

ECONOMIC IMPACTS OF THE 'ETHNIC TENSION' IN SOLOMON ISLANDS

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Introduction

Media reports about the Solomon Islands have been grim reading in recent times. The tragic human costs of the 'ethnic tension' have been the centre of attention for several years, but recently there have also been dire warnings about the imminent 'collapse' of the Solomon Islands economy. On July 29, 2002 the Economic Association of Solomon Islands (an association of the country's economic and financial experts) said the economy was in 'free fall' and claimed that this, along with the poor state of law and order was destroying the social fabric of Solomon Islands society (PFNet 31/7/2002).

This paper does not attempt to analyse the origins of the 'ethnic conflict' nor to speculate on possible avenues of resolution. Rather, it considers the economic impacts of the conflict, and future possibilities. At the same time it is impossible to consider economic impacts without considering the human costs associated with these. The paper starts with a brief overview of the initial period of conflict from 1998 to the Townsville Peace Agreement in September 2000, and the economic impacts felt during this period. Then it considers the general economic direction of the economy at both national and village levels and the way in which these have been affected by the ethnic conflict. Finally, in the context of the release of the Solomon Islands Human Development Report in November 2002, the question is asked 'is development still possible?'

The 'Ethnic Tension' and its Immediate Impacts

This is not the place to review in depth the origins of the ethnic conflict which flared up in 1999 and 2000. Unresolved issues of land ownership and use stretch back to the Pacific War, but rapid development of Honiara and the Guadalcanal Plains since

the 1970s and the consequent settlement of migrants from Malaita and other islands resulted in the build-up of tensions over time which successive governments did not deal with. In Solomon Islands and other Melanesian states, these 'ethnic' tensions have been attributed to a combination of the lack of international migration opportunities, a weak state, ambiguities of customary land ownership, and regional struggles for the control of resource rents (Duncan & Chand 2002). By November 1998 tensions on Guadalcanal had built to such an extent that some people were being displaced from the villages on the Guadalcanal Plains and in the proximity of Honiara. Over the subsequent six months, the Isatabu Freedom Movement (originally known as Guadalcanal Revolutionary Army) had gained control of much of Guadalcanal so by the middle of 1999 there had been a number of attacks on (mostly Malaitan) migrant settlements, including a number of deaths, and nearly all people who were not ethnically of Guadalcanal origins had been driven out, with the exception of those in Honiara and a pocket of Malaitans long-settled in the Marau area of Guadalcanal. Many of those displaced were employed in local industries, and this fact, along with the generally poor security situation resulted in the closure of the SIPL palm oil plantation and factory on the Guadalcanal Plains and the Gold Ridge gold mine in the hills behind.

In January 2000, Malaitan militants organised the Malaita Eagle Force (MEF) and began retaliating in Honiara and in adjacent parts of Guadalcanal. This culminated in the 'coup' of June 2000 in which the MEF staged an armed take-over of Honiara, and effectively toppled the government of Bartholomew Ulufa'alu. Most Guadalcanalese fled Honiara and most economic exchanges between Honiara and its Guadalcanal hinterland ceased. During this time, Solomon Taiyo Ltd. effectively

withdrew from the Solomons, ostensibly because of the seizure of one of its boats, but also because of the declining world price of fish after 1997 and corporate restructuring.

After many months of negotiation, the Townsville Peace Agreement (TPA) was signed on October 15, 2000. One of the conditions of this agreement was compensation to those displaced by the conflict and to the families of those killed. Initial payments were made of SI\$6,000,000 to Malaita Province and SI\$3,000,000 to Guadalcanal Province, for disbursement to affected parties (Fugui 2001:556). Since then compensation payments have continued, and have generated accusations of government corruption since it appears that many inflated claims were paid out to relatives and *wantoks* of politicians and government officials (ibid). Much of the finance needed for these compensations was provided by the government of Taiwan, with an initial instalment of SI \$300 million (ibid), and with other large transfers later.

The 1999 Census, which was held after most of the displacement from Guadalcanal had taken place, enumerated more than 35,000 people as displaced, about nine percent of the population of the Solomons. In the wards on the Guadalcanal Plains displacement ranged from 58 to 67 percent of the total population of these areas (Schoorl and Friesen 2002). In most cases, about three-quarters of these displacements were of Malaitans, either back to Malaita or to Honiara. However, there was also some displacement of people within Guadalcanal as militants attempted to gain influence over the population. Thus not only were the large-scale industries producing palm oil, cocoa and gold disrupted, but also village production was disturbed, including the production of subsistence crops and cash crops for sale in the Honiara market. After the coup of June, 2000 this trade halted completely, although it did not take long after the TPA for some Guadalcanal sellers to return to the Honiara market.

Looking Back: Solomon Islands Economy 1986 to 2002

Through the 1990s there were serious concerns about the state of the Solomons

economy. Economists argued that the fiscal deficit resulting from growth in current over capital expenditures was unsustainable (Wood 1994; Sterne 1996). Accompanying this was rapid inflation, increasing national debt levels and the ongoing devaluation of the Solomon Islands dollar (CBSI 1996, 1997, 1998, 1999). Another concern was the incidence of corruption, often resulting from what were seen as unsustainable levels of logging (Kabutaulaka 1997; Frazer 1997).

However in the 1980s and 1990s, there was considerable optimism in some quarters about the potential of the resource base of Solomon Islands. Since the 1970s fish and logs have comprised more than 50 percent of all visible export income, rising to an average of 72 percent between 1990 and 1997. Other sectors including minerals, palm oil, cocoa, rice and tourism were seen to have great promise.

In the 1980s, fish products were the largest export sector for Solomon Islands. The fishing catch has been variable through the 1990s but remained relatively high until 2000 when Solomon Taiyo Ltd. (STL) closed down its operations (Figure 1). Three fishing companies continue to operate in the Solomons (as well as five distant water fishing nations) partly buoyed by increased world prices in 2001 (Figure 1). The largest of the local fishing companies is Solomon Fishing and Processing Ltd. which has taken over some of the assets of STL (CBSI 2001). This is a joint venture between the Investment Corporation of Solomon Islands and the Western Province, heralding a significant return of government involvement in this sector. By the end of 2001 this company employed 740 people on its ships and in its cannery, about 40 percent of the number employed by STL. Most of the onshore activity of these fishing companies is centred on Noro in Western Province, with the Tulagi-based operations of National Fisheries Development being shifted there in 2001. These operations also generate considerable local income through the provision of baitfish by local fishers.

The sector which seems to have been least affected by the ethnic tension is the logging industry. Although production fell slightly in

2000, it has remained relatively stable since then, despite a slight decline in world prices (Figure 2). These levels of logging, although lower than those of the mid 1990s, are still at levels about twice the level that is considered to be sustainable nationally (Kabutaulaka 2000:91). Of course, levels of national sustainability may be irrelevant when we consider issues of local sustainability, so that as commercial logging has been halted in Guadalcanal and reduced in Makira, pressures may have increased in other areas. For example in the first half of 2002 the distribution of logging production by province was as follows: Western 51%, Isabel 41%, Central 5% and Choiseul 3% (CBSI Monthly Economic Bulletin, August 2002). Thus levels in the provinces of Western and Isabel, which have already had a long period of exploitation, remain high. Logging does provide a relatively large amount of income to villagers in the short term, but in the longer-term reduces the possibilities for alternative uses of the forest (LaFranchi 1999).

Plantation production has been variably affected by the ethnic conflict of 1999 onwards. Palm oil and palm kernel production, all located on the Guadalcanal Plains has been completely halted. Cocoa production, which involves a mixture of large plantation production and village production, has been considerably reduced from the levels in 1997 and 1998, but was already prone to considerable fluctuation in the 1990s (Figure 3). After the closure of operations on Guadalcanal there was only one large cocoa plantation, in the Russell Islands, but its future is in doubt (CBSI 2001:23-24). It is not clear if small-scale production and fermentation will be viable if this operation were to close. Copra and coconut oil production has been severely affected by recent events in Solomon Islands (Figure 4). However the ethnic tensions are only partly responsible for this. Plunging world prices have been a factor in discouraging growers, but also, the operations of the Commodity Export Marketing Authority (CEMA) have been curtailed by the low returns to copra, and by infrastructural problems such as shortage of diesel fuel for trading ships. Thus, in 2001 production of coconut products declined

dramatically (Figure 4). Since the great majority of copra production is by village producers, impacts on cash availability in villages throughout the country will be severe, and the impacts at this level need to be considered further.

The only detailed information available about the village economy in recent times is from the 1999 Census, taken in November during a 'lull' in the ethnic conflict. The census showed that subsistence food production is still a very important, with most households growing some of their own food, even in urban areas (Friesen et al. 2002). Some crops are widely grown, for example 86 percent of households grew bananas and 84 percent grew kumara and cassava, with a majority growing other root crops including pana, yam and taro. Also 62 percent of all households caught fish for their own consumption and in provinces more distant from Honiara these statistics are higher at 87 percent in Western and 85 percent in Temotu.

The proportions of households which undertook subsistence production was even quite high in Guadalcanal, although it should be noted that households were asked about production over the last year, so some data may relate to the pre-tension period. At the same time it can be argued that subsistence production in the Solomons provides some protection against instability and unpredictable returns to cash activity, with some portability of production and relatively short growing periods. Nevertheless there is little doubt that subsistence and cash production in the peripheral areas of Honiara were seriously curtailed at the time of the crisis and production still remains perilous. A Guadalcanal correspondent to the Pipol Fastaem network wrote in late 2001 about the area near his home in the Tanagai Highlands behind Honiara: "...there is a reluctance among even the ex-IFM Commanders of the local West Guadalcanal sections to visit these ghostly places" (PFNet 13/10/2001).

The other area in which the village economy has been most severely affected by the ethnic tension is in Malaita. The tens of thousands of people who fled to Malaita have put severe pressure on the agricultural

base of an already heavily populated area. A government report commissioned after the main displacement from Guadalcanal suggested that while 90 percent of the families that arrived in Malaita intended to stay there, only 55 percent had managed to gain access to land for gardening (Solomon Islands 2000: 12-16).

In other parts of the Solomons it can be assumed that subsistence production enumerated in 1999 has continued at a similar rate or even increased to compensate for losses in cash opportunities. There is no doubt that the cash income flow in many households has been impacted by the collapse of the copra market. In 1999, 42 percent of all households had produced coconut products for sale, with this percentage being as high as 63 percent in Choiseul and 58 percent in Makira. The future of other cash based commodity production (e.g. cocoa) is unknown since the future of the Commodity Export Marketing Authority (CEMA) which transports and markets these commodities, is in question.

Looking Forward: Is Development Still Possible?

In late November 2002, as the law and order situation continues to deteriorate, particularly in Honiara and on the Weather Coast of Guadalcanal, it is difficult to feel optimistic about future development in Solomon Islands. Earlier in November, the Solomon Islands Human Development Report 2002 was released, and this report attempts to take a longer-term perspective (Solomon Islands 2002). Some social indicators had improved substantially between the 1986 and 1999 censuses. Infant mortality, while still high at 78 in 1999, had declined from nearly 100, while overall life expectancy had risen by about six years over the same period. The 1999 Census also showed that literacy had risen considerably since the previous census, although large disparities by gender and between regions remain. Whether these trends will continue is in doubt. Both the health and education systems have been seriously impacted by the ethnic conflicts and by the government's economic stringencies. Even ODA inputs into these systems, such as New Zealand's direct aid transfers to many schools, is in jeopardy if

the Solomons government is not able to maintain law and order.

As already suggested the impacts of the ethnic tension and subsequent economic crisis have varied considerably by province. In most areas, there has always been a great reliance on subsistence production for food and housing, and the recent crisis has necessitated even greater reliance on subsistence. Subsistence agriculture appears to be quite resilient in areas where population density is not too high, or where there are reserves of land for agriculture inland. At the opposite end of the spectrum is Malaita, particularly the northern part, where many people displaced from Guadalcanal have settled. Already in 2000 there was great stress on the land as well as on the provision of services such as education and health (Solomon Islands 2000).

In some areas, many cash activities have been maintained throughout the crisis. This is especially the case in Western Province, where most of the surviving fishing industry is based, where logging has carried on, and where there is even some tourist activity. The collapse of the copra market, however, will have a major impact on many villagers, for whom copra has been the most consistent source of cash income over many years.

At various times provinces have attempted to distance themselves from the conflict by calling for independence or at least greater autonomy. These include Western, Choiseul and Temotu provinces, in the first two cases at least being provinces with substantial resource endowments (Fugui 2001:553-554). In the case of Western Province, there has always been a sense of grievance in relation to the degree to which the economic activities in that province subsidise government spending elsewhere. Ironically, greater provincial autonomy is being proposed by the current government in an attempt to resolve the political tensions between Guadalcanal and Malaita, but these provinces may not be beneficiaries of such a change if provinces with more resources contribute less to the national budget.

There is some circularity in the debate as to whether it is the state of government and of law and order which is destroying the economy of Solomon Islands or vice versa. Presumably progress on both fronts at the same time is critical. To end on an optimistic note, it should be noted that there are a number of agencies that are working within the country on both of these fronts. Several churches have congregations crossing ethnic boundaries and some have been prominent in efforts to promote reconciliation. Indigenous NGOs, notably Solomon Islands Development Trust, have also promoted reconciliation, political transparency and grassroots village development. A number of agencies have been promoting the concept of civil society, including the *Pipol Fasteam* (People First) network and others. Perhaps what is needed most to complement these efforts is a determined and honest government. Personally, I think that in a country that has had to deal with ethnic plurality for generations, positive development is still possible.

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Figure 1

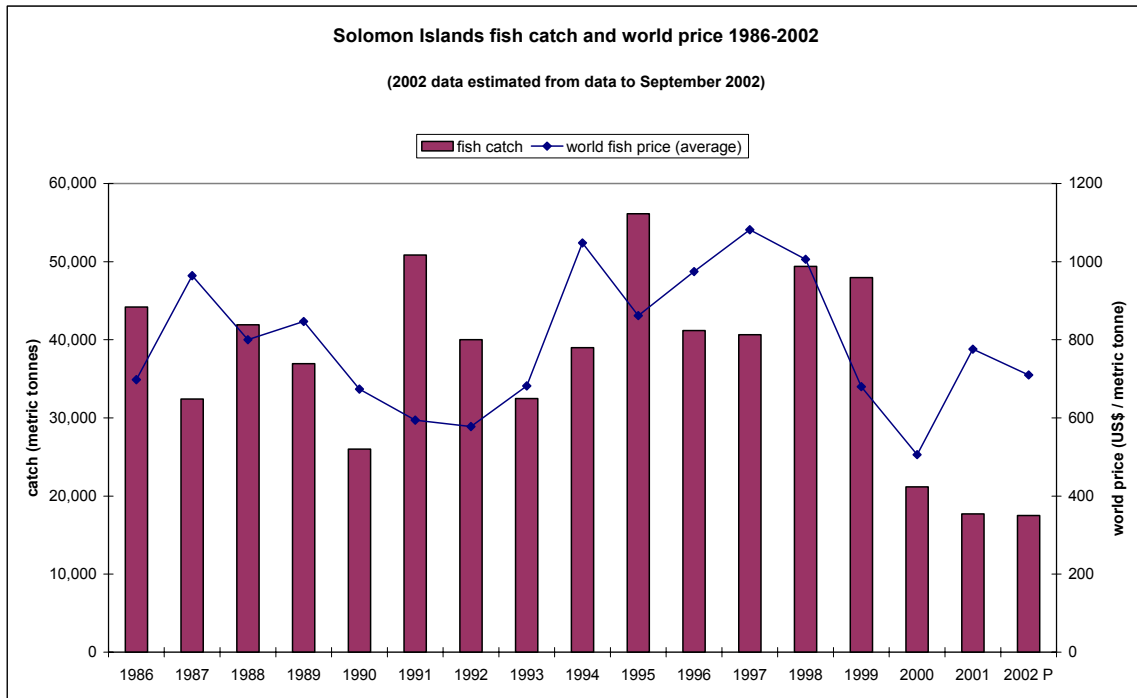


Figure 2

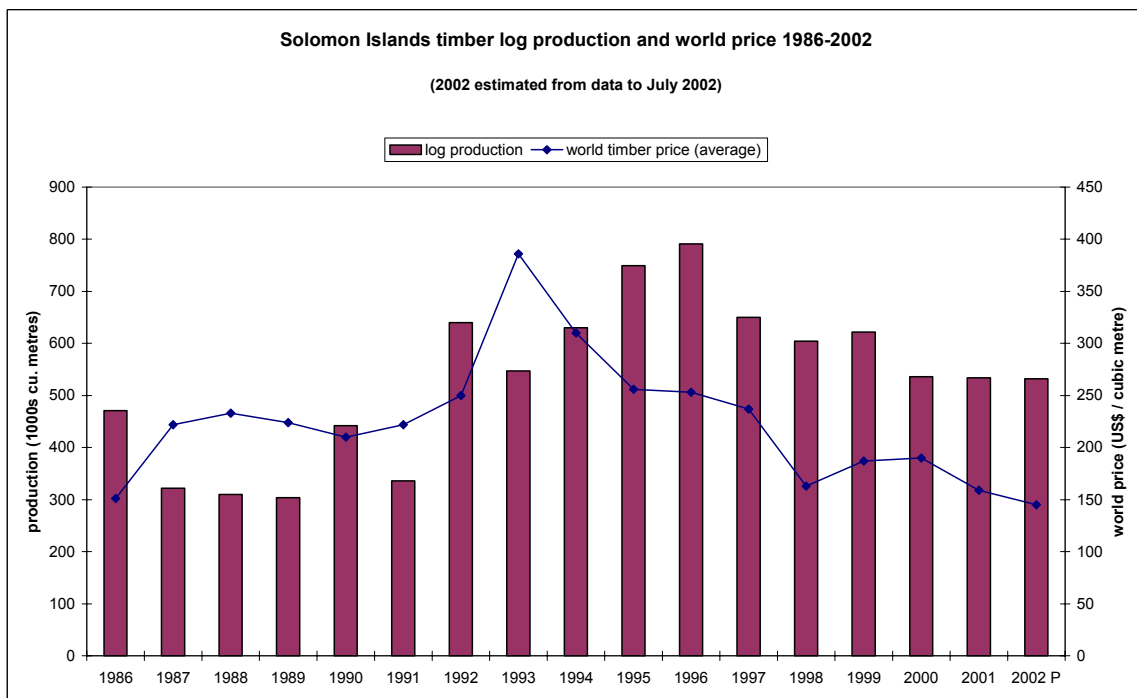


Figure 3

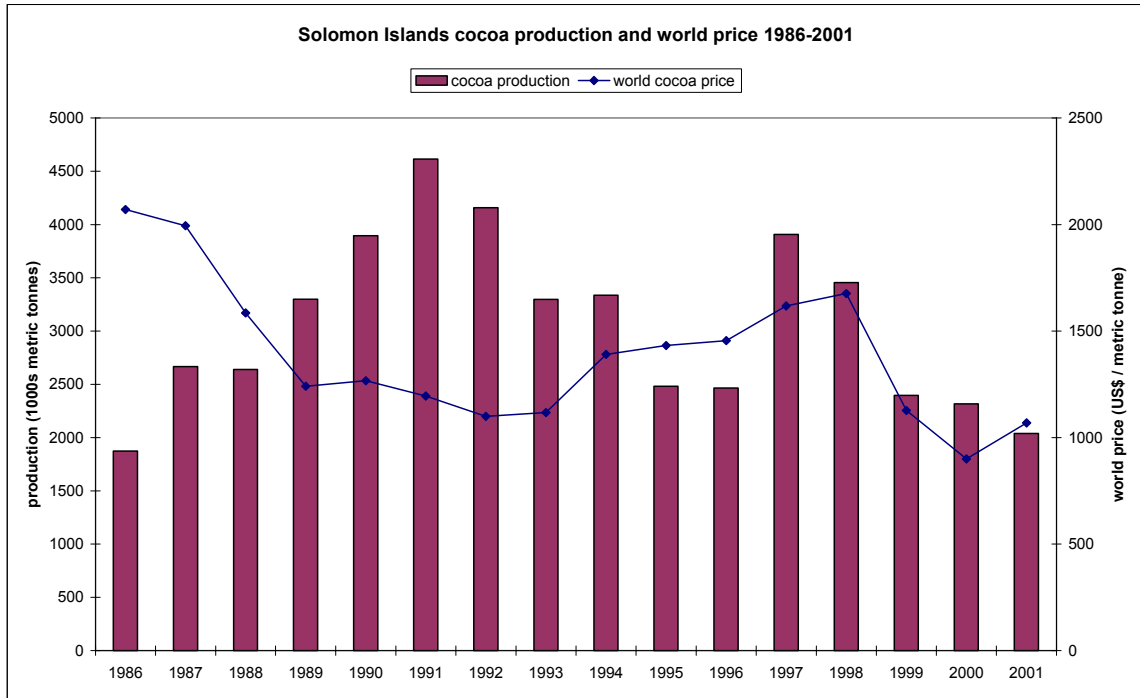


Figure 4

