Western Samoa

The Experience of Slow Growth and Resource Imbalance

Shahid Yusuf
R. Kyle Peters, Jr.

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Shahid Yusuf is a senior economist and R. Kyle Peters, Jr., an economist in the East Asia Country Programs Department of the World Bank.

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Abstract

Western Samoa is a small island country in the South Pacific with a population of about 160,000 concentrated on two main islands. In company with some of the other Pacific Island economies it has experienced economic stagnation and inflationary pressures emanating from external price shocks and fiscal deficits. Some of the causes of slow growth are geographical: Western Samoa has a limited production base comprised of a few agricultural commodities - copra, coconut oil, cocoa and taro; a small domestic market; and large expanses of ocean separate the island economy from its major export outlets. Other impediments are social in nature. The purpose of this paper is to examine these constraints using an anthropological perspective and to point towards their implications for future development.

Samoa's social system is organized around extended families, and ruled by a hierarchy of chiefs who are selected according to exacting genealogical criteria. These chiefs manage the allocation of labor and land, as well as the distribution of the product. Communal land management has been one important constraint on the development of the agriculture sector, which is the mainstay of the economy, accounting for about one-half of GDP and employing two-thirds of the active population. Agricultural activity has also been constrained by depressed prices and weak demand for the major export commodities. A second cause of Western Samoa's low growth has been a limited domestic savings rate, stemming from the demands of an extended-family welfare network and the important influence of the church. A third has been the tendency for many of the younger and better educated members of the community to migrate overseas in search of economic opportunities and to escape from the strict conventions of Samoan society. While the remittances of these workers have been a major source of foreign exchange sustaining the economy, they have perhaps further discouraged domestic productive activities. In concluding, the paper stresses the need for Western Samoa to strive for development of agro-based industries and a diversification of her agricultural exports, since the prospects of an economy totally dependent on the remittances derived from exporting young males abroad, are indeed dim.

Acknowledgements

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## CURRENCY EQUIVALENTS

**Annual Averages 1978-84**

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<td>0.826</td>
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<tr>
<td>1984</td>
<td>1.862</td>
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<td>25</td>
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</table>
I. OVERVIEW OF THE SAMOAN ECONOMY

Instances of slow growth or even of declining per capita incomes have been plentiful during the early eighties as countries have wrestled with the adjustment problems associated first with the increase in oil prices; next with the difficulty of financing payments deficits in capital markets dismayed by the sheer size of accumulated debts and apprehensive as to the ability of the major borrowers to discharge their obligation. A third restraint on growth has been the relatively weak economic performance of some of the major industrial countries and the trade barriers, that have multiplied as governments, particularly in the OECD countries, have sought ways of protecting employment while minimizing the use of inflationary expenditures. These developments explain, in part, the downward trend of the Samoan economy over the past four years but they are of little aid in identifying the cause of the faltering economic performance throughout the seventies. Nor is it possible to point towards any significant handicaps imposed by factor endowments or the environment. On the contrary, Samoa’s situation is a fortunate one, in many respects.

A population of 160,000 is concentrated on the two main islands of the seven that lie within the territorial boundaries. Similar to the other Pacific Island countries, the majority of the population is concentrated along the coastline, with the remainder of the islands sparsely populated. Basically, the country can be divided into four regions: one urban area around Apia (21% of the population); small village settlements in north west Upolu (26%); the remainder of Upolu (25%); and Savaii (28%). These islands, Upolu and Savaii, have a combined land area of nearly 1,000 square miles with a potentially cultivable acreage of half million acres, only 160,000 acres of which are currently in use. Aside from a highly favorable man-land ratio and good alkaline soil, the country has timber reserves of 235,000 acres. Coconut trees which supply the principal exports, copra and coconut oil, are planted on nearly 90,000 acres, more than two thirds by smallholders farming customary land. Cocoa, the second largest export item, is grown on another 12,000 acres, a fraction of it intercropped with coconut trees. Cocoa production is also concentrated in smallholdings. Taro, breadfruit, bananas, passion fruit, mangoes and coffee are other foodstuffs that are produced in quantity and some like taro and passion fruit, are exported to neighboring countries. The seas surrounding Western Samoa have an abundance of tuna and bottom fish such as snappers, resources whose potential has hardly begun to be tapped.

The ample natural resource base has been complemented by a modest increase in the population, which since 1971 has been growing at the rate of 0.6% p.a. With the government spending almost 22% of the budget on schooling, more and more of those joining the ranks of the labor force have received at least primary education. Improvements in human capital extend into the sphere of health. Modern medical facilities have lowered the incidence of morbidity and raised life expectancy at birth to 65 from 61 in 1970.

1/ Notes to the text can be found in Annex 1.
There is scant evidence that development has been constrained by the availability of capital. Throughout the 70s, an investment rate equivalent to 32% of GDP was maintained, by drawing in large part upon grants and assistance provided by New Zealand, Australia, Germany, and the EEC, in addition to generous remittances by Samoans working abroad, to their relatives in the country. These capital flows have helped to finance a current account deficit averaging about 18.2% since 1980. Yet, in spite of investment, the steady expansion - by 2,000 acres each year - in the cultivated acreage and the additions to the working population, growth has remained very low, averaging 1.3% p.a., over the period 1970-83. In 1983, with a per capita GDP of US$630, Western Samoa ranked as one of the poorest countries in Polynesia. Further, years of relying on foreign capital to bridge the gap between domestic savings and investment, had by 1983, pushed the debt service ratio to 57%.

The litany of the country's problems does not end here. Traditional exports such as copra, coconut oil and cocoa have done poorly over the past several years. They have suffered not only from the slump in world prices during the early eighties but also from supply related constraints on volumes sold. Thus, earnings from copra and cocoa were WS$11.54 million (see Table 3) in 1980 and WS$5.4 million three years later in 1983. Diversification towards manufactured goods has been discouragingly slow because new industrial investment after a spurt in the late 70s has all but ceased. Samoa continues to export cigarettes, beer, soap, handicrafts and processed food, but the quantities involved are small. The size of the domestic market is such that producers are unable to use it as a springboard for sales abroad, production facilities suffer from economies of small scale, relatively parsimonious fiscal incentives and a combination of moderately high minimum wages and low labor productivity that places Samoan goods at a disadvantage to those manufactured in the East Asian NICs. The devaluation in mid-1984 has, so far done little to revive the industrial sector or exports and even though the Fifth Development Plan promises a fresh infusion of hope, local entrepreneurs show little inclination to embark on new industrial ventures and foreign investors are unlikely to add to their stake in the country's manufacturing sector. In fact, signs are that earnings are being repatriated abroad rather than being ploughed back.

On top of all this, inflation remains a continuing source of worry. A small open economy will seldom stray very far from the international rate of price increase, but Samoan prices rose by 16% in 1983 and the estimated inflation for 1984 is 12%. Many factors have been at work. Periodic adjustments of the exchange rate tend to reverberate through the price system; demand pressures, juxtaposed with short-run domestic supply inelasticities, contribute their share of price pressures. In addition, since 1983, the government's success at increasing indirect tax rates and the size of the income tax base, has led to a worsening of inflation. These tax changes had more or less worked through the system by mid-1984 and inflation showed signs of easing, but the large devaluation of May 1984 did delay improvement on the price front. Inflation is unlikely to climb back to the levels of 1983 as money supply will remain fairly tight during 1985 - M2 growing by 10% 5/ - but there is little chance of single digit levels being achieved. Unfortunately, continued credit restraint for the sake of price stabilization is not likely
to help the investment climate and the regime of fiscal austerity adopted by
the government so as to reduce the budget deficit, will be an additional
dampener, at the very least, during the first year of the new Plan. Total
government expenditure is budgeted to increase by 11% in 1985, less than the
estimated 15% growth in revenue. Current expenditure is expected to grow by
14% but development expenditure is projected to rise by only 5% which
represents a decline in real terms. 77

Why has development in Samoa fallen so far below expectations? What
has prevented the country from plying its labor and land resources into a
successful growth strategy? There is no easy economic explanation to these
questions. Distorted prices that are frequently blamed for impeding growth in
developing countries are not major culprits in the Samoan case. Nor has the
inadequacy of the infrastructure been a significant bottleneck. The problems
may lie elsewhere. To the economic causes of slow growth must be appended
social and cultural ones, peculiar to this island society.

II. SOCIO-CULTURAL ASPECTS OF SOCIETY

Traditional Samoan village society is oriented around a number of
familial axes. Nuclear units are agglomerated into larger clusters and ruled
by a hierarchy of chiefs, each selected by reference to exacting genealogical
criteria. The chiefs preside over what is essentially a communal society,
made up of interlinked cells. Nuclear families are organized into larger
groupings or extended families, by kinship ties. Depending on the convention
as regards the number of matai titles in the community, each grouping has a
matai (chief) of appropriate rank to manage the socio-economic activities of
the group. 88

An extended family embracing fifty or more households, is presided
over by a senior titular matai, with a 'talking' chief in attendance. In each
village there may be one or more extended families and the matai with the most
prestigious and genealogically impeccable title, is primus inter pares in the
body of chiefs governing the village.

The principal socio-economic activities managed by these senior
matais is the allocation of land and labor, as well as the distribution of the
product. The importance of land management is illustrated by Table 1.
Table 1: LAND HOLDINGS BY TYPE: WESTERN SAMOA/a

<table>
<thead>
<tr>
<th></th>
<th>Savai'i</th>
<th>Upolu</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customary land</td>
<td>380.5</td>
<td>183.6</td>
<td>564.1</td>
<td>77.6</td>
</tr>
<tr>
<td>Private freehold</td>
<td>4.0</td>
<td>47.4</td>
<td>51.4</td>
<td>7.1</td>
</tr>
<tr>
<td>W.S.T.E.C.</td>
<td>2.0</td>
<td>29.8</td>
<td>31.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Public (Govt. land)</td>
<td>37.1</td>
<td>42.1</td>
<td>79.2</td>
<td>10.9</td>
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<tr>
<td><strong>Total</strong></td>
<td>423.6</td>
<td>302.9</td>
<td>726.5</td>
<td>100.0</td>
</tr>
</tbody>
</table>

/a Based on FAO Technical Report which was based on work of F.K. Sutter, 1971.


Of the 726,000 acres of available land, about 560,000 acres is customary land whose disposition is controlled by matais. Although the system of land tenure is changing, with land titles devolving upon smaller units within the extended family, a few matais in each village control and allocate much of the cultivated acreage. Family members, who farm the land, function, in reality, as share croppers or supply socially ordained, matai mediated labor to village plantations. In either case, their motivation for improving the quality of the land or the productivity of the assets - in this case trees - is rather limited. Productivity improvements, diversification of crops, gains in marketing, a commercial orientation to farming activities, have all been handicapped by communal management of nearly 80% of the cultivated land. Key decisions are taken by matais whose vaunted skills and precise sense of tradition are not necessarily matched by any knowledge of agronomy or economics. Further, because the village leaders are so preoccupied with preserving an inherited social order and power structure, the environment is such that even those families with freehold property, headed by individuals who have received primary education, find it hard to escape the gravitational pull of established village practices. For dynamic farmers, the social conditions are less than propitious.

There are signs, however, that fissures are beginning to appear in traditional Samoan village communities; that the proliferation of matai titles is increasing the independence of smaller and smaller family units; that some of the customary land and not just the newly cleared areas, is falling under the control of individual families instead of being a part of the corporate holdings managed by senior matais. Recent work in Western Samoa by the FAO indicates that as much as 40 percent of Matai-owned land may be controlled by individuals and subject to private entrepreneurial initiative. Certainly, the drift towards a more individualistic agrarian economy is evident, but the traditional commune-like society is definitely not on the verge of dissolution and in most villages, the complex power structure, the intricate rules and the
elaborate ceremonies that serve to sustain the Samoan way of life, are flourishing. In such a society with the ethic of sharing and communal living so firmly entrenched, accumulation of wealth is difficult to achieve and beyond a point would be considered inimical to the basic values of the community. Instead of material wealth, what the ambitious strive for, is prestige, rank, the accretion of titles through a pyramiding of genealogical claims that is the pathway to higher chieftainships. No doubt, some amount of wealth does facilitate the quest for power, but oratorical skills, genealogical expertise, a finely honed sense of social rules and etiquette and the politician's skills at winning allies, are, in the Samoan context, of far greater importance.

Ever since Durkheim introduced the idea, it has been a staple of sociology, that religion is the vehicle through which a society keeps alive its social mores, its identity and its coherence. Historical evidence suggests that Samoans are an intensely religious people. After embracing Christianity in the 1830s, they have become staunch Christians and church related activities orchestrate the ceremonial life of the village with each village containing at least one church and a pastor. Mounting emigration from the rural sector, by threatening to undermine the claims of villages society on its members, has if anything lent new significance to religious institutions. Communities have responded by pouring more money into church building and religious ceremonies that serve to bind members together and impart a new gloss to reciprocal obligations and the ethic of sharing, so integral to the survival of the village economy. As was the case in Europe during the middle ages, a substantial portion of surplus village resources, including a percentage of overseas remittances, now flow into church construction and religious activities, with communities vying against one another in erecting elaborate buildings and staging costly rituals. Religion has, willy nilly, become the sink for community savings.

III. THE STATE AND PROSPECTS OF SAMOAN AGRICULTURE

The brief catalogue of Samoa's productive assets in the agriculture sector, presented in the introduction, obscures some basic weaknesses. To start with, tree crop production which comprises the core of the economic system, has been squeezed over the years by a gradual tightening of constraints. An acre of land planted under the new hybrid varieties of dwarf coconuts can produce up to 4,000 kg if properly fertilized and protected against disease. In Samoa the average grove of 56 trees per acre yields just 100 nuts over the course of a year and it is estimated that about a fifth of these nuts remain uncollected, compounding the problems of low productivity. The yield is small because a third of the trees are senile—well over 45 years in age—and of inferior genotypes. Another third of the acreage has been planted during the last twelve years and the trees have yet to reach maturity. Thus, the bulk of the output is derived from only a third of the area under coconuts. Of this, 9,300 acres of prime coconut land is owned by the Western Samoa Trust Estates Corporation (WSTEC), by far the largest publicly owned company in the country. WSTEC has been encountering serious managerial difficulties for several years, which have interfered with its
ability to derive the maximum from its plantations. The craggy topography of
the islands means that coconut producing small holdings are often situated on
steep slopes in remote areas. Collecting nuts and transporting them along
narrow tracks to truckable roads is hard work, which in part explains why so
much fruit is left on the ground. But the low prices that copra has fetched
in recent years are an equally important disincentive (see Table 2). By one
estimate, a worker's daily income from growing coconuts is WSS$2.27 as compared
to the daily minimum wage of WSS$5.00. In fact, cultivating coconuts is the
lowest ranked agricultural pursuit in terms of income. The marginal profit-
ability of this activity also dissuades farmers from applying fertilizer to
stimulate the production of nuts or from turning with any enthusiasm to
replacing senile trees with new hybrids.

Low returns are not the only reason why more effort has not been
directed towards enhancing the productivity of coconut smallholdings. The
communal system of land management in force on customary land has been a
powerful disincentive to the labor effort on a majority of coconut land.
Social pressures still ensure that each family devotes a portion of its time
to the collection of coconuts and the tending of trees, but the heavy migra-
tion especially of young men from the villages, has affected the pool of labor
from which services can be drawn. No doubt, women and children substitute to
a degree for the absent males, but increased participation on their part has
failed to offset the reduced supply of male labor. With migration continuing
unabated and most villages having lost 40% of the adult male population, it is
very likely that the future course of coconut output will be constrained by
the number of men capable of the exacting task of coconut collection.

One bright spot in coconut production has been the establishment in
1982 of an oil mill to extract coconut oil and meal, from copra, the tra-
ditional export crop. As a result of the higher unit value of coconut oil,
copra production and export earnings from coconut have been stimulated (see
Table 3). While the development of this agro-industry has to some extent
ameliorated the low returns which have persistently dogged copra production,
the problems of communal land management and male migration will remain.

Producing cocoa is far more lucrative, aside from being less demand-
ing in terms of physical labor, but as with coconuts, the cocoa acreage has
remained stable for years with output stagnating and exports declining between
1978 and 1982. Overseas sales may have fallen because more of the beans are
being consumed domestically but also as a result of disease outbreaks and the
severe drought of 1983 (see Table 3). Why the area planted under cocoa has
not expanded is a bit of a mystery. Stabilization of prices by the Cocoa
Board has, if anything, benefitted farmers over the past three years. Fur-
ther, there is no evidence that the trend reflects labor shortages, picking of
the fruit being an activity which women can easily manage. The low producti-
vity is more easily explained. Much of the cocoa grown is of the 'full flavor'
variety with a lower yield than bulk cocoa, common elsewhere. But Samoan
cultivators have also been slow in introducing the hybrids that have augmented
yields in other producing countries and, as with coconuts, fertilizer applica-
tion is fairly limited. A new cocoa loan suspensory scheme, financed by the
Australian government, for replacing existing cocoa stands with new strains
has been launched, but it will be many years before it results in a shift of
the cocoa production function.
<table>
<thead>
<tr>
<th>Year</th>
<th>Timber/a ($/cm)</th>
<th>Cocoa/b ($/kg)</th>
<th>Bananas/c ($/mt)</th>
<th>Copra/d ($/mt)</th>
<th>Coconut Oil/e ($/mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Constant/f</td>
<td>Current</td>
<td>Constant</td>
<td>Current</td>
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<tr>
<td>1978</td>
<td>91</td>
<td>98</td>
<td>340</td>
<td>366</td>
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<td>1979</td>
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<td>1980</td>
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<td>1982</td>
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<tr>
<td>1984P</td>
<td>152</td>
<td>157</td>
<td>238</td>
<td>245</td>
<td>370</td>
</tr>
<tr>
<td>1985P</td>
<td>165</td>
<td>162</td>
<td>208</td>
<td>204</td>
<td>383</td>
</tr>
</tbody>
</table>

/a Price refers to price of Lauan for plywood and veneers, length over 6.0 m and diameter over 60 m, average wholesale price in Japan.
/b Annual average ICCC daily prices.
/c Central and South America, FOB U.S. ports.
/d Philippines/Indonesia, Bulk, CIF N.W. Europe.
/e Deflated by MUV (1983=100).

Samoa grows a small quantity of high grade arabica coffee which could readily command a market overseas. However, the economics of coffee producing in small lots are in the way. A large and efficiently managed plantation using, possibly, the mechanized techniques of bean collection pioneered in Brazil may surmount this hurdle. So far, finding a tract of land that is of the appropriate size or the capital and entrepreneurship needed for such a venture, has turned out to be impossible and this opportunity has languished, as for instance, has the export of bananas.

Table 3: QUANTITY AND VALUE OF MAJOR EXPORTS
(Thousands of Tala)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Copra</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity (long tons)</td>
<td>13,529</td>
<td>18,518</td>
<td>25,253</td>
<td>16,066</td>
<td>10,371</td>
<td>3,175</td>
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<tr>
<td>Value</td>
<td>3,536</td>
<td>8,728</td>
<td>8,342</td>
<td>4,227</td>
<td>2,572</td>
<td>1,332</td>
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<tr>
<td>Unit value</td>
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<td>471</td>
<td>330</td>
<td>263</td>
<td>248</td>
<td>420</td>
</tr>
<tr>
<td>Coconut Oil and Copra Meal</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume (long tons)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,808</td>
<td>17,134</td>
</tr>
<tr>
<td>Value</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,503</td>
<td>11,756</td>
</tr>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>382</td>
<td>686</td>
</tr>
<tr>
<td>Cocoa</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity (long tons)</td>
<td>1,169</td>
<td>1,435</td>
<td>1,556</td>
<td>988</td>
<td>543</td>
<td>1,851</td>
</tr>
<tr>
<td>Value</td>
<td>2,639</td>
<td>3,618</td>
<td>3,031</td>
<td>1,296</td>
<td>834</td>
<td>4,166</td>
</tr>
<tr>
<td>Unit value</td>
<td>2,257</td>
<td>2,521</td>
<td>1,948</td>
<td>1,312</td>
<td>1,536</td>
<td>2,251</td>
</tr>
<tr>
<td>Bananas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity (long tons)</td>
<td>322</td>
<td>374</td>
<td>2,332</td>
<td>1,779</td>
<td>1,278</td>
<td>1,508</td>
</tr>
<tr>
<td>Value ($ 000)</td>
<td>108</td>
<td>204</td>
<td>444</td>
<td>369</td>
<td>383</td>
<td>577</td>
</tr>
<tr>
<td>Unit value</td>
<td>335</td>
<td>545</td>
<td>190</td>
<td>207</td>
<td>300</td>
<td>383</td>
</tr>
<tr>
<td>Taro</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity (long tons)</td>
<td>3,253</td>
<td>3,791</td>
<td>2,498</td>
<td>4,378</td>
<td>3,522</td>
<td>2,877</td>
</tr>
<tr>
<td>Value ($ 000)</td>
<td>993</td>
<td>1,335</td>
<td>1,321</td>
<td>2,167</td>
<td>2,224</td>
<td>2,698</td>
</tr>
<tr>
<td>Unit value</td>
<td>305</td>
<td>352</td>
<td>529</td>
<td>495</td>
<td>631</td>
<td>938</td>
</tr>
<tr>
<td>Timber</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity ('000 bd ft)</td>
<td>1,254</td>
<td>1,602</td>
<td>1,716</td>
<td>1,710</td>
<td>3,074</td>
<td>1,049</td>
</tr>
<tr>
<td>Value ($ 000)</td>
<td>143</td>
<td>291</td>
<td>436</td>
<td>545</td>
<td>1,112</td>
<td>541</td>
</tr>
<tr>
<td>Unit value</td>
<td>114</td>
<td>182</td>
<td>254</td>
<td>319</td>
<td>362</td>
<td>515</td>
</tr>
</tbody>
</table>

Until two years ago Samoa exported US$300 (WS$ 383) thousand worth of bananas to Australia and New Zealand. These exports ceased in 1984 as the progressive deterioration in the quality of the produce and problems with meeting supply contracts forced Samoa out of the market. Banana production is beset with problems all down the line. First the bananas cultivated are of varieties inferior to the ones commonly traded in the competitive, international banana market. Second, the tree requires skilled attention to protect it against disease, and weeding and fertilization to sustain productivity. Smallholders have found it difficult to shoulder the labor and input costs. Even the single government owned 200 hectare plantation has been unprofitable. Costs apart, the marketing of bananas requires strict attention to quality, sorting, grading and packaging of the product, all areas in which Samoan exporters lag behind.

Amidst this gloom, taro and passion fruit have struck a note of hope. Both have sold well abroad but are beginning to encounter demand limitations. Taro is bought mostly by Samoans residing in the U.S., and New Zealand and although it is being increasingly purchased by Mexicans living in the U.S., there are inherent constraints on the growth of demand. To enlarge the market, the Samoan Produce Marketing Department is experimenting with freeze dried taro that has a longer shelf-life and with a taro-based, baby food. The extension of the airport which will allow large cargo planes to land at Apia, will also improve the Marketing Department’s ability to supply buyers with fresh taro. However, none of these developments can be expected to result in substantially increased sales in the medium-term.

IV. SAVINGS BEHAVIOR

The state of the agriculture system is but one cause of economic stagnation and the external imbalance, that has held Samoa in thrall for over a decade. A limited savings rate may be a second cause of the persistently low rate of growth. As the practice of constructing national accounts is still in its infancy, the level of Samoan savings is not readily divined. The last comprehensive construction of accounts was in 1978 by the United Nations, and no set of accounts based upon stringent UN SNA guidelines have been compiled since this effort. Estimates of GDP by industrial origin and by expenditure categories have been made over the past several years by the IMF to support their standby operations. On the expenditure side the major economic aggregates are constructed in the following way. A crucial and important assumption is that there are no private domestic savings. All identifiable sources of private income are used to calculate private consumption. First, the country's wage bill is calculated from the statistics of the National Provident Fund (NPF). Second, workers remittances or net private transfers are derived from the Balance of Payments. Adding these two items, and estimating the earnings from the service sector, yield an estimate of private consumption. Private investment is obtained from capital good imports, as well as official statistics on building permits, church construction, and recently, investment in the NPF building.

The government sector, both government consumption and investment, is more easily and accurately estimated, since the budget of the public sector
- revenues and expenditures - is readily available and for the most part, reliable. All of the above are aggregated to determine total domestic demand. The remaining items, imports and exports of goods and nonfactor services, are available from the balance of payments statistics. When aggregated, these yield an estimate of GDP from the expenditure side. On the production side, the information set is even more limited. The largest component of production is the subsistence sector, primarily agriculture, for which statistics are nonexistent; currently, an assumption is made for growth in this sector. For agriculture, the only available data is the output sold to the coconut and copra boards. Other marketed agricultural output, sold in local markets, is not measured, and again, an assumption must be made. For fishing activities, the data are not available; for forestry, there is only limited knowledge of the exploitation of the country's forest reserves. Only for manufacturing, and electricity, gas and water does there exist reliable and usable production data.

Therefore, while time series have been constructed for GDP and GNP both from the production and expenditure sides, one must be extremely cautious about drawing strong inferences from these data. The balance of payments data on the other hand are reliable and usable, since the measurement of foreign transactions are closely monitored, with one important exception, workers' remittances. A number of these transactions flow into the country outside of normal financial channels in the form of currency and therefore, cannot be accurately gauged.

After all this where do we come out on the measurement of savings behavior in Samoa? All qualitative indicators point towards limited if not negative domestic savings, with national savings arising from net current transfers and/or net factor income from abroad. A standard procedure for estimating the savings effort in instances where data are limited and the national accounts are of questionable accuracy, is to subtract the current account deficit from gross domestic investment (GDI). The domestic savings effort can then be calculated by subtracting net private transfers from the estimate of national savings. However, a number of statistical problems are encountered in disentangling domestic savings from foreign capital inflows, such as remittances and, therefore, the economy's domestic savings efforts may be understated. As shown in Table 4 below, the available data bear out our suspicions regarding domestic savings in Samoa.
Table 4: WESTERN SAMOA ESTIMATED SAVINGS EFFORT, 1980-1984
(in million tala)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross domestic investment/a</td>
<td>39.1</td>
<td>42.3</td>
<td>32.9</td>
<td>46.3</td>
<td>55.5</td>
</tr>
<tr>
<td>Foreign savings/b</td>
<td>23.9</td>
<td>29.5</td>
<td>22.3</td>
<td>22.0</td>
<td>26.1</td>
</tr>
<tr>
<td>Gross national savings /c (% of GDP)</td>
<td>(9.9)</td>
<td>(11.8)</td>
<td>(8.1)</td>
<td>(15.7)</td>
<td>(16.0)</td>
</tr>
<tr>
<td>Net private transfers</td>
<td>17.2</td>
<td>19.3</td>
<td>22.6</td>
<td>31.5</td>
<td>41.0</td>
</tr>
<tr>
<td>Gross domestic savings /d (% of GDP)</td>
<td>(-7.0)</td>
<td>(-6.5)</td>
<td>(-12.0)</td>
<td>(-7.2)</td>
<td>(-11.6)</td>
</tr>
</tbody>
</table>

/a IMF staff estimates.
/c Calculated as the residual between gross domestic investment and foreign savings.
/d Calculated as the residual between national savings and net private transfers.

These estimates, which point towards a domestic savings rate less than zero, are almost certainly missing certain types of accumulation common in a partially monetised economy, which slip through the national account net. Many Samoans probably hold their savings in foreign currencies whose volume cannot be measured with any accuracy. Even allowing for these, the fact remains that the sums that can be counted against savings are very modest. With investment approaching a third of GDP, the domestic shortfall in capital availability and the deficit on external account, is covered by remittances from Samoans that have migrated overseas as well as through loans and grants.

The Role of Remittances in Savings Behavior

The part played by remittances is crucial to an understanding of savings behavior in Samoa. In such a society with the ethic of sharing and communal living so firmly entrenched, accumulation of wealth is difficult to achieve and beyond a point would be considered inimical to the basic values of the community. Instead of material wealth, what the ambitious strive for, is prestige, rank, and the accretion of titles through a pyramiding of genealogical claims that is the pathway to higher chieftainships.

How does this influence savings behavior at the individual level? In a communal society, where land and output is distributed roughly in accordance with socially acceptable standards of need, and in which each household has several sons and daughters who can be expected to look after parents in their old age, saving for retirement lacks urgency. Thus, the organization of the community blunts one of the principal motives for saving,
even as social mores and low incomes discourage the building up of a nest egg. The social configuration of individual villages and the highly developed system of exchange in the form of money and kind also serve to attenuate risk perception and the precautionary motive for saving. A family or a village struck by misfortune can depend upon support from members of the extended family and assistance from friends and relatives sprinkled across villages all over Samoa.

Although the size of nuclear families is declining, total fertility is still in the region of four and the number of dependents which the average household head must support leaves little surplus for savings. While the dependency ratio has improved declining from 113% in 1971 to 91% in 1981, it still exerts a strong disincentive on savings behavior. Wealthier families have to respond to the expectations of their many clients and political allies and these claims eat into their potential savings. Slow growth over many years, itself a manifestation, in part, of limited savings and investment in productive assets, has allowed incomes to rise very little, thereby removing one of the most powerful impulses to save i.e., the lagged adjustment of consumption patterns to an increase in earnings. The Samoan saver who can run the entire gauntlet of disincentives, faces yet another hurdle, which is the limited range of financial choice available to savers in what remains only a partially monetized economy with limited banking facilities. Samoa now has two commercial banks and post office savings facilities, but the branch network is sparse and the habit of using time deposits and savings accounts poorly developed. Since 1979, the level of time deposits has changed little. Savers cannot even be coaxed forward by the mobile banking services (using a van) offered by the Pacific Commercial Bank. Certainly the low or negative real interest rates ranging from 10.5% in 1981 to an estimated 5% in 1984 on deposits do not help matters, but under the circumstances, a high interest elasticity of savings would seem doubtful (see Table 5). In addition, the recent substantial devaluations of the tala have further retarded the habit of using Samoan financial institutions.
Table 5: INTEREST RATES 1980-84

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>One year deposit rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>commercial banks:</td>
<td>8.0</td>
<td>10.0</td>
<td>11.0</td>
<td>17.0</td>
<td>17.0</td>
</tr>
<tr>
<td>Inflation rate (CPI)</td>
<td>33.0</td>
<td>20.5</td>
<td>18.3</td>
<td>16.4</td>
<td>12.0</td>
</tr>
<tr>
<td>Real rate of interest</td>
<td>-25.0</td>
<td>-10.5</td>
<td>-7.3</td>
<td>0.6</td>
<td>5.0</td>
</tr>
<tr>
<td>US$ Appreciation vs tala</td>
<td>12.1</td>
<td>12.7</td>
<td>16.3</td>
<td>28.3</td>
<td>20.2</td>
</tr>
<tr>
<td>Real rate of return</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ holdings</td>
<td>-20.8</td>
<td>-7.8</td>
<td>-2.0</td>
<td>11.9</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Source: Western Samoa’s Fifth Development Plan, 1985-87, Department of Economic Development; International Financial Statistics, IMF.

It could be that for largely social reasons, what savings there are do not flow through the regular channels and cannot readily be put to productive use. To apprehend saving behavior in Western Samoa the decision-making household unit can usefully be redefined so as to embrace those members residing abroad but who remain linked by pendurable bonds of familial obligation and enduring village loyalties to their kinfolk. These migrants are an important link in the informal social security system that serves as a buffer against immediate economic risks as well as the uncertainties of old age. Should the income guarantees provided by the extended family and the ‘village collective’ fail to measure up to expectations, the overseas Samoan community remains as an economic lifeline, so long as kinship ties do not weaken. But having relatives in well paid jobs abroad also allows for a transference of savings and a way around the social impediments to wealth accumulation in the village society. Rather than saving in tala and holding assets either in the form of currency or as bank deposits, a villager might find that a nest egg is more likely to fall outside the orbit of social obligations if it is kept in an overseas bank. Evading local claims is one reason, there are sound economic ones as well. With the Samoan currency under the threat of periodic devaluation and real interest rates on deposits maintained at fairly low if not negative rates, a family that is serious about saving a portion of its total income is only being economically prudent by keeping financial assets outside the country. Thus, a major part of household savings in Samoa are likely to be drawn from the earnings of family members residing overseas. Anonymous transfer of these savings, when the need arises, is made possible by mail. It is widely believed that besides the US$20 million that enters financial channels each year, an equal amount may find its way into the country in the form of currency sent by post or brought back by Samoan visitors (see Table 6). Since it is held in foreign currency until needed, it goes unrecorded until it formally enters the financial system.
Table 6: PRIVATE TRANSFERS /a 1981-84 (US$ million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18.5</td>
<td>18.6</td>
<td>20.3</td>
<td>20.4</td>
</tr>
</tbody>
</table>

/a Private transfers are mostly workers' remittances and donations to churches.
/b Estimate.

Source: IMF

What we have, then, is a displacement of savings abroad because a communally oriented society discourages individual saving while at the same time, the social relations germinating in its midst, make possible a very effective pooling of incomes and a management of savings to maximize returns and minimize the 'social tax'.

This is not the only manner in which saving behavior has been modified by social circumstances. Saving by the community, as distinct from individual efforts at accumulating assets, has also been modulated by social rhythms. It has been argued in this paper that the quest for status may still have an edge over the striving for greater wealth. Status ambitions can be meaningfully realized only if the certain traditions are effectively conserved and community solidarity kept alive. The strength of kinship ties and the reaffirmation of commitments to the community have also, over the years, acquired a power of economic justification as the Samoan village economy has stagnated and families have grown more and more dependent on remittances from migrants who have ventured abroad to better their own and their family's fortunes. From both the individual's standpoint and that of the village, the conserving of village social relations, loyalties and identity, is economically the most rewarding of investments, so long as other possibilities cannot be developed. To put it differently, Samoa's most important export is labor services. For the family and the community to maximize the returns, in the form of remittances, on these exports that embody much human and health related capital, the motivation of migrants to support their kinfolk has to receive constant attention.

Thus, a part of what realistically constitutes household savings is held outside the country with Samoan emigrants serving as the financial conduits. Another part of the surplus, that which is largely mobilized by the matai, is absorbed into the religious and ceremonial life of the village and not captured by savings estimates. Perhaps the only way of obtaining a partial glimpse of the magnitudes involved is by looking into church construction. Some information on this can be gleaned from the Statistical Yearbook, as Table 7 shows.
Table 7: CHURCH CONSTRUCTION PERMITS AS % OF TOTAL CONSTRUCTION PERMITS ('000 Tala)

<table>
<thead>
<tr>
<th>Year</th>
<th>Church</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>570</td>
<td>4,984</td>
<td>11.4%</td>
</tr>
<tr>
<td>1980</td>
<td>2,626</td>
<td>8,570</td>
<td>30.6%</td>
</tr>
<tr>
<td>1981</td>
<td>4,285</td>
<td>10,785</td>
<td>39.7%</td>
</tr>
<tr>
<td>1982</td>
<td>586</td>
<td>5,134</td>
<td>11.4%</td>
</tr>
<tr>
<td>1983</td>
<td>1,752</td>
<td>11,320</td>
<td>15.5%</td>
</tr>
<tr>
<td>1984</td>
<td>850</td>
<td>10,500</td>
<td>8.1%</td>
</tr>
</tbody>
</table>


In many countries, the press of modern ideas has taken a heavy toll on communal institutions and pushed families towards adopting individualistic, inward looking ways in social as well as economic spheres. Samoa may well follow the same path and a savings pattern that bears the impress of ancient traditions could be succeeded by one commonly encountered in societies that are economically more advanced. But such an institutional change will not take place overnight nor is it advisable to hurry it along with a dose of social engineering, an art form with a poor record of achievement.

V. SAMOAN DEMOGRAPHICS

The number of Samoans now living and working overseas has profoundly influenced the evolution of savings behavior. As alluded to above, migration has transformed the parameters of the domestic labor market and through them the scope for developing indigenous agricultural and manufacturing activities. The magnitude of emigration from Samoa is difficult to divine, due to the lack of reliable data. From arrival and departure records, there were net losses under 1,000 persons per year in the early sixties, 550 to 2,100 until 1969, and exceeding 1,000 (often over 2,000) until 1978. In 1979, net losses were 13,286.

The typical Samoan emigrant is aged between 20-35 years and, very likely, has received some secondary or even tertiary schooling (see Table 8). The destination is American Samoa (67%), New Zealand (21%) or the U.S. (2%). During the sixties and seventies, New Zealand's net gains alone from Samoa exceeded 18,000. Currently, New Zealand has a quota of 1,100 Western Samoan migrants per year. Samoans are drawn to these three countries not just by relatively favorable immigration policies and employment opportunities but also by the presence of relatives and friends who can provide them with temporary homes, financial support to tide them over till they can secure jobs through the network of contacts, and last but not least, assist them in
finding their bearings amidst culturally alien surroundings. A readymade social circle minimizes the travails of moving from a traditional village to an advanced industrial society, and serves as a constant reminder of obligations to family and village. How many Samoans who emigrate, eventually return home and the average length of the spell abroad is uncertain. Our suspicion is that very few of those that are economically well placed ever go back but the statistics suggest that the family and village remains a magnet and Samoans overseas are regular visitors.

Table 8: INTERNATIONAL MIGRATION - DEPARTURES BY AGE AND SEX
(Western Samoa Citizens)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (all ages)</th>
<th>Age 20-34</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>T</td>
<td>M</td>
</tr>
<tr>
<td>1979</td>
<td>21,903</td>
<td>11,503</td>
</tr>
<tr>
<td>% of Total</td>
<td>(52.28)</td>
<td>(47.5)</td>
</tr>
<tr>
<td>1980</td>
<td>39,248</td>
<td>21,285</td>
</tr>
<tr>
<td>% of Total</td>
<td>(54.2)</td>
<td>(45.8)</td>
</tr>
<tr>
<td>1981</td>
<td>45,375</td>
<td>25,578</td>
</tr>
<tr>
<td>% of Total</td>
<td>(54.4)</td>
<td>(44.6)</td>
</tr>
<tr>
<td>1982</td>
<td>39,141</td>
<td>21,296</td>
</tr>
<tr>
<td>% of Total</td>
<td>(54.4)</td>
<td>(45.6)</td>
</tr>
<tr>
<td>1983</td>
<td>39,821</td>
<td>21,670</td>
</tr>
<tr>
<td>% of Total</td>
<td>(54.4)</td>
<td>(45.6)</td>
</tr>
</tbody>
</table>

Source: Annual Statistical Abstract 1983, Table 18.

Migration is usually ascribed to pull as well as push factors. In the Samoan case as in most others, pull is exerted by the varied employment opportunities, higher incomes and better living conditions that the migrant can look forward to. Push comes from thwarted ambition and the confining social environment of the extended family and the village. A matai supervised, economically stagnant, communal system, pre-disposed towards egalitarianism, is not always hospitable towards dynamic and enterprising young men, with energy, determination and a good nose for business, but without the genealogical credentials to obtain the managerial rights that are the privileges of chiefs. Unable to realize their economic or political desires, and aware of the opportunities outside the narrow economic environs of the village, such men are inclined to seek their fortunes either in the urban areas or abroad. In this, they are influenced also by the many checks imposed upon behavior and the freedom to make decisions by the hierarchical and socially regimented, village community.
Thus the affluence attained by some of its neighbors has combined with social dynamics of village communities to make Samoa into an exporter of labor and human capital, instead of land based or manufactured products. How significantly migration appears to have affected the pattern of development can be seen from demographic and production statistics.

The crude birth rate in Samoa has been declining slowly from 41.6\textsuperscript{27} in the sixties to 31.0\textsuperscript{28} in the early eighties. Population growth has averaged 0.6% since the seventies.\textsuperscript{27} Moreover, net migration, in the 20-35 age count, has been running at the average rate of 3,000 per annum since at least the late seventies. As a result, the labor force has grown at the rate of only 1% per annum. By one estimate, the number of economically active people in the monetized agriculture sector declined in the seventies. The fragmentary anthropological information available tends to support this. For instance, O'Mara, who studied a village on the South-east coast of Savaii, reports that by 1979 about 21% of the total village population had left, half of these emigrating from Samoa, a level of village depopulation considered to be only 50% of the national average.\textsuperscript{29} To an extent, the depleted ranks of the male farm labor force have been filled by women, whose participation rate has risen, but we could find little evidence that the change in female participation rates has been of the magnitude which would offset the flow of male workers out of the villages. Further, in certain activities, especially coconut production, the heavy labor involved means that women cannot easily replace men. A slowly growing, perhaps even a declining rural workforce, has been one factor responsible for stagnation in the plantation sector and the small increase registered by timber production. Since demographic projections call for continued migration from the rural areas, labor shortages will remain a problem in the future. But agricultural dynamism has also suffered from the lack of trained manpower and managerial deficiencies. The importance of education in determining the efficiency of farming has been frequently underlined and over the years a measure of empirical credibility has accumulated around this notion. A better educated farmer is more apt to search for and select superior production techniques. As Jamison and Lau indicate, "education enhances a farmer's ability to know his alternatives, to know when and where to buy and sell (and have) a finer discrimination of differences in quality --- and to judge quality more accurately". On testing this hypothesis using data for a number of countries, they found that, "more educated farmers ... have higher levels of profits which reflect higher levels of productivity ... and higher levels of education and exposure to extension services do increase the probabilities of using chemical fertilizers." Jamison and Lau also show that "at a threshold number of years (4 to 6) the effect of education became more pronounced. (Finally) the effects of education were much more likely to be positive in modernizing agricultural environments rather than in traditional ones."\textsuperscript{30}

By this criteria, farm management in Samoa is severely deficient. With most of the allocative and managerial decisions taken by matais occupying the nodal positions in village hierarchies, the fortunes of agriculture are largely in the hands of the older members of a society, which still leans towards gerontocracy. Over half of adults over 50 years of age have had no more than primary schooling; only about 5% progressing beyond form 4 in secondary schools (Table 9). Amongst younger age groups, exposure to
secondary schools is more widespread, but even in the 30-39 year age group, over one third have had just primary education. In comparison to other countries at the same level of income per capita, the Samoan population is relatively well-educated, especially in the 15-30 year old age groups. Many studies of migration have revealed the significance of human capital in explaining migration. The better educated perceive greater opportunities in moving to the cities or overseas and the income differentials enticing them out of the village environment are much wider. Samoan migrants are no exception. Among the ones who leave, the better educated are very heavily represented and with their departure the export of labor services shades into the export of human capital, a much scarcer resource in a country like Samoa.

Table 9: PERCENTAGE DISTRIBUTION OF POPULATION BY EDUCATIONAL LEVEL AND AGE

<table>
<thead>
<tr>
<th>Age</th>
<th>Primary</th>
<th>Secondary</th>
<th>Post-Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>8.5</td>
<td>90.8</td>
<td>0.2</td>
</tr>
<tr>
<td>20-29</td>
<td>18.5</td>
<td>78.5</td>
<td>1.9</td>
</tr>
<tr>
<td>30-39</td>
<td>32.1</td>
<td>63.6</td>
<td>2.8</td>
</tr>
<tr>
<td>40-49</td>
<td>44.7</td>
<td>51.8</td>
<td>1.8</td>
</tr>
<tr>
<td>50 and over</td>
<td>55.5</td>
<td>40.8</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Note: Percentages may not add to 100 since they exclude persons whose educational level is unknown.


Educated farmers are one of the critical ingredients of a rapidly growing agriculture system, technicians and researchers who develop and disseminate new technology and skills are as vital. Currently the needs of the country far exceed supply and the stock is being augmented very slowly. As training facilities in Western Samoa are inadequate, the Government has been sending an average of 70 students abroad each year to acquire essential skills. While some fraction of these do return after completing their education, the deficit in technical manpower will remain a headache for planners, far into the future. For 1980-84, estimated requirements for technical and professional manpower amounted to 550 of which agro-professionals comprised 36. The search for Samoans to fill these positions has been a disappointing one, the small number of eligible candidates being diminished further by emigration and the financial lure of jobs in the private sector.
Reluctance on the part of cultivators to adopt new modes of farming, grow different crops, produce for the market and allow their cropping pattern to be dictated by shifts in prices, can be reversed by determined efforts to develop and propagate new farming technologies and by institutional changes which draw producers firmly into the markets' ambit. Here the paucity of technical manpower has been a grave drawback. Although some research in fruit and vegetables is conducted at the University of the South Pacific, systematic R&D covering the major crops grown in Western Samoa has been impossible. Similarly, extension activities have languished as it has been impossible to build up a sufficiently large cadre of extension agents. Skill shortages have blunted the Government's drive to invigorate agriculture, but the efficient running of publicly owned plantations has also turned out to be impossible for some of these reasons as well. WSTEC's coconut and cocoa holdings have performed little better than those of the villages and beneficial demonstration effects on small-holder practices have not materialized.

VI. INVESTMENT ACTIVITY

Some of the reasons that have induced Samoans to migrate overseas and to hold their savings outside the country have also deterred private investment. Entrepreneurial initiative in the rural sector is a victim first of the communal system which renders almost impossible the accumulation of investible surpluses in the hands of educated young entrepreneurs and when one is able, against all odds, to start a successful venture, saddles him with social obligations to share his earnings with his kin, other members of the village and the church. Social obligations function for all intents and purposes as a progressive income tax, with all the attendant disincentives against effort. There are other forces working against investment in manufacturing facilities, as well. The population of Samoa is too small to support a plant of an economical size and prospective investors usually lack the capital or are unwilling to take the risk of establishing a factory, whose survival will depend upon the ability to export at a profit. Hence, most manufactured goods are imported. Certain items of daily use such as soap, cigarettes and clothing are produced domestically and small quantities of these are sold abroad but the orientation is primarily towards the local market, exports accounting really for the residual.

In the first half of the eighties investment has suffered because of domestic recession and since 1983, the pruning of the incentive system as the government has attempted to reduce the mismatch between its revenues and expenditures (see Table 10). Import duties were changed from a specific to an ad valorem basis in 1983. The structure of import duties was revised in 1984 to provide an effective rate of protection of 60-80% and all exemptions from import duty were ended. Starting in 1984, new firms will be granted exemptions for limited periods from excise and income taxes, but not from import duties. After narrowing in 1983 to 2.2% of GDP, the budget deficit rose to 2.5% in 1984 in spite of measures to reduce tariff exemptions and to raise direct taxes as well as non-tax revenues. As the government is quite set on the path of fiscal rectitude, potential investors cannot look forward to either a major fiscal stimulus or a significant change in the incentive regime. Hence they have been shying away from industry, preferring to invest instead in real estate and in commerce where a shorter pay-off is assured.
### Table 10: IMPORTS OF CAPITAL GOODS - 1978-1982

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Capital Goods</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial transport equipment</td>
<td>2.81</td>
<td>4.75</td>
<td>1.94</td>
<td>1.49</td>
<td>1.93</td>
</tr>
<tr>
<td>Other</td>
<td>5.91</td>
<td>5.04</td>
<td>8.36</td>
<td>6.92</td>
<td>5.17</td>
</tr>
<tr>
<td>Major transport items (MTI)</td>
<td>-</td>
<td>9.18</td>
<td></td>
<td>11.50</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8.72</td>
<td>18.97</td>
<td>10.31</td>
<td>19.92</td>
<td>7.10</td>
</tr>
<tr>
<td>% total imports</td>
<td>22.6</td>
<td>31.1</td>
<td>18.0</td>
<td>28.6</td>
<td>11.8</td>
</tr>
<tr>
<td>(Minus MTI)</td>
<td>(16.1)</td>
<td>(12.1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% GDP</td>
<td>12.3</td>
<td>19.2</td>
<td>7.9</td>
<td>12.9</td>
<td>3.9</td>
</tr>
</tbody>
</table>

This includes one ship obtained from aid for US$11.2 million in 1979 and one leased aircraft for US$11.1 million in 1981.


A low investment rate in the private sector would matter less if the accumulation of productive assets by public enterprises could assure a decent expansion of the national product. Unfortunately, although public investment in power generating facilities, roads and other kinds of social overheads is likely to be substantial, plans for enlarging existing public manufacturing facilities or establishing new ones are uncertain. It is the latter which has an immediate and sizeable effect on growth, returns from the former trickling in over an extended period of time. A centralized, coconut processing facility conceived by the WSTEC management, is receding from the realm of possibility as that beleaguered corporation's problems continue to discourage any plans for widening the range of its operations. Similar uncertainty surrounds the cocoa processing factory proposed by the Cocoa Board.

What, if anything, could the government do to galvanize the entrepreneurial energies of the private sector? Thickening the incentive mix is one possibility but the government's hand may be restrained by fiscal considerations. In any case, industrial incentives, although they may be more frugal than in the past, are not negligible and if they are unable to coax forward new investment it is doubtful that much success would be achieved by restoring the earlier, and from the government's standpoint, costlier system. Better results might be obtained if the government were to direct its attention towards the two bodies that are in a position to accumulate investible resources, distribute risks and are not subject to the "social tax". These are the matai governed village unit, viewed as a corporate entity, and the church. Just as the group of chiefs in each village parcel
out land to individual families and reach an understanding on the amount of labor that will be devoted to the tree crops grown on communal land; and much as they decide upon the use of community funds for church building and school construction, they are also in a position to set aside resources for agricultural improvements and manufacturing activities, the latter to be managed by individuals selected by the 'village corporation'.

In China, work-team owned and managed production units, have been highly successful. Many of them have been financed from collective income arising from the agricultural activities of the village and they can serve as models of how economic diversification and agro-industries can flourish, where egalitarianism and the vesting of property rights in the community makes individualistic enterprise difficult if not impossible. By accumulating surplus funds with the specific purpose of increasing the productivity of existing activities and establishing village based agro-industries, Samoan communities could appreciably raise the level of prosperity and provide the educated young men, whose only choice currently is to emigrate, promising jobs locally.

Samoan religiosity has brought considerable wealth to the church. While education and charitable activities absorb some of the church’s income, probably the lion’s share goes into building. The church is also believed to hold large, liquid balances, which the banks are very interested in luring over. Education aside, spending by the church is mostly on assets yielding enormous spiritual but tiny economic returns. Conspicuous religious consumption (or investment) has important social functions as was alluded to above. But were the church to lift its sights from purely religious concerns, it could not only use its considerable social leverage to mobilize more resources, this time for economically productive use, but also take the lead in promoting agro-industrial ventures that are currently ruled out either because no single individual or group can find a sufficient pool of capital or because social pressures emasculate entrepreneurial zeal.

VII. SAMOAN ISSUES

Savings, investment and growth are the economists perennial concerns, but are they worth resurrecting here? After all, the Samoans do not seem overly preoccupied with economic expansion, measurable domestic savings are low and private investors appear disinclined to accumulate productive assets in either the agriculture or the manufacturing sectors. Many Samoans with whom we discussed the matter of development were of the opinion that the nation was not animated by a desire to strive after economic growth. Life was carefree, food plentiful, the wants of the populace moderate and satisfied from their earnings and the remittances from overseas. Thus, development was devoid of the urgency that springs from acute poverty or a widening gap between aspirations and current consumption standards, or even the strategic concerns that strengthen the developmental motivation of some East Asian countries.

This may be true up to a point but an analysis along the socio-economic plane points towards the presence of certain institutional forces
tending to hold the economy within a 'low level equilibrium trap'. Unable to evade these social realities, Samoans may only be minimizing cognitive dissonance if they do not seem overly exercised about economic growth. But the volume of net migration from the country clearly registers the frustration experienced by an important segment of the population. For young, educated men anxious to better their economic if not their social station in life, the local environment is highly uncongenial and there are few alternatives to going abroad.

Strictly as an intellectual exercise, one can conceive of an economy where the principal economic activity is the production of workers for employment overseas, with remittances serving as the main source of foreign exchange and the principal earnings of families in Samoa. What can be modelled economically is not necessarily viable in sociological terms. No community can function as a giant incubator for male workers, who once they reach maturity, are exported, leaving old people, women and children behind to live off remittances. Even as a way of utilizing the surplus economically active male population, a transfer on any scale conducted over a long period of time, is bound to be socially disruptive. When it is the brightest and most enterprising who are the first to depart, it is injurious to the economy as well.

Looking ahead, Samoa should be thinking not about how remittances might be increased, but about ways of drawing skilled manpower back to the country and inducing overseas Samoans to invest in productive local ventures. The social configuration of the society, of course, poses problems when it comes to reversing the labor flow just as it constricts investment and savings. But it may be possible to sidestep these intrusive social forms through suitable institutional innovations and the identification of investment opportunities.

Farming, whether of tree crops or of taro, vegetables and fruit is not likely to become a dynamic activity as long as it is conducted on communal lines and managed by chiefs. Hence, on strictly economic grounds, a fragmentation of the authority and ownership structures is highly desirable. Control over landholdings has begun to devolve upon smaller family units as new land carrying freehold rights is cleared, as a result of legal action by families; and as matai titles have multiplied giving younger men, heading subunits within the larger extended family, the discretion to manage farming operations on discrete units of community property. The shift away from commercial and towards individualistic farming has begun to have an effect. The individuals farmers evince a stronger response to price and other market signals, increasing the proportion of land devoted to taro, vegetable and fruit production, where returns are high. Whether tree crop agriculture will also be stimulated is more problematic, though the effects could hardly be negative.

Such trends in agriculture are welcome because they will induce the educated to stay and farm and furthermore, will encourage investment in land improvement, mechanization and chemical inputs. A resurgence of agriculture through a redefinition of property rights and a rewiring of the power structure of the village should gradually raise the tenor of economic
activity. If it were to be supported and complemented by agro-industries, the
benefits to the economy would increase manifold. The experience of other East
Asian countries suggests that agro-industries run and managed on capitalist
tines rather than on communal ones are generally more efficient and profit-
able. Such enterprises are springing up in West Samoa and the steady mutation
of traditional forms of organization, ownership and property rights will
remain a spur to such 'modernization'. But as we indicated earlier, village
corporations and the church can provide the entrepreneurial impulse and the
managerial scaffolding. Besides, they can more readily mobilize capital and
are organized such that they can distribute risks over large numbers of con-
tributors on one side and several different projects on the other.

Further potential for the processing of coconut by-products
exists. Husks and shells, which are presently discarded, could be used in
coir production or as a source of fuel. Samoa Tropical Products Ltd. plans to
set up a coir processing plant; there is local demand for mats and sacked and
the production of rubberized coir matting is a possibility. A generator at
the coconut oil mill could utilize husks, shells and stems and cut fuel
costs. There is also scope for increased cocoa processing: WSTEC's own
production does not fully utilize the capacity of its new drier, so WSTEC
could be encouraged to buy cocoa from smallholders. The establishment of a
veneer mill has helped to increase the value of wood products exported; a wood
chip industry, using lower quality wood and wood residues could be developed
since long term demand for paper means there will be a continuing market for
wood chips. The feed mill could utilize locally grown breadfruit more fully,
thereby reducing imports of carbohydrate raw materials. Lastly, the
possibility for a large commercial fruit processing venture exists, given the
success at processing passion fruit and dried fruits, in recent years.

When economists talk of development in the Pacific Islands the
discussion inevitably gravitates towards agro-industries. Rather a lot of
hopes are perched precariously on this amorphous and untested subsector. On
the face of it, there is no denying the logic of making the transition from
farming to a technologically more advanced, industrial activity, promising far
higher returns, which has the advantage of being closely interlaced with
agriculture. What is tantalizing at a distance appears less satisfactory when
looked at more seriously. Relatively cheap labor and inputs as well as trans-
port cost advantages cannot always offset the disadvantages of small-sized
units, low productivity and variable standards of quality. Where something is
just acceptable in a protected local market, it cannot generally meet the test
of foreign competition when an attempt is made to sell the product overseas.
As more and more countries pile on top of the agro-industry bandwagon, the
competition is becoming crueler and the beginner's problems that much harder
to solve.

The development of agro-industries is the logical path for Samoa to
follow, but it is a slippery one and when Samoans wring their hands, point
despairingly at failure and mourn the absence of investment opportunities,
more than just inefficiency and faint heartedness are at issue. From the
perspective of static comparative advantage the possibility of thriving
manufactured exports strains credulity and developing import substituting
industries appears pointless as well as profligate. Yet the great industrial
Miracles of the twentieth century were not spun from static comparative advantage. A coconut-cocoa-taro culture is a recipe for progressive immiserization, hence even if a comparative advantage in agro-industries cannot yet be detected, it must by dint of effort, be created.

A manufacturing industry based on coconut by-products is everyone’s candidate, but has never really taken wing. It deserves a fair and close examination. Perhaps the findings will be conclusively damning, in which case the list will have been whittled down and choices simplified. Farm implements is a second area with a ready domestic market, given suitable protection and eventually the possibility of sales overseas. A third line that could be developed is for packing material used for exports of fruit, vegetables and taro. Sacks for cocoa beans could also be manufactured locally using fibre grown in Samoa.

Many of the smaller Pacific Islands face a common economic predicament from the same cramped resource position under some very special socio-logical parameters. How seriously one views the stagnation of recent years or the projected state of slow growth depends on perspective. If wants truly are limited and preserving an unhurried lifestyle is the dominant concern, perhaps the need to strain for a faster rate of economic expansion by modernizing agriculture more rapidly and taking some bold steps down the pathway towards industrialization, may not be worth the socio-political anxieties this might entail.

On the other hand, if the danger exists that the migration related escape valves will tighten in the future and Samoa will not be able to call upon grant assistance and remittances to take the edge of economic stringencies, the country must commence what may be as much a cultural as it is an economic adjustment necessary to safeguard material standards in a bleaker world environment.
NOTES


4. Derived from IMF estimates of GDP in 1983. The World Bank Atlas methodology has not been used in this calculation, and this number does not represent an official estimate of per-capita income.

5. Information provided by Western Samoan authorities.


13. Freeman, op. cit., footnote 7, pp. 121-140.

15. Western Samoa Agricultural Sector Survey, Aide Memoire, ADB, June 1984, p. 7. In Samoa yields are in the region of 600 kg/ha compared to 3,000-4,000 kg/ha from dwarf coconuts. The problem with growing dwarf coconuts in places swept by hurricanes is that thick crowns and shallow roots make them vulnerable to high winds.

16. Roundtable op. cit., footnote 8. 40,000 acres are under trees less than 12 years old, another 50,000 acres are still covered by aging trees.

17. O'Mara, op. cit., footnote 10. This was the average produce per day per worker of copra in the village studied by O'Mara.

18. Roundtable op. cit., footnote 8 refers to the low yield from cocoa trees.

19. The coffee picking machine used in Brazil is similar to a grape harvester and straddles the tree while its rotors shake off the cherries. See E.A. Starbird, "The Bonaza Bean: Coffee", National Geographic, Vol. 159, No. 3, March 1981, pp. 396, 400.


23. There is some debate about the effects of the dependency ratio on savings and not all studies have detected a strong relationship. For a review of the literature, see G. McNicoll, "Consequences of Rapid Population Growth; An Overview," World Bank Staff Working Papers, No. 691, pp. 47-50.

24. The 1984 inflation rate was 12% according to the authorities.


28. Ibid.


31. See the "World Development Indicators, Annex Table 25," The World Development Report 1984, The World Bank, Oxford University Press, 1984. The Samoan statistics have been compared to other lower middle income countries. Also, see C.A. Blyth, "Primitive South Pacific Economies: Their Consumption Pattern and Propensity to Save Out of Cash Income," The Economic Record, Vol. 45, No. 111, September, 1969 pp. 354-372. Blyth, in an expenditure study of four Samoan villages, finds for the poorer villages a significant income elasticity for education of about unity, which declines in value as income increases, but remains significant.


33. Information obtained from the IMF.

34. Such an approach to life among certain African and South Pacific Communities is discussed by M. Sahlins, Stone Age Economics, Aldine, 1972, pp. 27-39.