huge economic cost to the Pacific countries. The largest asset of the Pacific region is generally not useable as collateral to raise capital for investment. Over 90% of land in PDMCs remains under customary ownership without formal ownership. In most developed countries, the bulk of small businesses are started using loans that are backed by land or residential property. This facility is not available in the Pacific. The problems in land tenure in PDMCs include

- unclear ownership and boundaries because of a lack of records;
- restrictions on transferability because of unclear ownership;
- weak dispute resolution practices; and
- ineffective enforcement.

Because of the huge opportunity cost of not improving the existing land tenure system, Pacific governments will sooner or later be compelled to tackle the problem. As noted earlier, simply introducing conventional western land tenure systems will not solve the problem in a politically durable way. The new system must closely complement the customary system of land rights yet permit more land to serve as collateral. Many Pacific countries are cautiously reviewing their land rights systems to see how they can be changed to meet present-day needs. But progress is slow, unsystematic, and lacks commitment. It would be desirable—in the interests of private sector development and the wider interests of development, civil harmony, and good governance—for countries of the Pacific to start taking a series of small, systematic, and conclusive steps toward solving the identified shortcomings of the existing land tenure system.



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Poor Investment Policies. An enabling investment climate requires many actions from the government. It requires sound macroeconomic management, and trade and investment policies that promote openness, productivity, and growth. While PDMCs are doing much better in this regard, more can be done. In addition, an attractive investment climate requires sound governance, promotion of competition, and prevention of corruption, with a solid foundation of basic physical and social infrastructure. Again, PDMCs have moved in the right direction, but much more is needed. Without a predictable environment for people, ideas, and money to work together, investment will simply not occur. The role of government is to provide an environment for entrepreneurs to invest in productive activities. An environment conducive to overcoming the natural disadvantages of size and distance is not the norm in any PDMC. Importantly, a secured transactions framework is missing, it is usually expensive to establish and register a business, incorporation is not easy, and often, specific industries are targeted for assistance while obstacles to investment are imposed on others.

Business is inherently risky and failure is common worldwide.

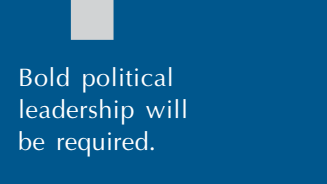
Governments of the Pacific have tried to control foreign investment largely out of fear of business failure from exploitive investors who put little capital at risk. They have generally held the view that investors have to prove their bona fides and often require them to go through lengthy vetting procedures before allowing investments to proceed. Results have been less than satisfactory. The process is haphazard, and at times, governments have been defrauded by investors to whom they have offered special inducements but who have then absconded. Other investors have been discouraged by lengthy review processes and have lost interest. A relatively recent study found no instances of fraud on the part of businesses that were not given special incentives (Hughes 1998). That does not mean, however, that some foreign investments will not fail.

Business is inherently risky and failure is common worldwide. But investors, domestic or foreign, who are willing to put their capital at risk, should be provided an open investment environment where their success depends on the merit of their business and not on the whims or performance of government. In this respect, there is much work to be done by governments in the Pacific in enhancing the environment for business investment. Screening procedures for foreign investors should be minimal and, preferably, all should be welcomed but none singled out for special incentives.

Natural Resource Management Issues. Pacific countries are heavily dependent on natural resources for their livelihood. Most are renewable resources but

some are extractive and some are renewable but treated as extractive. These natural resource-based industries are agriculture, fishing, tourism, forestry, and minerals. Resource management and the management of rents from extraction are critical issues for the economic development of countries in the Pacific. There is a great need to develop workable management protocols for the natural resource endowment so that it continues to provide optimal returns not only in the near future, but for generations to come.

This summary when broken down into specific actions represents a formidable agenda for policy change, which will take time and political will to accomplish. Many of the changes are unavoidable if countries genuinely wish to lift their economic performance and provide income-growth opportunities for their citizens. Careful design and community consultation will be needed, along with a clear explanation and expectation of the benefits that will be derived from undertaking the changes as well as the costs of not undertaking them. Bold political leadership will be required.



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Funding Agencies and the Private Sector

Successful implementation of a private sector development strategy will depend on implementing the vision of the private sector as the driver of economic growth. Establishing an enabling environment for enterprise, providing macroeconomic stability, reducing costs, and reducing the interference of the state in the economy, will be the only way to achieve this success. It also depends on convincing the Pacific countries that the state can promote growth by supporting the private sector, rather playing the central role in the economy itself, which effectively crowds out private sector activity. In addition, it is important to convince states that past attempts to promote economic activity and compensate for perceived disadvantages by putting the state at the center of economic activity have had the opposite effect and have damaged and hindered private sector development.

As a general rule, donors focus their respective private sector strategies on a limited range of issues that appear to be the cause of the low rate of return on capital and that lead to the binding constraints to business startup and development. The approach involves promoting the shift in the mind-set of government officials away from seeing the government as a producer of products and services to viewing it as a facilitator of economic output by business. This end can only be achieved through discussion and policy dialogue among

governments, private sectors and the general public. Coordination among funding agencies is critical.

Funding agencies should make private sector development a central part of their overall development assistance strategies in the Pacific. Further, it is important that this be consistent with a broader strategy to promote the private sector in the region and in line with the interventions of other donors—coordination of effort among donors makes aid much more effective. Analysis is best performed by the multilateral institutions, which ideally should feed into the overall donor strategy. This should be based on important general principles such as ensuring political commitment, involving key stakeholders, accounting for local culture, focusing on outcomes and impacts, and designing projects to take account of local implementation capacity.

It takes time to communicate a need for reform. It takes time to implement projects, to show results, to build staff-government relationships, and to build expertise and reputation in specific areas. In focusing on few specific issues, respective funding agencies and governments can collaborate to devise country-specific strategies, and prioritize and implement solutions until the results begin to make themselves evident.

Considerations for Funding Agencies

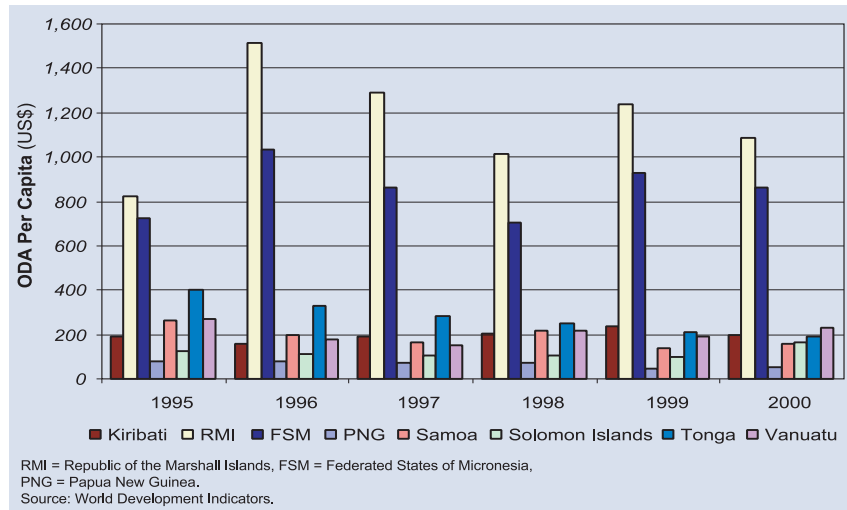
Funding Agency Involvement in the Pacific

Of the total net disbursement of official development assistance to PDMCs, bilateral sources account for over 80%, with multilaterals being minor players.⁷² Official development assistance to PDMCs averages around \$700 million per year. There are great variations across PDMCs in the per capita aid level ranging from over \$1,000 in the Marshall Islands to less than \$50 in the Fiji Islands. Another feature of aid to the Pacific is the high proportion of technical assistance to project lending.

Apart from ADB, and to a much lesser extent, New Zealand, there is something of a vacuum in the area of assistance for private sector development. No other donors are placing a consistent, focused effort on private sector development in the Pacific. Many are undertaking activities that have the potential to influence private sector development—infrastructure, governance, and trade issue projects—but none have private sector development as a consistent priority.

⁷² Yet the multilaterals, with their reputation and “power to convene,” do have a leadership role disproportionate to their financial support.

Figure 30. Official Development Assistance Per Capita, Select Pacific Countries



Need for Aid Coordination

Coordination of international aid programs among various funding agencies is important in providing a coherent program and consistent policy advice to a country. During the past decade, the aid programs in the Pacific were largely sponsor-driven, often uncoordinated, and placed pressure on the absorptive capacities of PDMCs.

Lack of coordination led to a dependence on aid for financing the capital budget and playing off funding agencies by recipient governments. It also has meant that the effectiveness of some funding agencies' efforts have been undermined by others, especially at the bilateral level. For example, in the Marshall Islands, the Government was persuaded by an IFI (and supported by a loan) to close down a highly inefficient department of public works. A new government came in and announced that it would reconstitute the department. The protests of the IFI were completely undercut by a large donation of road-working machinery to the new department by a bilateral donor. The validity of the IFI view is proven by the fact that the machinery is now largely unused because of poor maintenance and the resulting poor condition of the roads.

While the possibility of a "race to the bottom" exists, there is also a possibility of a "race to the top."

Coordination is improving, however, most notably in Papua New Guinea where a joint strategy is being developed by a team drawn from three major funding

agencies.⁷³ ADB has played a lead coordination role for several PDMCs, particularly in reform programs. The consultative group mechanism has become a familiar structure through which ADB and the World Bank have brought funding agencies and countries together to agree on priorities and efforts. Consultative group or development partner meetings were convened over the last few years for most countries in the region.

Without aid coordination, especially on some policy issues, the likelihood is a zero sum outcome. For instance, if countries compete by offering incentives to foreign investment, it is unlikely that net investment in the region will rise; rather, one country will divert investment away from another, setting up a “race to the bottom” where potential investors can play one country off against another to extract the maximum concessions. Similarly, without the benefits of lower travel costs, it is unlikely that tourism promotion in the Pacific will lead to an overall rise in visitors. Hotel construction in many countries simultaneously could lead to substantial overcapacity—there is the potential that funding agencies helping individual countries without taking a regional perspective can have an adverse impact on the region as a whole.

While the possibility of a “race to the bottom” exists, there is also a possibility of a “race to the top.” If countries implement investment-friendly policies through systemic reform that offers investors low regulatory barriers, simple and transparent application procedures, low tax rates, and low import barriers, the Pacific as a whole becomes attractive to foreign investors in a self-reinforcing way. This arrangement sets up a virtuous circle in which positive reform in one country induces similar changes in others. Not only will foreign investment benefit from such measures but local investment as well. The Pacific, as a region, could develop an international reputation of being a friendly environment for investment.

Such actions, however, first, depend on government commitment, and second, on funding agencies taking a unified approach to reform in the Pacific. This adjustment also needs to occur in the area of technical assistance, as in the case of the road-working equipment, which also needs to be coordinated. In the countries examined here, the quality of technical assistance varied between excellent and poor. Not only does poor advice dilute the reform message, but there is a danger of advice that is politically expedient, driving out beneficial advice. Furthermore, scarce technical assistance funds are wasted when the same issues are studied by different agencies. Change will occur as a result of

⁷³ ADB, AusAID, and World Bank 2003.

focused advice that is technically sound, followed by widespread dissemination that promotes discussion between civil servants, politicians, and the private sector.

Funding agencies should encourage governments to be more active in planning investment and assistance priorities, and integrating this action with national budgets as well as donor interests, funding capacity, and expertise.

The Voyage Must Begin

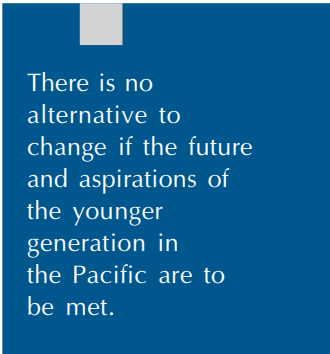
The core theme of the strategy for the Pacific is that many interventions, justified on the premise that Pacific countries require special policies because of their size, remoteness, and vulnerability—such as government ownership of lumpy capital investment projects—have had an adverse effect. Rather than ameliorate problems, they have exacerbated them by raising costs and reducing rates of return on capital. Rather than help the Pacific countries integrate more closely with the global economy, policies have added to their isolation.

The strategy outlined here has focused on a relatively small number of issues:

- reducing the role of the state;
- strengthening property rights for movable property as well as for land;
- strengthening financial systems; and
- improving infrastructure by promoting more local involvement in procurement and maintenance.

To obtain results, governments must focus on a few of the most constraining issues. Many issues, particularly land reform and the role of the state, are complex and will require persistence by funding agencies and political will by governments.

Further, even if implemented, such reforms will not fix everything at once. It takes time for an economy to respond to new incentives. It takes time for potential emigrants to realize that new opportunities exist at home rather than in countries to which many of their fellow citizens have migrated. It takes time for financial institutions to adapt their lending practices to the realities of reformed debt collection procedures. And it takes time for the beneficial effects of one policy reform to spill over into other areas or sectors of the economy. That the process may be lengthy is not an argument against beginning reform immediately, but it is important to bear in mind that patience and perseverance



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are necessary. In addition, reform requires a major community information campaign to apprise citizens of the benefits of economic changes for stimulating the private sector.

The voyage must
begin anew now.

Some strategic directions suggested in this strategy are perhaps controversial because they are not conventional. Since conventional approaches have not worked in the past, more of the same will result in the same unsatisfactory outcomes. Repeating the patterns will lead to more failed aid programs, more hopes dashed, and further cynicism and isolation of the people of the Pacific. There is no alternative to change if the future and aspirations of the younger generation in the Pacific are to be met. The voyage must begin anew now.