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COMPARATIVE STUDY IN THE NET BARTER TERMS OF
TRADE AND INCOME TERMS OF TRADE OF THE PACIFIC
ISLAND ECONOMIES.

ROBERT MATAFONU A FOTU SOAKAI

MASSEY UNIVERSITY

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ABBREVIATIONS

-	Zero
..	Not applicable
ADB	Asian Development Bank
AIDAB	Australian International Development Assistance Bureau
ANU	Australia National University
cif	Costs, Insurance and Freight
DCs	Developing countries
DFTT	Double Factoral Terms of Trade
DWFN	Distant Water Fishing Nation
ECLA	Economic Commission for Latin America
EEZ	Exclusive Economic Zone
EXP	Export
FAO	Food, Agriculture Organisation
FFA	Forum Fisheries Agency
FIC	Forum Island Countries
fob	Free on Board
GBTT	Gross Barter Terms of Trade
GDP	Gross Domestic Products
GNP	Gross National Products
IMP	Import
ITT	Income terms of trade

LDCs	Less Developing Countries
MIRAB	Migration, Remittances, Aid and Bureaucracy
n.a.	not available
NBTT	Net Barter terms of trade
PNG	Papua New Guinea
POP	Population
RCTT	Real Cost Terms of Trade
SDR	Special Drawing Right
SFTT	Single Factoral Terms of Trade
SPARTECA	South Pacific Regional Trade and Economic Agreement
SPC	South Pacific Commission
SPR	South Pacific Region
TOT	Terms of trade
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UTT	Utility Terms of Trade

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ABSTRACT

It is suggested by the so-called P-S thesis that countries whose exports based upon traditional primary products will continue to face deterioration in their terms of trade. It is upon such a proclamation, that challenge the author to launched an investigation to the validity of such a claim and its applicability to the case of Solomon Islands, Tonga and Western Samoa.

The early researcher in this area shows that countries whose exports dominate by exporting traditional primary commodities tend to have more instability in its terms of trade than those who are exporting manufactured goods. However one of the most staggering finding of this research is. The terms trade of the three island economies seem to be deteriorate, at same time their purchasing power seems to be on the positive side. What it means that, despite the deterioration in the country's terms of trade their incomes seem not deter at all by such a movement. This is sound controversial to the P-S thesis but there was other trade incentive that came in to play when these countries' terms of trade deteriorate. However, perhaps it is enough to mention here that such deterioration in the terms of trade might mean so little when one take into account major factors that hammered these small island's economies. Factors like, drought, hurricane, poor quarantine service, has fueled the problem of deterioration of the terms of trade.

Empirical test was carried out to examine the impact of the Net Barter terms of trade movement on the income (Gross Domestic Products). Result revealed was un-intrigue.

Conclusion was drawn and there is a strong need for change in the export bases of the three island economies. Policies need to change to encourage regional trading. A change to the trade agreement (e.g., SPARTECA) that govern the trade activities of the island nations, is necessary. Such a change will help the island nations to compete with its trading partners effectively and competitively.

Chapter 1

" Individually as nations we are small. If we go it alone, we will be easy prey for the developers who will shop around our region until they get their best deal. The best deal for the developer will certainly mean the worst deal for the country concerned. The developer will say if he can not get what he wants in one place 'Ok I will go elsewhere I can get what I want ".

Hon. Michael Somare

(The South Pacific sub-regional UNCSTD paper, 1977:7)

Introduction.

The economic and social situation of the South Pacific region is very much dependent on the economic relationship that it has with its trade partners. To ensure that the islands of the Pacific achieve great benefit from interacting with their trade counterparts, the island nations should act as a whole. Failing to do so will put the island nations in big problems regarding trade and bargaining power. As Prime Minister Somare pointed out they become easy prey for the more developed countries.

However in the last seventeen years or so, the trade of the Solomon Islands, Tonga and Western Samoa seems to have benefited their trade partners more than advantaging the pacific island nations. Problems may be identified ranging from geographical isolation, the disadvantages gained from using unfair trade agreements, the types of products exported, and many other problems that will be discussed and highlighted in later chapters. From all the issues that have been identified, this research argues that the economies selected for this study will continued to have problems unless they change their line of export production: That is diversify their export base from total concentration on the export of traditional export crops.

As is shown in the earlier studies carried out by Singer, Prebisch, Sapsford and many others, countries who tend to concentrate in producing primary products for exports will continue to face problems with their terms of trade. This is exactly what had been found by this research. Between 1975 and 1991, the terms of trade of the Solomon Islands, Tonga and Western Samoa deteriorated.

In this research Chapter two sets out to review some of the earlier findings concerning studies of the terms of trade. Among the points that are highlighted in this chapter are the possible reasons given to account for deterioration in the terms of trade of the LDCs. Chapter Three looks at the methods that have been developed and used over the years to examine deterioration and improvements in the terms of trade. Chapter Four explains the data and the sample selection process used in this research. Chapter Five provides an overview of the South Pacific, from the social background to political and economic development to the latest changes in the area. Chapters Six, Seven and Eight focus on the Solomon Islands, Tonga and Western Samoa respectively, the three island economies that were selected for this study. Attention in these chapters is given to terms of trade and how it moves between 1975 and 1991. At the same time attention is also given to the impact of the terms of trade on these countries' income (GDP). Finally, Chapter Nine, the conclusion for this research will be given and some policy suggestions and recommendations.