9 CONCLUSIONS

This report has provided an overview of migration and remittances in the Pacific with particular reference to Samoa and Tonga, two of the larger Polynesian states where international migration and remittances have been of the greatest importance and where this has been documented to a more substantial and credible extent than elsewhere. A number of conclusions are significant.

- There has been a consistently substantial and growing volume of remittances especially in the Polynesian states making up a significant part of national income in excess of the value of exports and aid.
- The use of these remittances has gone through a partial transition from consumption to investment as many consumption goals have been met at least in part. Such trends have occurred elsewhere (Helweg 1983; Connell and Conway 2000) and have boosted standards of living.
- Remittances have been particularly important in the most remote islands where development needs are less well met. Even in the most remote locations such as Falahola in Tonga and outer Kiribati islands, people have invested remittances though the opportunities are very few (James 1993b; Borovnik 2003).
- Remittances contribute to valuable objectives such as human resource development and are a means of maintaining social networks and creating social capital (Grieco 2004). In several places, especially smaller islands, education is highly valued both in a general sense and for the development of specific skills in order to create human capital for potential migration.
- Overall various studies suggest that remittances are positive and satisfying for households but insufficient in and of themselves to influence national development goals. Economic growth has been very limited in Pacific island states as Bertram has pointed out, "…because of low capital absorption capacity, due partly to small scale and geographical isolation, which limits the possibilities for text-book growth models based on large country experience" (Bertram 1999b: 338; Tisdell 2002; Cohn 2003).

These conclusions further suggest a number of policy recommendations, however, conclusions drawn mainly from dated studies in the relatively large states of Samoa and Tonga cannot necessarily be generalized for other states in the region. Indeed, the financial systems of Pacific island countries are quite different both in the extent of financial development and in institutional structure due to unique mixes of cultures and colonial and post colonial histories. To some extent, however, the examples of Samoa and Tonga do provide financial templates of remittance dependent economies that can be used as a good starting point for understanding the situation in other small countries in the region.

Several of these conclusions indicate that further in-depth research should be undertaken. Few detailed studies of migration and remittances in the island Pacific are statistically significant, and many were done more than a decade ago and may no longer be valid. Two of the few studies that discuss remittances in this century note that the wives of Kiribati seamen regularly communicated with their husbands by fax or telephone but that e-mail was fast becoming their first preference (Clark 2004; Dennis 2003), opportunities that were not open to migrants or recipients a decade ago. How new electronic forms of communication have influenced actual remittance flows has yet to be explored in detail (cf. Morton Lee 2003, 2004a,b). There have been virtually no studies in Fiji Islands and Tuvalu though remittances are of considerable importance in both.

Remarkably, not a single village study appears to have been conducted anywhere in the Pacific in the past decade that provides data on remittances. Firstly, follow-up studies in key villages where earlier studies were conducted to indicate potentially significant changes would be useful. Secondly, more detailed studies would be useful in FSM, Niue, and the Cook Islands where there have been no recent studies, and in Kiribati and Tuvalu where the relationship between poverty, remittances, other income sources, and rural safety nets is of critical importance. Thirdly, detailed follow-up surveys in Samoa and Tonga that would indicate potentially significant changes over the past decade would be valuable. Without more adequate data, it will continue to be difficult to be precise about trends, outcomes, and policies.

Critical uncertainties about some basic issues remain, including the intent of remitters and how that is translated (and even whether remitters are more conservative than recipients), the extent of inequality created by the migration-remittance nexus, and the extent to which remittances contribute to crowding out local economic activities. This is scarcely surprising since similar uncertainties occur in broader and better-documented contexts (Jones 1998). The present conclusions, while suggesting that remittance levels would be sensitive to policies affecting relative real interest rates, do not suggest that

policy would stimulate more domestic investment from remittance flows or that the migrants (or their families) would necessarily make the best entrepreneurs despite the use of remittances for investment. This raises the broader issue of the importance of the general investment climate. Migrants are unlikely to risk their capital in an investment in the home economy if safer alternatives exist elsewhere.

In view of these sorts of problems, policies should be geared more towards encouraging migrants to become more active in domestic capital markets as saver-rentiers. Governments must offer savers competitive real interest rates in order to accumulate loan funds to invest either in larger domestic projects or to hold as overseas assets denominated in foreign currency at the best possible rate of return. If and when investment opportunities arise in the home economies, such offshore funds could also provide an important source of venture capital.

This kind of intervention has not hitherto been considered in any detail in island states partly because it is technically difficult in open economies (and where migrants are often settlers) and because remitters have been uninterested in (or unaware of) the few existing schemes. Governments are also unwilling to tamper with substantial remittance inflows (the "goose laying the golden egg" syndrome) or be seen to restrict freedom of movement, privacy, and individual decision making. Moreover there is a strong belief that supporting remitters or recipients would favor those who have already benefited substantially from the system, hence equity would be poorly served. Finally Pacific island governments are relatively weak and ineffective in developing and implementing many policies and in other circumstances have been discouraged from intervening in the private sector.

It is increasingly evident however that maximizing the benefits of international migration is crucial since it is highly valued throughout the region for social and economic reasons. As long as considerable economic challenges face island states, as their population growth rates remain above world averages, as development prospects are few, as the possibility of declining aid becomes more apparent, and as expectations rise, the ability to migrate will be crucial.

There is no question that remittances have contributed to development in various contexts and senses. Most studies have suggested that many Pacific island households use migration and remittances to increase their incomes even fostering obligations and implicit contracts. Poirine has argued that family members are consciously and repeatedly optimizing their economic status over time while the informal family credit market of remittances is an efficient means of achieving the, "…highest returns on human capital investments" (1998). It is clear, however, that in many circumstances decision

making is less rational and informed than such models suggest. Indeed the relationship between remittances and fluctuations in the labor markets in host countries is poorly understood, and there are almost no data that consider skilled and unskilled migrants as distinct categories. Moreover, there is a range of evidence that suggests that remittances are increasingly demand driven and a response to requests. However, even with imperfect knowledge, households are consciously making decisions in favor of the quantity and quality of education of children that boost their chances for migration (Brown and Connell 2004). Migration and remittances thus stem from and contribute both directly and indirectly to human capital formation.

Anecdotal evidence points to the growing individualism of overseas migrants, especially to the increasing numbers of second generation migrants born overseas and the reduced likelihood that they will send remittances to home countries especially if they take up host country citizenship. Thus one Tongan observed of migrants to Australia, "People who were born here or went to school here send remittances. People born there? No way!" (James 1997). Many Tongans in Melbourne have lost interest in continued financial support of their overseas kin as their sense of *kavenga* (obligations) has declined over time (Morton Lee 2004). Similarly, skilled Tongan migrants in Sydney are increasingly stating that they no longer remit (Fusitu'a 2000). Data on Samoan and Tongan nurses in Australia, on the other hand, indicate that skilled migrants sustain remittances at high levels and over long time periods, but that data dates from the mid-1990s and circumstances may now have changed.

Even if direct remittances decline, migrants still contribute to collective fundraising endeavors that play a part in nation building (Morton Lee 2004). The flow of food in both directions strongly suggests the affective and symbolic role of exchange, how it is embedded in social structures as much as economic transactions, and thus the potential for long term flows to continue. Indeed as remittances are a critical element in building and maintaining social networks, they are likely to be sustained beyond what economic principles might suggest.

As first generation family ties decline, as families are reunited in host countries, and as there are no dependents in home countries, remittances for that household will decrease, but other households will begin the migration process anew. It is not therefore surprising that several Pacific states have argued strongly and lobbied hard for special migration legislation in host countries to sustain migration flows. If migration becomes more selective in terms of skills (or in any other way), gains to Pacific island states are likely to decline. It has long been argued that concessionary migration schemes are a practical form of aid to smaller Pacific island states (Connell 1984). These

arguments center around the view that since labor is the most successful export, concessionary migration policies would be even more beneficial. "Like any other export, in the right policy context labour export and remittances can serve as a stimulus to economic development and a change in comparative advantage" (Appleyard and Stahl 1995).

Two counter arguments to selective migration policies are that development (and aid) should be centered in the island states, and that recipient countries should have non-discriminatory migration policies (Cuthbertson and Cole 1995) though both such arguments have been largely bypassed by time. Indeed Australia has even been forced to contemplate the possibility of developing a migration-remittance economy for the impoverished state of Nauru (Hallett 2004). Moreover, these arguments take little account of labor needs in host states. Short term labor migration has worked effectively in New Zealand where workers from relatively poor parts of Fiji Islands have taken up jobs, mainly in agriculture, that are unattractive to residents and have returned to make substantial financial contributions to their home communities as a result (Levick and Bedford 1988). Workers who overstay their visas make similar contributions in Australia. Economic and institutional changes in present host countries do, however, place limits on this. Ultimately the future success of the migration-remittance nexus may lie in social, economic, and political changes in host states that open up labor markets.

As long as migration opportunities exist and offer prospects for higher earnings, it is perfectly rational for islanders to adopt strategies that maximize migration prospects such as investing in children's education. However, spending on education is treated as consumption (not investment) in national income accounts, and in the intergenerational transfer model (Brown and Poirine 2004), remittances to parents are understood as returns on past (human capital) investment. Once migration-induced investment in human capital is treated as a legitimate and rational use of resources, a number of the perceived problems with remittances and their use disappear, and the migration-remittances nexus is more obviously beneficial.

What is crucial for home countries is that long-term migration opportunities continue. If improved education encourages children to stay and if retired emigrants are encouraged to return, for example, by ensuring access to land (a major challenge in most states) and by securing agreements with host countries to preserve pension rights and any other retirement benefits in their home countries, then remittances will be maximized (Poirine 1998). Moreover it is possible as James suggests for Tonga, that the export of traditional wealth may continue to stimulate resource flows to Tonga (1997) even when remittances may dwindle.

Remittances in the Pacific are presently maintained for very long time periods, beyond what has hitherto been recorded in most other world regions, and in quite new socioeconomic contexts (Morton 1998, 1999). Indeed, the most striking conclusion of the most detailed studies is that remittances do not decline over time, emphasizing that migrants are ultimately motivated by factors other than altruistic family support such as asset accumulation and investment at home as the intergenerational flow of remittances takes on a more individualistic element (Brown 1997, 1998). This may also reflect the pervasiveness of island social mores and some degree of discrimination in host countries that increases the desire to maintain island social ties. For whatever combination of reasons, there is room for some degree of optimism that remittance flows will not decline significantly in the near future, along with a degree of pessimism that flows will not continue indefinitely. Even that conclusion depends in large part on the continuity of migration flows. It might be expected that migration will continue when possible where public sector employment is reduced, where wages and salaries remain low and unequal, where working conditions are sometimes difficult and hierarchical, where commodity prices have declined, and where there are many kin overseas. Moreover, some skilled groups such as nurses are now recruited internationally.

As Muliaina has argued in the case of Samoa, if there is a continued tightening of immigration policies by major Samoan hosts for whatever reason, "…the standard of living of rural Samoans, as opposed to urban dwellers, may be expected to decline in the next decade" (2001). If that is true of Samoa, it is true of all other independent Pacific states where there is presently a significant dependence on remittances. Moreover, Muliaina reached that conclusion primarily for a Samoan village about 12 kilometers from the capital where there were several business ventures and commuters to urban employment. Remote locations would face greater difficulties.

While international migration has had both positive and negative effects in the Pacific, the significance of the positive effects (particularly increased standards of living) must be contrasted with the limited development potential of many countries in the region and their failure to achieve significant economic growth or sustainable development. In the Pacific, as in the Caribbean, remittances have made a substantial contribution to household development but rather less to national development (Connell and Conway 2000). In most of the South Pacific, the greater self-sufficiency that would follow a decline of migration and remittances would be difficult and painful. As was argued for the small island of Rotuma, "With the prestige given to 'foreign' goods, it is doubtful, therefore, that Rotumans would want to be self sufficient, even if it were a possibility" (Plant 1977). In Tikopia, Solomon

Islands, "…from such a level of dependence on imported goods it becomes difficult to retreat without unease and a sense of deprivation" (Firth 1971). In Pohnpei, too, villagers were not interested in adequate subsistence or even in the right to subsistence, but rather desired, "…continued and increased access to the goods and prestige provided by employment" (Petersen 1979). More than two decades later, these statements can be re-emphasized in a wider context. Demand for migration and remittances is likely to be sustained alongside rising expectations in conditions of limited national economic growth.

As preferential trade agreements disappear and barriers to international migration become more selective and challenging, other forms of development and growth must be found and implemented, and remittances must be used more effectively. Many Pacific islanders, especially Polynesians, see migration or overseas employment as a means of escaping limited domestic economic opportunities and maximizing their development options. In this context the need to maximize the benefits from migration and remittances becomes ever more pressing.