

F oreword

The research for this report was initiated by Andrea Iffland, who rendered technical support and guidance during the ensuing phases of in-depth reviews. John Connell, School of Geosciences, University of Sydney and Richard P. C. Brown, School of Economics, University of Queensland prepared the report based on an extensive literature review. Judy Goldman provided editorial support and much appreciated advice.

The report provides an overview of labor migration from Pacific island countries and the remittances that follow. Remittances have always been and continue to be a major feature of the Pacific island economies. They ensure a balance of payment surplus in most receiving countries. The dependence on remittances, particularly of Polynesian countries, is controversial. Some economists consider reliance on these private flows of funds critical as it leaves economies vulnerable to fluctuations outside the control of governments. There is also very little understanding about the reciprocity triggered by remittances and its impact on the balance of payments and on the gross national product. The lack of reliable and accurate data on remittances renders it difficult to address these concerns. The situation is further aggravated as remittances are underestimated due to informal unrecorded flows. Governments recognize the need for better data but are also aware of the sensitivity of these flows to official monitoring.

Remittances constitute a major part of household cash income for many families. They are considered a safety net for the population at large. Remittances are mainly used for consumption while investment purposes are of lesser importance. With private sector development a priority of most Pacific island countries, it is essential to understand the remittance flows—their vulnerability, sources, and volume—and how best to harness them for development purposes.