

Vanuatu—a picture of stark inequality in the South Pacific

A correspondent
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A recent visit to Vanuatu, a country of 83 small islands scattered across the south-west Pacific, some 2,000 kilometres east of northern Australia, provided a glimpse of the economic ruin and stark social divide emerging in the Pacific island states.

Some of the inequities are visible as soon as one walks down the narrow, pot-holed main street of the capital, Port Vila. Up-market restaurants, Western-style supermarkets, expensive souvenir shops, Australian and US banks and tourist hotels, sit alongside dilapidated government offices, run-down shopfronts and an open-air marketplace, where people from the town and surrounding villages buy and sell vegetables, fish and other produce.

Just a few blocks behind the small commercial district, one comes across people living in tin shacks. They may be employed in retail stores, cafes or holiday resorts, serving the needs of tourists, or as housekeepers in the homes of expatriates, but they return each day to a dismal shanty area. Some huts have running water, and most have electricity, yet many residents cannot afford water or power connections for more than a few hours a day. Private companies supply both services and even expatriates on high salaries complain of the exorbitant charges.

On the outskirts of Port Vila one finds even greater inequality. While Australian, British, New Zealand and French-born residents and members of the small indigenous elite generally reside in comfortable villas up in the hills or along the coast, thousands of people are living in several crowded slum areas, consisting of rudimentary huts facing dirt tracks, usually without water, power, and sewerage and drainage. Women from the huts often work as domestics in the villas, paid wages of around \$US1.25 an hour.

Beyond the capital, the housing standards and facilities seem poorer again. Not far from Port Vila, the sole road around Efate becomes a rough dirt track, full of gaping holes and bumps, making transportation difficult. Many of the outlying islands lack regular air or shipping services. As a result, most people live in relatively primitive and isolated conditions, aware of the riches of modern capitalism but denied access to them.

National statistics show that kerosene continues to be the primary form of household lighting fuel, used in 74 percent of Vanuatu houses, compared to 19 percent using electricity. Wood remains the main household cooking fuel, used in 83 percent of homes, compared to 15 percent using gas. Only 6 percent of houses have private telephones.

Port Vila, on the main island of Efate, and Luganville, on the biggest island of Espiritu Santo, are the only sizeable urban centres. Just 63 islands are inhabited and only 12 have more than about a thousand people. According to the 1999 census, the population remains predominantly rural. Of the country's 186,678 people, about 30,000

live in Port Vila and just over 10,000 in Luganville.

Walking through Port Vila, one sees young people everywhere, apparently with nothing to do. Census data shows that the populations of both major towns are expanding quickly, as youth leave the countryside in the hope of a better life. Between 1979 and 1989, Port Vila's size grew by 78 percent, and by another 55 percent between 1989 and 1999. Vanuatu's population as a whole is expected to double within 23 years, with Port Vila's size doubling in just over 16 years.

Apart from tourism, however, there are no major industries and few new jobs are being created. The official unemployment rate is 2 percent, but that masks the real situation. A mere 25 percent of the labour force is employed, leaving 67 percent classified as subsistence farmers—many of whom are jobless, as any Port Vila taxi or mini-bus driver will explain. With some 3,500 young people leaving school each year to enter the labour force, the gap between aspiration and reality will only widen.

Nearly half of Vanuatu's people—42.7 percent—are under 15. Yet, as teachers told me, education beyond primary level is confined to a tiny minority—those who win scholarships or whose parents can pay fees. A privileged few have access to tertiary education—Port Vila has a technical college and a branch campus of the University of the South Pacific. Official statistics confirm this picture. Whereas 81 percent of children attend schools, only 30 percent of 15-19 year olds do so, and just 3 percent of 20-24 year olds are in educational institutes.

From its colonial past, Vanuatu inherited two languages—English and French—and two education systems, which compete for scarce resources. Most government schools look poorly equipped, even compared with the Christian church schools that seem to predominate. With hundreds of traditional languages, literacy levels are low, including in the third official language, Bislama, a form of pidgin English. Overall, the UN Development Program estimates functional literacy levels as 37 percent for men and 30 percent for women.

Any tourist can see that Vanuatu has rich volcanic soil, lush vegetation, a wonderful tropical climate, picturesque mountains and beautiful coastlines, featuring beaches and corals. From a purely natural point of view, it should be a place of bountiful prosperity. Its people have long been denied the benefits of these resources, however.

During the nineteenth century, British and French settlers established a trade in "blackbirding"—the abduction of islanders for forced labour in Australia and Fiji. Historians estimate that as a result of the activities of this slave trade, and the European diseases brought by missionaries and sandalwood traders, the population fell from approximately one million in 1800 to about 45,000 in 1935.

Today, the One Small Bag theatre group presents aspects of this tragic history to tourists in Port Vila. In a lively, humorous but obviously heart-felt production, local actors and dancers show how Spanish, French and British explorers gradually discovered the islands from the 16th to the 19th centuries, only to be followed by missionaries, traders, soldiers and blackbirders, who treated the islanders with contempt and all played a part in wiping out most of the population.

Under an arrangement known as the Condominium of New Hebrides, Britain and France jointly ruled and plundered the islands for most of the 20th century, taking their timber and coconut products while doing little to lift the living standards of the surviving people or provide basic services, health care and education.

Not much has improved since Vanuatu was granted formal independence just two decades ago, in 1980. There are signs of decay in the primitive infrastructure left behind by the colonial authorities. In Port Vila, roads are unrepaired, footpaths are crumbling or non-existent and official buildings are mostly decrepit. One notable exception is the grand-looking Parliament House, erected in the 1990s with funds lent by China.

On Efate and Espiritu Santo, one can find remnants of the US bases that were built during the 1942-45 war against Japan. More than 500,000 servicemen and women passed through Luganville—which at one time had five airfields, a major naval repair centre, a road network, four military hospitals and 43 cinemas. (Among the US sailors was Lieutenant James A. Michener, who began to write his novel *Tales of the South Pacific* on Espiritu Santo.) None of this infrastructure remains.

Government statistics confirm that living standards, already extremely low in 1980, have fallen since and are still declining, as measured by economic output. In 1980, real Gross Domestic Product per person was 85,489 vatu (about \$US732). By 1999, it had fallen to 77,577 (\$711).

With its only significant exports being agricultural—copra, cocoa, beef and timber—Vanuatu has a chronic balance of trade deficit in excess of 6 billion vatu annually. Budget deficits are also the norm—the tax base is insufficient to cover minimal government spending. That is because there are no personal income taxes and no company taxes for most foreign businesses. Until 1998, import duties provided the government's main source of revenue; in that year most were replaced by a 12.5 percent Value Added Tax.

The VAT was imposed on the orders of the Asian Development Bank as part of its 1997 Comprehensive Reform Program, in return for loans to cover the trade and budget deficits. The World Bank-backed economic restructuring package also required a 10 percent cut in the public service, reduced social spending, tariff reductions and removal of restrictions on foreign investment.

The switch to a VAT, the burden of which necessarily falls heaviest on Vanuatu's working people, epitomises the socially destructive and polarising impact of global capitalism. Villagers may be able to avoid paying the VAT in produce markets, but they pay the same rate as tourists and expatriates whenever they buy food or other necessities from supermarkets and other shops.

The VAT was imposed to help market Vanuatu as an international tax avoidance paradise. Even before independence, the New Hebrides competed with other Pacific island states to lure capital and investment by offering Swiss-style secret banking facilities and almost complete freedom from corporate taxes. Most of Vanuatu's people lack decent education and sanitation—but the country hosts 55 banks.

Before one lands in the country, Air Vanuatu's in-flight magazine touts its tax-free status. "Vanuatu is an idyllic tax haven situated in a particularly advantageous time zone to service virtually all of the Pacific Rim countries," writes chartered accountant Lindsay Barrett. "Simply speaking, and with very few exceptions, both individuals and companies in Vanuatu do not pay income tax, capital gains tax, estate tax, death duties. Vanuatu does not impose exchange controls either."

International companies pay no stamp duties and are also guaranteed a 20-year exemption from taxes on their profits, Barrett continues. "International companies are usually able to be incorporated within 24 hours" and "for an extra fee of US\$1,000, one-hour incorporation can be arranged." More than 4,000 companies have taken advantage of such offers—including names like Mobil, Shell and Boral Gas—and the government is eager to attract more, but only a small elite benefits from these financial transactions.

Despite the general poverty and economic decay, there is little outward indication of large-scale unrest. Recent developments have pointed to underlying tensions, however. In 1998, riots broke out in Port Vila when the Vanuatu National Provident Fund collapsed, forcing the government to hurriedly organise a refund of all deposits.

In April this year, the 300-strong paramilitary Vanuatu Mobile Force dispersed supporters of Barak Sope, a nationalist politician and businessman, whose government was ousted after losing its parliamentary majority. Sope, who had resisted aspects of the restructuring program, accused the Australian government of instigating his removal, but his threats of mass action to overturn his dismissal did not eventuate.

Canberra and the Western powers undoubtedly favour the present coalition government of Prime Minister Edward Natapei, yet it holds only a two-seat majority in parliament and appears unlikely to be any more stable than its predecessors—nine governments have fallen over the past decade. Natapei's commitment to the restructuring program will mean further reductions in living standards.

The May-June 2000 coups in neighbouring Fiji (to the east) and the Solomon Islands (to the north) have triggered fears in ruling circles of similar disturbances. Over the past year, local newspapers have run alarmist stories about urban crime, calling for tougher measures against unemployed youth. Last October, for instance, the twice-weekly *Trading Post* reported that an alleged gang attack "sent shivers down the spine of expatriates who are concerned that the country is following in the footsteps of Papua New Guinea, Solomons and Fiji".

According to one study of Vanuatu's police statistics between 1992 and 2000, there is no evidence of an increase in crime. Vanuatu's elite is concerned, however, with the possible development of more conscious forms of opposition among the country's jobless youth and workers. Discontent can only grow because the local ruling cliques have shown that they have no solutions to the economic decline, mass unemployment and other social problems being created by global capitalism.



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