

University of Wollongong - Research Online

Thesis Collection

Title: Sustainable socio-economic development in Tonga: challenges and responses

Author: Fotukaehiko Valeli Fisi'iahi

Year: 2006

Repository DOI:

Copyright Warning

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site.

You are reminded of the following: This work is copyright. Apart from any use permitted under the Copyright Act 1968, no part of this work may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of the author. Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material.

Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

Unless otherwise indicated, the views expressed in this thesis are those of the author and do not necessarily represent the views of the University of Wollongong.

Research Online is the open access repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au

University of Wollongong Theses Collection

University of Wollongong Theses Collection

University of Wollongong

Year 2006

Sustainable socio-economic development in Tonga: challenges and responses

Fotukaehiko Valeli Fisi'iahi
University of Wollongong

Fisi'iahi, Fotukaehiko V, Sustainable socio-economic development in Tonga: challenges and responses, PhD thesis, School of Economics and Information Systems, University of Wollongong, 2006. <http://ro.uow.edu.au/theses/171>

This paper is posted at Research Online.

<http://ro.uow.edu.au/theses/171>

NOTE

This online version of the thesis may have different page formatting and pagination from the paper copy held in the University of Wollongong Library.

UNIVERSITY OF WOLLONGONG

COPYRIGHT WARNING

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site. You are reminded of the following:

Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material. Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

**Sustainable Socio-Economic Development in Tonga:
Challenges and Responses**

**A Thesis Submitted in Fulfilment of the Requirements for
the Award of the Degree**

of

DOCTOR OF PHILOSOPHY

from

UNIVERSITY OF WOLLONGONG

By

FOTUKAEHIKO VALELI FISI'IAHI

Master of Commerce, Australia

Bachelor of Arts, Australia

School of Economics and Information Systems

2006

Declaration

I, Fotukaehiko Valeli Fisi'iahi, declare that this thesis, submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the School of Economics and Information Systems, University of Wollongong, is wholly my own work, unless otherwise referenced or acknowledged. The document has not been submitted for qualifications at any other academic institution.

.....
Fotukaehiko Valeli Fisi'iahi

2nd November, 2006

DEDICATION

IN MEMORY OF MY LOVING PARENTS

‘AISEA VALELI FISI’IAHI

AND

HALAFETUIAKI FISI’IAHI

WHOSE ENCOURAGEMENTS INSPIRED ME TO EXCEL

**“Na’a mou Ikuna ‘I he Ha?
Pea Nau Tali Mai
Ko e Ta’ata’a Ne Tafea
Ko e Ivi ‘o e Lami”**

**MAY YOU REST IN PEACE AS YOUR INSPIRATION IS
NOW FULFILLED**

Abstract

Achieving good progress towards sustainable socio-economic development is a major issue for all developing countries, but it presents special challenges for small island economies. Tonga, a small island kingdom in the Pacific, is no exception. While Tonga is blessed with many human and physical resources, its remoteness, small size, and uneven progress have hampered sustainable socio-economic development.

There are also internal attributes, which, while manageable, constrain the country's socio-economic development. The thesis sought to provide answers to two important questions. Firstly, what has hindered or limited the sustainable socio-economic development of Tonga? Secondly, how can these challenges be addressed? These questions were identified in this thesis to be important, especially in light of the sluggish socio-economic performance of the Tongan economy in recent years.

In order to identify the most important factors, a comprehensive study of the barriers to entrepreneurship development in Tonga (published by Deacon Ritterbush in 1986) was reviewed, and compared with the barriers and problems that are still evident or recently identified in the 21st century.

Three important issues were found to have considerable impact on the process of sustainable socio-economic development in Tonga. Drawing on qualitative research methods, the prime issues investigated were 'weak governance' in family-run businesses and public enterprises, 'market deficiencies', and thirdly, the lack of an employment relations framework, and concomitant lack of 'decent work'.

If Tonga is to reach its potential, commitment is needed from the Tongan government, as well as from Tongan citizens, to give priority to good governance, to reduce marketing problems, and to ensure wide availability of 'decent work' and effective employment relations legislation. This is not to undermine the policies already put in place by the government. Rather the findings of this thesis emphasise the importance of adopting appropriate and affordable policies and strategies in a coherent and timely manner for the benefit of the current and future generations of the people of Tonga.

ACKNOWLEDGEMENTS

It is my great pleasure and honour to acknowledge the assistance, support and encouragement offered to me during the process of this prolonged and seemingly endless research by many individuals and organisations in Tonga and abroad. Realising that words can only partially express my feelings and gratitude, it is their selfless contribution that has made this study possible.

I wish to convey my deepest sense of gratitude to my Principal Supervisor, Associate Professor Diana Kelly, to whom no words can fully express my appreciation for her continuous support and constant encouragement during the course of my educational pursuit. Her tireless efforts, constructive supervision and criticisms have played the most important role in the completion of this study. I owe her an immeasurable debt and it is impossible to fully convey the extent of her patient guidance and supervision throughout the preparation of this entire thesis.

I am also grateful for the support and encouragement provided by Associate Professor Edgar Wilson and Associate Professor Ann Hodgkinson through the duration of my research. Your valuable guidance and unselfish support has contributed to the success of this study. My heartfelt gratitude to Dr Lenore Lyons and CAPSTRANS for their financial support during the course of this study.

I would also like to express my appreciation to the examiners of a previous version of this thesis. Professor Vijay Naidu offered succinct and helpful advice which has assisted me greatly in improving the thesis. Professor John Connell also offered helpful ideas, especially with regard to directing me to the work of Deacon Ritterbush, and also suggesting the new structure of the thesis. Assistance from senior scholars such as these professors also provides benefits to the field of research overall.

I gratefully acknowledge the financial support provided by the Government of Tonga and the Australian Government, without which this study would not have been possible. I am deeply honoured to have been provided with the opportunity to undertake this study. I would also like to acknowledge Dr. Masassao Paunga, Paulo Kautoke and staff members of the Ministry of Labour, Commerce and Industries, for their valuable assistance in some aspects of this study. Special thank you goes out to all informants in Tonga, Auckland and Sydney who provided key information for this thesis. Your willingness to participate during the course of my fieldwork has provided this thesis with the richness of information much needed.

I would also like to express my gratitude and appreciation to Tamale and 'Eseta, and the people of my dear village of Niutoua, for your prayers and encouragement during this restless doctoral endeavour. Special thanks to the Tongan Community in Wollongong, as well as Kava Clubs in Wollongong, Sydney, Hawaii and the United States of America, for their generosity and financial support which enabled the completion of this study. I acknowledge with very sincere gratitude the generous contribution by 'Isileli and Liliana Fatafehi, Siaki and Salote Fekitoa, Simi Holasi and Litea Fifita, Moniti and Patisepa Fevaleaki, Paula Faa'ikea and Mele Kaliti, Alice Prescott and Dyan Ma'u, Matamoana and Meleane Tukunga, Fanakena and Lu'isa Puamau, Taani and Sulieti Lavaka, Kalaha and Manu Vehikite, and to all relatives and friends in Tonga and abroad whose names are not listed in this acknowledgement.

Thank you very much for your financial support, constant prayers and encouragement during this entire doctoral research. My heartfelt gratitude and appreciation to Keasi Tafea for your generous financial support and continuous encouragement during the time of my struggle. Your helping hands powered me to excel.

Many thanks to my sisters, Liliana, Kalisi, Heleine, Losa and Langiola, and my brothers Polonitelo, Paluki 'Umutolu and Kuli-moe-'Anga, and your respective families for your prayers and support that I needed in the face of adversity. I would also like to acknowledge the prayers and encouragement by Penisimani and Vaikakala Ma'u, as well as Rev. Siosifa Koloti Ma'u and their families, during the time of my struggle.

I wish to express my deepest and sincerest gratitude to my wife Maumi Ma'u Fisi'iahi for her prayers, support and encouragement during the entire course of this seemingly endless study. I owe her accumulating debts for her role in supporting our young family in Tonga and allowing me to concentrate on this study. Her supporting role enabled her to share my many frustrations as well as have a share in the rejoicings. To my sons, 'Aisea and Jerry Bowman, and daughters Tupou Louveve Kulukulutea and Lupemotumanoa-he-Lotu Fisi'iahi, thank you for your prayers and encouragement during the course of my study. I hope that the completion of this study will one day remind you of why I was away during the times you needed me most.

Finally, I would like to express my gratitude to all those who, in one way or another, kindly assisted me during my research and preparation of this thesis. I feel indebted to many individuals who are impossible to acknowledge by name, but I would ask those whose names do not appear on this page to accept my sincere thanks for whatever role they played, which makes the completion of this study all the more worthwhile. Let me carry the flag of victory, but to **GOD WITH GLORY** for what he has done and his pivotal role in this seemingly endless educational pursuit.

Malo 'Aupito mo e 'Ofa Lahi Atu

Fotukaehiko Valeli Fisi'iahi

TABLE OF CONTENTS

Title Page	
Declaration	
Dedication	
Abstract	i
Acknowledgement.....	ii
Table of Contents	iv
List of Tables and Figures.....	vi
Glossary of Abbreviations and Terms	vii

INTRODUCTION

Introduction	1
Organisation of Thesis	2
Objective of Study	4
Overview of Research Problem	5
Significance of Study	7
Scope of Study	8
Limitations of Study	8
Concluding Remarks	9

CHAPTER 1: TONGA: OVERVIEW OF DEVELOPMENT ISSUES

Section 1.0: Introduction.....	11
Section 1.1: Tonga in Context	13
Section 1.2: Political Setting	16
Section 1.3: Economic Development.....	18
Section 1.4: Social Development.....	25
Section 1.5: Environmental Development.....	29
Section 1.6: Culture and Development	30
Section 1.7: Governments' Strategic Plan for Socio-Economic Development	33
Section 1.8: Chapter Summary.....	33

CHAPTER 2: REVIEW OF LITERATURE: MAJOR SUSTAINABLE DEVELOPMENT CHALLENGES ISSUES

Section 2.0: Introduction	35
Section 2.1: Organisation of Chapter	37
Section 2.2: Diverse Definitions of Sustainable Development.....	37
Section 2.3: Dynamics of Development in Pacific Island Countries	43
Section 2.4: Sustainable Development: A Tongan Perspective.....	49
Section 2.5: Challenges of Sustainable Development in Tonga.....	53
Section 2.6: The Role of Government in Sustainable Development.....	65
Section 2.7: Possible Contribution to the Literature.....	66
Section 2.8: Limitation of Literature.....	67
Section 2.9: Chapter Summary.....	68

CHAPTER 3: RESEARCH METHODOLOGY

Section 3.0: Introduction	70
Section 3.1: Overview of Methodology Literature.....	72
Section 3.2: Selection of Methods.....	77
Section 3.3: Research Processes.....	78
Section 3.4: Data Collection.....	81
Section 3.6: Sampling Detail	85
Section 3.7: Fieldwork Problems	86
Section 3.8: Chapter Summary	87

CHAPTER 4: BARRIERS TO ENTREPRENEURSHIP IN TONGA: A TWENTY YEARS RE-EVALUATION (1986 – 2006)

Section 4.0:	Introduction	89
Section 4.1:	Organisation of Chapter	91
Section 4.2:	Overview of Barriers Revealed by Ritterbush's Study in 1986.....	92
Section 4.3:	Overview of Key Policies Recommended by Ritterbush.....	103
Section 4.4:	Twenty Years Re-Evaluation of Barriers – 2006	109
Section 4.5:	Role of Bureaucracy in Addressing the Barriers in the 21 st Century	123
Section 4.6:	Implications for Sustainable Socio-Economic Development in Tonga...	125
Section 4.7:	Chapter Summary.....	128

CHAPTER 5: FACTORS AFFECTING FAMILY-RUN ENTERPRISE IN TONGA: A CASE STUDY OF THE SI'I-KAE-OLA ENTERPRISE

Section 5.0:	Introduction	130
Section 5.1:	Organisation of Chapter	134
Section 5.2:	Historical Background	134
Section 5.3:	Status of Development of Si'i-Kae-Ola Enterprise	139
Section 5.4:	Factors Affecting Si'i-Kae-Ola Operations	140
Section 5.5:	Responses to Problems by Si'i-Kae-Ola Management.....	148
Section 5.6:	Implications for Sustainable Socio-Economic development in Tonga....	149
Section 5.7:	Chapter Summary	151

CHAPTER 6: BARRIERS TO DEVELOPMENT OF PUBLIC ENTERPRISES IN TONGA: A CASE STUDY OF THE DEMISE OF THE ROYAL TONGA AIRLINES

Section 6.0:	Introduction	153
Section 6.1:	Organisation of Chapter	155
Section 6.2:	Background History of Royal Tongan Airlines	156
Section 6.3:	The Management Setting.....	158
Section 6.4:	Business Strength of Royal Tongan Airlines	160
Section 6.5:	Factors Responsible for the Demise of the Royal Tongan Airlines.....	165
Section 6.6:	Management Responses to Problems.....	175
Section 6.7:	Implications for Sustainable Socio-Economic Development in Tonga..	176
Section 6.8:	Chapter Summary.....	178

CHAPTER 7: BARRIERS TO DECENT WORK: A TONGAN LABOUR MARKET PERSPECTIVE

Section 7.0:	Introduction	181
Section 7.1:	Organisation of Chapter	185
Section 7.2:	Overview of the Tongan Labour Market	186
Section 7.3:	Prolonged Absence of Labour Legislation: A Reality Check of the Role of Government in Promoting Decent Work	188
Section 7.4:	Lack of Appropriate Labour Legislations: A Barrier to Decent Work in the Tongan Labour Market?	193
Section 7.5:	Case Study: Civil Servants' Strike – A Cry for Decent Work	206
Section 7.6:	Implications for Sustainable Socio-Economic Development in Tonga...	212
Section 7.7:	Chapter summary.....	213

CHAPTER 8: CONCLUSION AND POLICY RECOMMENDATIONS

Section 8.0:	Introduction	216
Section 8.1:	Summary of Findings	217
Section 8.2:	Policy Recommendations for Sustainable Development in Tonga	224
Section 8.3:	Contribution of the Thesis	229
Section 8.4:	Direction for Further Study	230
Section 8.5:	Final Remarks	231
	Bibliography.....	232
	Appendix I	251

LIST OF TABLES

Table 1.1	Socio-economic indicators in Tonga as at 2005
Table 1.2	Common Language Differentiation in Tonga
Table 1.3	Total Tourist Arrival for 2000, 2002, 2004
Table 4.1	Summary of problems revealed by Ritterbush in 1986
Table 4.2	Key policies recommended by Ritterbush in 1986
Table 4.3	A checklist of barriers to entrepreneurship in Tonga
Table 4.4	Initiatives in addressing barriers to entrepreneurship in Tonga
Table 5.1	Number of businesses competing with Si'i-Kae-Ola enterprises

LIST OF FIGURES

Figure 1.1	Squatters at Tukutonga Landfill, Pa Tangata
Figure 2.2	Informal settlement at Tukutonga
Figure 2.3	A showdown at the Tukutonga Landfill
Figure 2.4	A cry for good governance
Figure 2.5	Health workers appealing for good governance
Figure 2.6	Tonga National Business Association Demonstration
Figure 2.7	Immigrant residing beside the Landfill
Figure 5.1	A layout of Sii-Kae-Ola shopping centre
Figure 5.2	Management structure of Sii-Kae-Ola enterprises
Figure 6.1	Organisational chart of Royal Tongan Airlines
Figure 7.1	Tonga Civil Servants of Strike 2005
Figure 7.2	Health workers and teachers on Strike 2005

LIST OF BOXES

Box 2.1	United Nations Sustainability Conditions 1987
Box 2.2	A diary of the life of Tonga Trust Fund
Box 2.3	Requirements for developmental licence

Glossary of Abbreviations and Acronyms

ADB	-	Asian Development Bank
AusAID	-	Australian Aid
CPD	-	Central Planning Department
EU	-	European Union
FAO	-	Food and Agriculture Organisation
FITA	-	Friendly Islands Teachers' Association
FITIB	-	Fiji Islands Trade and Investment Board
ILO	-	International Labour Organisation
IMF	-	International Monetary Fund
MAFF	-	Ministry of Agriculture, Fisheries and Food
MBF	-	Malaysia Borneo Finance
MOE	-	Ministry of Education
MOF	-	Ministry of Finance
MLCI	-	Ministry of Labour, Commerce and Industries
MLSNR	-	Ministry of Land, Survey and Natural Resources
NGOs	-	Non-Government Organisation
NRBT	-	National Reserve Bank of Tonga
NZODA	-	New Zealand Overseas Development Assistance
PMO	-	Prime Minister's Office
PICs	-	Pacific Island Countries
PIDP	-	Pacific Islands Development Program
PIFS	-	Pacific Islands Forum Secretariat
PSA	-	Public Servants' Association
RCI	-	Royal Commission of Inquiry
RTA	-	Royal Tonga Airline
SKO	-	Si'i-Kae-Ola Enterprises
SIEs	-	Small Island Economies
SIC	-	Small Industries Centre
SPTO	-	South Pacific Tourism Organisation
TDB	-	Tonga Development Bank
TFHA	-	Tonga Family Health Association
TMDA	-	Tonga Medical Doctors' Association
TNA	-	Tonga Nurses' Association
TNYC	-	Tonga National Youth Council
TSD	-	Tonga Statistics Department
TVB	-	Tonga Visitors Bureau
UNDP	-	United Nation Development Program
UNFPA	-	United Nation Family Planning Association
USDS	-	United State Department of States
USP	-	University of the South Pacific
WBOT	-	Westpac Bank of Tonga
WSSD	-	World Summit on Sustainable Development

INTRODUCTION

Sustainable development is not a choice. It's an imperative. We must do everything possible, even if it means making some sacrifices during the period of change and transition. What is at stake is leaving our children, grandchildren and future generations a world worth living in, with a more just society and a healthy, clean environment. This is a duty in which we must not fail (President Romano Prodi, 2001:1).

Introduction

The island Kingdom of Tonga is among the Pacific Island Countries (PICs) located in the South Pacific region and classified by the United Nations under the title of small island developing states (Cocker, 2002). Surviving without any natural resources, other than the land and ocean, its socio-economic development has come in different forms. At one stage, the level of socio-economic development was flourishing and had lifted the socio-economic well being of the people. A large number of Tongan migrants who had settled in countries such as New Zealand, Australia, and the United States of America from the late 1970s continued remitting to family members and relatives left behind in the country. Great improvements in the socio-economic status of many families in Tonga were the result of these remittances. In addition to remittances, the agricultural sector continued to remain an important source of income and employment that assisted the socio-economic welfare of the majority of the people of Tonga.

However, the trajectory of socio-economic development has come under enormous pressure. A number of interrelated factors have been identified to have caused the poor performance of the Tongan economy. These factors include declining prices of Tongan products in international markets, increasing urbanisation, increasing unemployment, sluggish private sector performances, and poor management of government investments, to name but a few. Though these factors may have occurred at different times and rates their impact on the progress of socio-economic development in Tonga is of great interest for further investigation.

In this context, the Tongan Minister of Finance noted in 2002 that the economy had not performed to their expectations, thus appealing for serious adjustment to government policies and legislation to enable both the public and private sectors to function well (Utoikamanu, 2002). The merit of the Minister of Finance's statement, as a respected

bureaucrat in Tonga, indicated that the nature and direction of government policies and the absence of appropriate legislation were contributing factors to the lag in the process of sustainable socio-economic development in Tonga. By the same token, there are other internal factors that could be observed when policies are formulated, as challenging the process of sustainable socio-economic development. These factors include the strong Tongan culture, and religious beliefs of citizens. This is because most Tongans are not ready or cannot afford to completely overhaul their culture or deny their faith for the sake of socio-economic growth. Such attributes need to be taken into consideration in any attempt to successfully achieve socio-economic development.

Yet, the opening statement by Prodi (2001) in this chapter indicated the importance of sustainable development for all countries, regardless of the size, location and creed. He emphasises that sustainable development is not a choice but rather an obligation that the current generation should fulfil for the benefit of future generations. It is in this respect that identifying of the various factors that may affect the sustainability of the socio-economic development in Tonga is vital. In so doing it will allow this thesis to make some policy recommendations in the quest to overcome those barriers. These may offer the government of Tonga and other policy makers sufficient information that would give them more options to work with in formulating future development policies.

Organisation of Thesis

In order to deal with all of these issues, this thesis is divided into eight chapters in the following order. *Chapter One* presents an overview of development issues in the Kingdom of Tonga, while *Chapter Two* takes a broad review of the social science literature on sustainable development in the Pacific Island Countries (PICs), in relation to the experience of Tonga. In so doing, this thesis takes a heuristic approach as its guiding framework. It seeks to employ broad research approaches in relation to sustainable development in the island Kingdom of Tonga. The chapter will explore the extent of addressing sustainable development in Tonga, what are the factors affecting the progress of sustainable development, and how the government and the people of Tonga have so far dealt with those issues. It will also show how the socio-economic aspects of the sustainable development process have emerged in the Tongan context. Although the review of the literature is

focussed on Tonga, the sustainable development features of other PICs will be addressed when appropriate. Understanding the nature, direction and assumptions of earlier research would enable this thesis to identify a gap which this thesis could fill.

Chapter Three presents the research methodology that was adopted by the researcher in the process of the fieldwork. The literature on the research methodology mostly used by researchers in researching the socio-economic affairs of PICs, Tonga in particular is reviewed, in order to identify the most appropriate research approaches.

In *Chapter Four*, the thesis will offer a twenty years comparative review of a previous study conducted in Tonga by Deacon Ritterbush and published in 1986. The Ritterbush study focussed on identifying the various factors that largely affected the development of entrepreneurs in Tonga. The selection of the Ritterbush study was based on the fact that it is the first comprehensive study that covered the five key business sectors in Tonga. Although there are other studies that investigated the problems in specific sectors of the Tongan economy, the Ritterbush study stood out to be the most appropriate in revealing barriers to entrepreneurs and to socio-economic development. This twenty years comparative review also seeks to identify the barriers which still exist and the reasons why they have survived this long. Most importantly, the review aims to unpack and identify the barriers that continue to challenge development of entrepreneurs in Tonga for further investigation in consequent chapters.

Chapter Five is a case study using a successful family-run business in Tonga, known as the Si'i-Kae-Ola Enterprise (SKO). The case study will investigate whether some of the barriers identified by Ritterbush in Chapter Four have been apparent in their operations. There are number of key barriers to investigate in this case study, most important of which are the issues of governance and marketing. Investigating governance would highlight how relevant issues such as over commitment to non-business obligations may challenge the sustainability of the firm. Given that employing relatives in family firms is a common practice, this chapter will also seeks to understand the extent to which this may be a problem for their operations. This chapter will highlight the importance of having a well-managed business as a central means of advancing socio-economic development in Tonga.

Chapter Six is also a case study based on one of the government's public enterprises known as the Royal Tongan Airlines (RTA). The demise of the nation's only airline has sparked much speculation on what had caused the failure of this government investment. In this respect this chapter will observe the extent to which the important issues of weak governance and marketing were part of the problems that caused the demise of the airline.

Chapter Seven seeks to investigate the relationship between labour relations and the process of sustainable socio-economic development in Tonga. The chapter will observe some of the labour market issues that may stand out as barriers for the progress of socio-economic development. As previous studies have revealed, labour is one major barrier to development in Tonga, so this chapter will seek to understand the factors that contributed to labour problems in the country.

Chapter Eight will provide a summary of the findings of this thesis and suggest some policy recommendations that could be of use for the Tongan government in its quest for achieving sustainable socio-economic development.

Objective of the Study

The title of this thesis may seem ambiguous, *Sustainable Socio-Economic Development in Tonga: Challenges and Response*, but it might be taken as an assertion of the seriousness of the problems and challenges that have hindered the ability of the Tongan economy to achieve sustainable socio-economic development. Although this thesis attempts to highlight the challenges to sustainable socio-economic development, it is also important to understand what the Government and other important players in the country have done to manage these challenges. While some important barriers have been revealed by previous studies of socio-economic development in Tonga, this thesis aims to revisit those barriers and highlight their current status.

As such, the objective of this thesis is threefold. First, the thesis seeks to determine the factors that are responsible for the sluggish performance of the Tongan economy in its efforts to achieve a level of development required to fulfil the needs of the current generation as well as those of future generations. Secondly, the thesis aims to highlight and understand the extent of responses in managing these limiting factors and in confronting the

challenges that may weaken the process of socio-economic development. Thirdly, the discussion of findings in subsequent chapters of the thesis will identify and evaluate possible solutions that might assist the government in alleviating development barriers. The effectiveness of policies recommended in this thesis may not fix socio-economic problems in Tonga or even put the country in a better position almost immediately. Instead may assist policy makers in Tonga in future endeavours to overcome the challenges to socio-economic development in the long-run.

Problem Overview

Previous studies into Tongan affairs always referred to the smallness of the country and heavy reliance of its people on a narrow base of production to be the particular aspects of Tonga. In this way Tonga among other small island economies is economically characterised by several key features. These include:

- small population;
- limited resource base including natural, human and capital resources;
- open economy;
- trade-dependent economy;
- remoteness from major world markets;
- the values of imports being much higher than exports, thus creating an increasing trade deficit almost every year; and
- often dependent on migration, remittances, foreign aid and over bureaucracy (the MIRAB effect).

Over the two decades, from 1974 to 1994, in spite of trade deficits, Tonga progressed fairly well in terms of growth in GDP, income per capita and general social and economic standards. ‘Utoikamanu (2003) acknowledged the joint efforts of the Government and the private sector in promoting socio-economic performance in those decades, thus suggesting that such a joint effort is vital for keeping the Tongan economy afloat.

However, a changing world economy in the late 1990s and the first decade of the new millennium, has left Tonga disadvantaged and approaching a socio-economic danger zone. This is partly because the performance of industries in the private sector did not generate what was expected of them, in terms of creating more wealth and employment opportunities (‘Akolo, 1997). In addition, the exposure of the Tongan economy to the world trade patterns, which allows the mobility of investors provided both blessings and problems. Thus while foreign investors made some positive contributions to the economy,

they also created problems that greatly affected the socio-economic development in Tonga. For instance, some foreign investors were doing exceptionally well under the investment incentives offered by the government, but at the expense of labour exploitation in terms of poor wages and working conditions ('Akolo, 1997). It is these reasons that triggered the urgent need to address certain prevailing challenges and issues.

Given that the Tongan economy relies on the private sector as a source of wealth and employment creation, more attention is needed in promoting industries in this sector. To make a genuine contribution to the growth of industries in Tonga, the barriers that have hampered the role of the private sector in the process of socio-economic development are worth investigating.

In doing so, a number of key problems often cited in previous studies to be the barriers for the progress of development, are selected for closer investigation in this thesis. These problems include 'weak governance, small domestic and unstable international markets, and the problems associated with labour in Tonga (Ritterbush, 1986). Although Ritterbush (1986) among many other studies touches on these problems and recommended that the government find appropriate ways to manage these problems, the responses have simply not been sufficient to serve and maintain Tonga and its population at a long-term sustainable level.

It is not that the Tongan economy has not made some progress in recent decades, because it has. Rather in this thesis, I seek to identify how assiduous commitment to sustainable socio-economic development can obtain better, stronger and more permanent gains.

More emphasis is needed in addressing socio-economic vulnerability issues, as well as developing strategies to manage vulnerabilities. Furthermore, it is essential to address the problems accruing from poor governance and problems of marketing, as well as lack of decent work in the Tongan labour market. Although they have received little attention, these issues are major impediments to achieving and maintaining socio-economic development at a sustainable level in Tonga.

Significance of the Study

This study is a contribution to the literature in addressing the problems encountered by socio-economic development in Tonga. The study has taken a broad and in-depth exploration of the challenges to sustainable socio-economic development in Tonga by investigating and drawing on a number of case studies from the Tongan economy. Although there are other relevant studies of varying size in the same area, this study goes one step further by using real case studies to demonstrate how the various barriers may affect family-run firms, public enterprises and the welfare of the working population of Tonga.

In addition, other studies, in the main have been conducted by foreign donors and organisations in relation to particular aspects of Tonga's socio-economic development for which they provided funding. For example, the World Bank and the International Monetary Fund (IMF) have conducted numerous studies on issues relevant to monetary policies. Similarly, the Asian Development Bank (ADB) and International Fund for Agricultural Development (IFAD) have conducted studies in the areas of investment and development for which they were granted funding for various projects. This is not to undermine the importance of these studies, as they are significant for their purposes, but these studies were rarely accepted by the government. In a recent press conference with foreign media in Tonga, the Tongan prime minister rejected a report by the IMF that the Tongan economy is heading into deep crisis, as he quoted: "I do not believe the IMF report and please do not accept it, as it is not true" (PM, pers. comm., 2006). The quote by the prime minister offers some evidence of the perception of the government toward the outcome of studies conducted in Tonga.

However, the major significance of this thesis rests in part on the deep understanding and experience of the researcher, as one of the government's former policy makers. This has enabled me to take a broad view of the current development in Tonga and to identify the areas of lag in sustainable socio-economic development. It is of great significance that I will be able to combine previous findings and the outcome of my research and convey it first-hand to the government as well as provide the government with positive policy recommendations for future action. It is envisaged that the outcomes of this

research have the capacity to make a clear impact on current policy in the quest for improving the status of sustainable socio-economic development in Tonga.

Scope of the Study

The scope of the thesis will concentrate on identifying and addressing the challenges to sustainable socio-economic development in Tonga. This is because the number of case studies provided in this thesis have some characteristics that are of significance in Tonga, and may not be found in other countries. For instance, the respecting of Tongan culture and family values at the business level may not be found in other countries. In addition, the experience of the Tongan labour market may not be applicable to other countries where labour legislation is already in place. At times the thesis will refer to the experiences of other countries in an attempt to show how the level of socio-economic development has made the significant differences. Although there are other issues that deal with sustainable socio-economic development in Tonga, this thesis will limit its scope to exploring the barriers. Highlighting the barriers may explain how might the challenge to socio-economic development in Tonga be addressed and mitigated. Limiting the scope will allow room for future studies into other aspects of sustainable socio-economic development in Tonga.

Limitations of the Study

The Kingdom of Tonga has other development barriers that challenge its effort to achieve sustainable socio-economic development, which this study would not cover in detail. These include the role of public finance in supporting the development of entrepreneurs. In addition, the lack of foreign direct investment (FDI) has also appeared to contribute to the sluggish performance of the private sector. The government's development plans always carried a plan for development of FDI but it has rarely been followed through area. However, these are areas that need further study in order to highlight their roles in the process of sustainable socio-economic development in Tonga. Similarly, human resource development in Tonga and the need to investigate why a country with high literacy levels has a low-skilled workforce are significant areas, they are seen as worthy of a major project in themselves. Other areas such as the need for infrastructure are also not covered in the

thesis. The limitations of the study are recognised, but the intention of the thesis is to focus on the primary barriers noted above.

Concluding Remarks

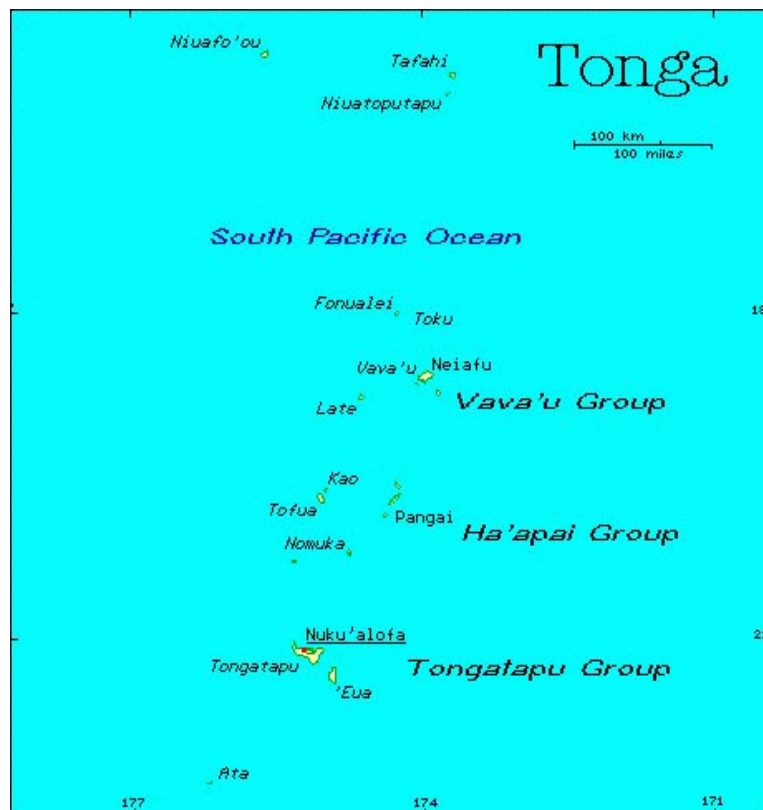
Drawing on extensive systematic qualitative research and analysis this thesis seeks to unravel the complexity of factors, which could enable Tonga to attain its socio-economic potential for the current and the future generations. Understanding this complexity begins with a review of the literature and the underlying issues, which are the first step in effective research and effective policy-making.

CHAPTER ONE

TONGA: OVERVIEW OF DEVELOPMENT ISSUES

Preamble

Although Tonga's small size and isolation present a challenge to economic development, much can still be done to promote a business environment which maximises economic growth-as evidenced by the experience of other small island states. The government's commitment to economic reform and good governance will provide the basis to capitalise on the economy's medium-term growth prospects. Key steps include strengthening governance and accountability throughout the public sector, focussing government in areas of comparative advantage, and promoting private sector development (Hon. S.T.T. 'Utoikamanu, 2006:76).



Map of the Kingdom of Tonga – ‘The Friendly Islands’

1.0 Introduction

Tonga is among the group islands banded together as the Pacific Island Countries (PICs). Categorised under the banner of Small Islands Economies (SIEs) by the United Nations, the development of PICs in many ways are quite similar, but there are considerable differences. From the large island of Papua Guinea to the small islands of Tokelau and Niue, their similarities on the one hand, are demonstrated by high population growth, increasing urbanisation, increasing overseas migration, and over-reliance on remittances, foreign aid and over bureaucracy (for which the term MIRAB was coined). On the other hand, their differences are demonstrated by the availability of natural resources, cultures, political settings, religious beliefs, and sizes of population (James, 2003; Connell and Lea, 2002; Hooper, 2000; Helu, 1997; Connell and Lea, 1995; Fairbairn, 1992).

Regardless of the differences, the development processes of PICs are hampered by various factors. These factors include insularity and remoteness, high transport costs that aggravated distance from international markets, insufficient domestic markets, and political instabilities, to name but a few. Some countries in the PICs were able to curb the impact of these factors in the economies, while others are still struggling to overcome the impact of these factors in the process of economic development. The development processes in Tonga are no exception.

The economy of the Kingdom of Tonga has relied on agriculture as its mainstay for centuries. This is due to the fact that the majority of the population were able to earn their living from selling subsistence agricultural produces, while at the same time providing for household consumption. The over-reliance of the people of Tonga on the agricultural sector in recent years was accelerated by the continuing success of exports of squash pumpkin to the Japanese markets. The success of exports of squash pumpkin was well backed up by the export of vanilla beans and kava powder to the United States of America and European markets (MLCI, 2003 & 2004). It is in this respect that agriculture appeared to be the most viable way of developing the economy. However, changing conditions in local and international markets have had some ill effect on many Tongans, resulting in people considering other commercial activities that were thought to be more promising than farming activities.

Others were able to fund the sending of one of their family members overseas, especially to New Zealand, so that remittances were often a second means of income to those families (Fisi'iahi, 2001 and 2000; Ahlburg and Brown, 1998; Pourine, 1998; Tongamoa, 1988). This move coincided with the Labour Scheme, which is a bilateral agreement between the Government of Tonga and the New Zealand Government to send Tongan workers to New Zealand to supplement labour shortages in various sectors (MLCI, 1974; Fisi'iahi, 2001 & 2000).¹ Those who were selected for this scheme were the unemployed who had a low standard of living in rural and remote areas. The Labour Scheme had survived for more than one decade prior to termination by the New Zealand government in 1989 (MLCI, 1990). The contribution of remittances to the improvement of socio-economic well being of many Tongan people is evident in improvement of housing and other family assets such as transport and so forth.

Despite the end of the New Zealand scheme, outward migration has continued. Recently, Tongan people realised the importance of investing some of the remittances in small economic activities as a means of generating extra income for their respective families. Many scholars and researchers such as Connell (2004, 1994 and 1987), Naidu *et al* (2001), Fisi'iahi (2001 & 2000), Ahlburg and Brown (1998), Brown (1995 & 1993b), Brown and Connell (1993), Ahlburg (1991) and Tongamoa (1987) have observed the role of remittances in improving the socio-economic wellbeing of the people of Tonga. These studies further observed how remittances are put in to various forms of investment in the quest for sustaining the longevity of socio-economic benefits.

Despite the developing economy and contributions of remittances the development of the Tongan economy was hampered by various factors both internal and external to the economy in the early 1980s to the first half of the 1990s. This was demonstrated by the declining prices for agricultural products in international markets, tougher competition in the services sector fuelled by globalisation, and stricter immigration policies, particularly in Australia, New Zealand and the United States. The latter meant that number of emigrants from Tonga fell, which has limited the potential growth of remittances. In addition, the weak currency (*the pa'anga*) has caused a major increase in prices of goods and services,

¹ The Labour Division of the Ministry of Labour, Commerce and Industries monitored the Labour Scheme.

thus decreasing the purchasing power of the Tongan population, and further weakening the performance of the economy (MLCI, 1996 and 1997).

Furthermore, unfavourable investment climate, evident in high transport costs between Tongan and its export market, the land tenure system, and excessive government policies have driven some foreign investors out of Tonga. The Government's Investment Promotion Unit later revealed that some foreign investors left Tonga to seek investment opportunities in neighbouring countries like Fiji, Samoa and Vanuatu, where cheaper production costs seemed possible (MLCI, 2003). For example, in Tonga the cost of electricity is at the peak of fifty five cents per unit, ranking highest of all countries in the region and compared to twenty two cents in Fiji (FTIB, 2002). It is in this respect that 'Utoikamanu (2006) suggested as shown at the beginning of this Chapter, that the Government embark on economic reform, which sought to revive the private sector and the economy as a whole in the quest for sustainable socio-economic development. It is the barriers to sustainable socio-economic development in Tonga that will be investigated in this thesis.

1.1 Tonga in Context

Introduction

Tonga has attracted a great deal of attention from historians and anthropologists around the world, partly because of its long history and culture, and partly because it is the only surviving monarchical system of government in the South Pacific, which has remained intact since the foundation of its Constitution in 1875. The continuing importance of this historical context of Tonga is demonstrated by the construction of social classes, the strong belief in traditional culture, deeply committed religious beliefs and the history of socio-economic development. Herda *et al* (1990) suggested that many scholars from the West have written about the context of Tonga based on recollections of missionaries and foreigners who visited the island in the last two hundred years, rather than basing their research on firsthand accounts of Tongans. The merit of this suggestion in part reflects the fact that in the olden days Tongans were not interested in keeping records of their activities or ideas. It is worthwhile exploring the islands' context for the purpose of enriching this

thesis and understanding fundamental attributes that may weaken or enhance progress and development. Table 1.1 present the key indicators in Tonga as at the end of 2005.

Table 1.1: Tonga's Key Indicators as at 2005

1.1.1 Geographical Location

The island Kingdom of Tonga is one of the most southerly island groups in the Pacific Ocean lying between latitudes 15' South and 23.5' South, and longitude 173' West and 177', just below the Tropic of Capricorn, and bordering Fiji from the south-east, and Samoa from the south. As it is west of the International Dateline, Tonga is thirteen hours ahead of the Greenwich Mean Time (GMT). Tonga has a total land area of 747.34 square kilometres, spreading over 700,000 square kilometres of territorial sea, and consisting of 171 small islands of which only 36 islands are inhabited. Many of the islands are coralline covered by volcanic ash and comparatively flat often encircled by fringing reefs. There are also some

islands of volcanic origin with high cliffs and deep forests, such as ‘Eua to the eastern side of Tongatapu, and the two Niuas located to the far north.²

1.1.2 General Historical Background

Tonga is a constitutional monarchy under the leadership of King Siaosi Tupou V, the fifth modern monarch in a hereditary chiefly line. It is the last surviving Polynesian Kingdom, dominated by Polynesian ethnic with only about two per cent of the population from other ethnic groups. Although a British protectorate for seventy years, Tonga, unlike many colonies, managed to survive the ravages of the colonial world with much of its heritage and authority structures remaining intact. These include indigenous chiefly leadership, Tongan-only land ownership, and a robust subsistence farming and fishing economy. It became an independent nation in 1876 and a full member of the British Commonwealth in 1970 (Prime Minister’s Office, 2000).

The population of Tonga was estimated to be 114, 689 people in 2005 (estimated based on pre-census survey 2005) with a growth rate of two per cent (TSD, 2005). The islands’ overall population density is estimated at 150.5 persons per square kilometre. The great majority of the population is spread over the six islands of Tongatapu, Vava’u, Ha’apai, ‘Eua, Niuatoputapu and Niuafo’ou. The largest proportion of the population resides in the main island of Tongatapu, where Nuku’alofa the capital, is estimated to carry a population of 22, 400 people.³ It is also estimated that about sixty per cent of Tonga’s population reside overseas, mainly in New Zealand, Australia and the United States of America (Tonga Statistics Department, 2003; Fisi’iahi, 2001 & 2000; Tongamoa, 1988). The official language is Tongan but English is widely spoken and is treated as the official language in schools and for communications in the public and the private sectors.

The entire Tongan population is known for its very strong Christian beliefs. The vast majority are Protestants, who belong to the Free Wesleyan Church of Tonga. Other significant religious denominations include the Roman Catholic Church, Free Church of Tonga, Church of Tonga and the Latter Day Saints (Mormon), as well as other smaller churches.⁴

² Tonga Visitors Bureau Tourist Information Guide 2004.

³ Tonga Visitors Bureau tourist information guide 2004.

⁴ Prime Minister’s Office Information Unit 2004.

1.2 Political Setting

The people of the Kingdom of Tonga are proud of surviving in a nation that was never formally colonised. Under a monarchical system of government, similar to that of the United Kingdom, the King is the head of state and has the constitutional power to rule the country, as well as to appoint the Prime Minister and Ministers of the Crown, as well as the Governors for Vava'u and Ha'apai. The government is rather governed by the Tonga Constitution of 1875. The State is composed of three arms. The first arm is the Executive, which comprises (a). the Privy Council (*Fakataha Tokoni*) presided over by the King, and (b). the Cabinet (*Kapineti*) which is controlled by the Prime Minister. The members of the Privy Council and Cabinet include all Ministers of the Crown, and the two Governors of Vava'u and Ha'apai. The second arm is Legislative or the Unicameral Legislative Assembly (*Falealea*) which consists of thirty members, comprising all Ministers and two Governors, nine noble representatives elected by the thirty-three hereditary nobles of Tonga, and nine people's representatives elected by universal suffrage by Tongan citizens reaching the age of eighteen. People's representatives are elected to hold office on a three-year term.⁵ The third government arm is the Judiciary, which consists of the Magistrates Court (*Fakamaau'anga Polisi*), the Supreme Court (*Fakamaau'anga Lahi*), Court of Appeal (*Fakamaau'anga Tangi*) and the Land Court (*Fakamaau'anga Kelekele*). Judges for the Magistrates Court are appointed by the Cabinet through open competition, while the judges for Supreme Court, Land Court and Court of Appeal are appointed by the Privy Council presided over by the King. There is no local Government, but Town and District Officers under the control of the Prime Minister's office are elected every three years to represent the government in village and district levels.⁶ This system of government has survived for many centuries since the unification of Tonga by Kingi Siaosi Tupou I (King George Tupou I) in 1845.

Until recently, Tonga was widely known for being very politically stable. Its policies and strategies were mainly inward looking, and it appeared somewhat isolated from the political turbulence elsewhere in the world. The Tongan social structure is

⁶ Town (*'Ofisakolo*) and District (*Pulefakavahe*) Officers are elected tri-annually by various villages and district. They are Government representatives in the village and district levels, and are equivalent to the Mayors in Australia.

essentially broken into three main tiers and symbolised in a pyramid hierarchy setting, namely the King (*Tu'i*), the Nobles (*Hou'eiki*) and the Commoners (*Kakai*). The highest social class is the King (*Tu'i*) and his household, limited to his immediate family. The 'middle' class is the thirty three Nobles or Chiefs (*Hou'eiki*) and their respective families. The lower end of the social structure is where the rest of the people are classified as Commoners (*kakai*). Though the majority of Commoners are distant relatives of the King or the Nobles, they are still classified as the Commoners' social class. Each social class is associated with its own language which is largely used as an identity of the social class to which they belong, as presented in the examples in Table 1.2 below.

However, it would be of great interest to foreigners to understand how the language classification is used. Though the King's household is classified in the highest social class of the structure, his wife and children are regarded as *Hou'eiki* (Nobles) and are greeted with the same language as for other *Hou'eiki* or Nobles. However, one is entitled to the monarchical language when formally appointed by the King as prince or princess regent (*Tu'i Fakale'o*) on his behalf, and exercises the power and authorities vested in the King by the constitution.

Table 1.2 – Common language differentiation according to Social Structure in Tonga

	Tu'i (Monarch)	Hou'eiki (Nobles/Chiefs)	Kakai (Commoners)
Eat or Drink	Taumafa	'Ilo	Kai or Inu
Go or Come	Ha'ele	Me'a	'Alu
Speak or Talk	To Folofola	Me'a	Lea
Die or Dead	Hala	Pekia	Mate
Sick	Pupuluhi	Tengetange	Puke

Tongan citizens still have only a minor role in government and the people do not have the right to change their Government. For example, they can only elect nine representatives to the Legislative Assembly, which is a very weak minority role. Despite their strong positions in debates, they are normally outnumbered when it comes to casting their votes on any motion. This is largely because the government's party is well supported by the nine noble representatives, leaving the people's party the minority in the parliament. The nine noble representatives are considered an important factor in deciding any ballot in the legislative assembly. This means that which ever party they vote for will win the majority

vote (MP Pohiva, pers. comm., 2004; MPUata, pers. comm., 2004; MP Pulu, pers. comm., 2004).

However, recently the weak power of people's representatives led to the establishment of a political party in 1992, the Pro-Democracy Movement. The name was later changed to Tonga Human Rights and Democracy Movement in 1998 (Helu, 1997; James, 2003). However, the government failed to recognise the role of the movement and refused to register it as a legal non-government organisation by using the word 'Tonga' at the front of the name. Consequently, the name of the movement was changed to Human Rights and Democracy Movement in Tonga (Inc) in 2002. Despite the establishment of this pro-democratic party and the support they get from about eighty per cent of the Tongan population, their voices went unheard. This is mainly due to the ultimate right vested in the monarchy by the Constitution.

Nevertheless recently, the pro-democracy movement unified about eighty per cent of the people of Tonga, and started to assert the right of the people to play a major part in government affairs. These have taken the form of mass demonstrations and protest marches with petitions to the King on certain issues about which the people are dissatisfied. Between the years 2000 and 2005 there were twenty five protest marches and mass demonstration recorded in the country, which is a new trend in the long history of Tonga. In 2005 alone eighteen protest marches and demonstrations took place in Tonga. These included peoples' condemnation of the involvement of members of the royal family in business; pro-democracy demonstration to change the system of government to a more democratic system of government; farmers' demonstrating against the imposition of consumption tax on farming produce; and a number of demonstrations which took place in support of the civil servants' strike that occurred from 22 July 2005, and lasted for forty three days (see Chapter Seven). Consequently, the government under a direction by the King established a National Committee for Political Reform. However, the political setting of Tonga has remained intact despite the continuous political unrest, and will do so until the task of the National Committee for Political Reform is completed, and perhaps beyond.

1.3 Economic Development

Tonga has a small, open economy with a narrow export base of agricultural produce. While agriculture has remained the mainstay of the country, the economy also relies heavily on private remittances from Tongan communities residing overseas, as well as development assistance from donor countries. The performance of the Tongan economy at the turn of the twenty first century appeared to be sluggish. GDP growth rates for the above periods were recorded to be floating between one to six per cent, with 1999 recording a high of 6 per cent, which then dropped to 0.5 per cent and 1.6 per cent in 2000 and 2001 respectively. In 2005, GDP was recorded to be around at 1.4 per cent. The slowing pace of economic growth coupled with the devaluation of the pa'anga caused the highest inflation ever recorded in the history of the Kingdom of Tonga.

The contribution of private remittances from Tongans residing overseas has always been significant in supplementing the frequent budget deficits of the country. The value of private remittances was recorded at the end of 2005 to be totalled at TOP\$152 million (AUS\$112 million). This is recorded to be cash value only and does not include the value of food, clothing, and other items being shipped from family members and relatives in place of cash. Total gross domestic product (GDP) was TOP\$348 million (AUS\$256 million), as recorded at the end of 2005.

The economic turmoil was also apparent in increasing unemployment rates, particularly youth unemployment which is the biggest concern of the government. The performance of the private sector was not sufficient to offer employment opportunities to accommodate the majority of job seekers. The government on the other hand, as the largest single employer in the islands, only offered very limited employment opportunities, taking in a fraction of the job seekers while leaving the majority of school leavers in desperation (MLCI, 2004). A labour market survey conducted by the Ministry of Labour, Commerce and Industries estimated 1,900 students left school each year and only twenty per cent were able to secure employment opportunities in 2004 (MLCI, 2004).

Underemployment is also a common feature in the Tongan economy. Many families earned their income through a single wage earner, either the father, or mother or one of the children. The average wage for the lowest skilled labourer is TOP\$9.00 (A\$6.43) per day or a weekly wage of TOP\$45.00 (A\$32.14). Given that large families are common in Tonga, a

breadwinner for a family of five takes home a weekly will not suffice the needs of the family.⁷ This is due to high cost of living in Tonga in recent years. Furthermore, the outcome of the fieldwork found people in Tonga still living on TOP\$1.00 (A\$0.73) per day, which is an indication of the inability of the economy to cater for the socio-economic wellbeing of Tongan people. The next section will evaluate and discuss the performance and contribution of the main sectors in the Tongan economy, to exemplify their status in the economic development.

1.3.1 *Agricultural Sector*

As noted above, the Tongan economy is still based on agriculture, which remains the highest contributor to gross domestic product (GDP). In 2005, the contribution of the agricultural sector to the GDP was estimated at twenty three per cent in 2004/2005 financial year (Tonga Statistics Department, 2005). The continuing export of squash pumpkin to the Japanese markets played a major role in the contribution of the sector to GDP. The export of squash pumpkin is backed up by the export of vanilla beans and kava powder to the United States of America, France and Japan. The Tonga Squash Council has successfully diversified their market to include South Korea to which they will start exporting to during the 2006 season (MLCI, 2005). In addition, other root crops, such as frozen cassava, taro, giant taro, yam and husk coconuts are being exported to Tongan communities in New Zealand, Australia, the United States and American Samoa. Given that that commercial farmers export agricultural products, targeting Tongan communities in these four main countries, the returns are often not recorded and largely unaccounted.

However, total exports were estimated in 2005, as recorded by the Tonga Statistics Department to be at the high of TOP\$25 million (TSD, 2005). As well there is strong domestic market in produce such as sweet potato, watermelon, and vegetables that are traded in the domestic markets. As Storey and Murray (2001:295) noted Tonga is “...an overwhelmingly agricultural socio-economy’.

Because of insufficient domestic market spaces, roadside market have become a very popular scene especially on Saturday evening in preparation for the family Sunday feast. In this type of marketing, farmers managed to save the costs of travelling to the

⁷ Based on the weekly wages of unskilled Caretaker at the Small Industries Centre. The Caretaker is employed on a daily paid basis and works five days a week.

Talamahu market in Nuku'alofa by selling at village roadside. On the other hand, buyers found it more convenient. Unlike the government Talamahu market, roadside markets often operates long hours, provides fresh food and vegetables, and are easy to access. This sector appears as having potential in developing entrepreneurs in the country.

1.3.2 Fisheries Sector

The fisheries industry, like the agricultural industry, played an important role in promoting the Tongan economy in the last two decades (Utoikamanu, 2001). This was mainly due to the richness of the Pacific Ocean, which has remained unexploited for many years. Tonga has been known for its export of fish and other marine products to Japan, USA, New Zealand and Australia. It was estimated that exports of fish and marine products injected TOP\$12 millions into the Tongan economy during the 2001/2002 financial year (NRBT, 2002). The income from the fisheries sector comes from export of fish and other marine resources such as seaweed. Apart from three fishing companies that have ceased operation, there were five exporters, of which three companies namely, South Seas Export, 'Alatini Fisheries, and South Pacific Fishing, are owned by foreigners. One company known as the Pacific Sunrise is wholly owned by a local entrepreneur, and one company, the Walt Smith is a joint venture. The type of ownership of marine exporters indicates the lack of participation by indigenous businesses in commercial fishing for export.

This sector has also expanded its export market to exporting of live fish, seaweed and dead coral to markets in the USA and Japan. Two local companies in Tonga, namely the Walt Smith Tonga Limited and Friendly Islands Marine Export, export live fish and dead coral to the USA. In addition, one local company known as Pacific Export, and one joint venture know as Tangle Nano Export continue exporting seaweeds to the Japanese and Korean markets (MLCI, 2004 & 2005). Despite being operated in small scale, their contribution to the overall role of the fisheries sector in terms of generating foreign dollars and employment creation is of evident importance to the development of the economy.

1.3.3 Manufacturing Sector

The manufacturing sector came to the forefront as an important engine for economic development in the late 1970s. Due to falling world market prices of copra and bananas, which had been the main export products from Tonga, there was evident and urgent need

for alternatives to be developed to keep the economy afloat, hence the value placed on the manufacturing sector. The government responded quickly in the search for alternatives. For example, the Industrial Development Act of 1978 (IDI Act 1978) was enacted to provide investment incentives, aimed at encouraging local and foreign investors to invest in Tonga (MLCI, 1980; SIC, 1981).

Given that business establishment costs were a common problem in Tonga, the establishment of the Small Industries Centre was welcomed by many investors, especially foreigners who would have otherwise have had to face the complex land tenure system in Tonga. The first priority was given to manufacturing and processing type industries (export oriented and import substitution industries). The project attracted many foreign and Tongan investors and all factory buildings and nursery units were fully occupied. Further expansion was needed and the government constructed five more factory buildings in Nuku'alofa and one building in a new SIC site in Neiafu, Vava'u between 1989 and 1990 (MLCI, 1990).

In the last decade (1996-2006) however, the role of the manufacturing sector has been minimal despite the introduction of new manufacturing industries in the Small Industries Centre. New industries established in the Tongatapu Small Industries Centre include noodle, biscuit, cigarette, toilet paper and washing powder factories. They all belong to Chinese-Tongan investors. The main problem hampering the growth of these manufacturing industries has reflected the smallness of the domestic markets, and severe competition with imported products (MLCI, 2004). Although employment in this sector is not as large as other sectors, its role in creating employment opportunities at least alleviates unemployment problem. The contribution of this sector to the GDP was recorded to be at ten per cent in 2005 (TSD, 2005). The increase in contribution was the result of continuing export of value added product such as seaweed (MLCI, 2005).

1.3.4 *Tourism Sector*

The tourism sector in Tonga, although very small, continued to perform remarkably well at the turn of the twenty first century (TVB, 2000; NRBT, 2000). The boost to the tourist sector in this period began with the preparation for the new millennium in the year 2000. As a country very close to the international dateline, Tonga was one of the contestants, among other small island countries, seeking to be first to greet the new millennium. The

flow of tourists came from all over the globe to join the Tongan people in celebrating the first dawn of the new millennium, which really boosted the contribution of the tourism sector to the Tongan economy (TVB, 2000).

Moreover, the political upheaval caused by the May 19 2000 coup in Fiji redirected the flow of tourists who had planned to go to Fiji (TVB, 2000; SPTO, 2001). In this context, it has been revealed that the arrival of tourists increased over time, although there were negative effects of international events such as the terrorist attack in the United States on September 11th 2001. The fastest growing aspect in terms of tourism has been ecotourism, especially the development of water sports activities such as whale watching, swimming with the whale, and game fishing in the island of Vava'u. Table 1.3 presents total number of tourist arrivals in Tonga during 2000, 2002 and 2004.

Data for three years period indicated that the majority of tourists arrived in Tonga during these three consecutive periods were by air. The total number of tourists arriving in Tonga has been recorded to have increased over the three year periods presented in Table 1.3. The Tonga Visitors Bureau reports acknowledged the impact of the event of September 11th in the United States to have slightly affected the industry.

Table 1.3 – Total Number of Tourist arrivals for the years 2000, 2002 and 2004

However, it was only temporary, and it is perhaps not surprising that tourist arrivals for 2002 and 2004 increased. Tourism is a viable source of wealth and employment creation which could play an increasingly important role in socio-economic development in Tonga. Tourist prime facilities, such as accommodation, marine activities, and tour operators have continued to provide employment opportunities for many Tongans. The tourist industry also injected reasonable funds into the economy through demand for services such taxis, food, tour guides and security services (TVB, 2004).

1.3.5 *Wholesaling, Retailing and Services Sector*

The Tongan economy has a very active wholesale, retail and services sector ranging from large supermarkets to small family retail stores and restaurants, to roadside vendors. The importance of the sector is also seen in the increasing engagement of Tongan individuals in providing professional services and consultancies in the fields of computing, accountancy, economics, management and marketing, legal advisory, to name but a few (MLCI, 2004 & 2005). These were people who had worked for the government, statutory boards or other private companies but decided to move out and start their own consultancy services.

This sector has been a very important source of wealth and employment creation. Large wholesale and retail companies established a number of branches in other districts in Tongatapu and some extended their services to branches in the outer islands. Large supermarkets are mostly located in the Nuku'alofa district while delivery services to rural and remote areas have become a common strategy for almost all wholesalers. In the villages, small family retail stores and cooperative societies are the most common type of operation. Large companies that run a supermarket, wholesale warehouse, and delivery services may employ up to 100 employees, while small family stores often have only one employee. Other family stores have no paid employees but family members take turns in looking after the family business (Tonga Statistics Department, 2003).

This sector grew bigger in the second half of the 1990s and it is continuing to expand. This comes from the influx of Chinese who gained their Tongan residency rights through the Cash-for-Passports Scheme introduced by the government in the 1980s. The licensing division recorded the engagement of Chinese-Tongans in the wholesale and retail

activities to have increased immensely during the years 2002 and 2006 (MLCI, 2006a). The effects of Chinese-Tongan entrepreneurs are discussed in Chapter Four.

1.4 Social Development

The United Nation Development Program (UNDP) ranks Tonga in the sixth place of Human Development Index (HDI), out of the fourteen Pacific Island Countries. Tonga is ranked just below Fiji and above Samoa in this UNDP index ranking. This ranking is based on the provision of universal primary education, health services and access of the population to clean water and sanitation (Central Planning Department, 2006). Social development in Tonga has been recorded to be mixed in recent years. Some social aspects of development in which Tonga rank highly includes features such as high literacy rates, low mortality rates and high life expectancy. At the other end of the spectrum, unemployment and are poverty increasing, which is of major concern in Tonga (Tonga Statistics Department, 2005)

1.4.1 Education for All

The literacy rate in Tonga was estimated in 2005 to be 98.8 per cent (Tonga Statistics Department, 2005). This is due to the enforcement of mostly free and compulsory education for all children between the ages of six and fourteen. In addition, substantial improvements to the education system in Tonga were initiated in the 1990s including the upgrading of education levels to tertiary education qualifications. Diploma and certificate courses in various areas were introduced so that Tongan students could gear their training preferences to educational areas of interest according to job demand in the labour market. These study programs included technical studies in the areas of engineering, computing, hospitality, teaching and nursing. These studies were conducted in both government and mission schools and were mostly conducted by distance education in association with universities and technical schools in New Zealand, Australia, Fiji and the United States of America. The establishment of the maritime school and a number of computer training schools enabled early school drop outs to supplement their qualifications and skills for a better chance of employment or entrepreneurship (MOE, 2004).

1.4.2 Health Services

Health indicators in Tonga had shown some improvement in 2002. Infant mortality rate is low and life expectancy remained steady. Consequently, this is seen to be an outcome of high access rate to free health services throughout the country. All Tongans are entitled to free access to health services in government hospitals and clinics. There are other private clinics and surgeries that are largely used by those who do not want to wait in the queue in public hospitals. There is no local health care fund other than those available through insurance companies and which fund large medical bills for treatment conducted out of Tonga. However, the government provides an overseas treatment fund under the Ministry of Health 'recurrent estimates for overseas referral of patients' with serious sickness that cannot be treated in Tonga. The prevalence of communicable diseases is under control through delivery of health care services in public hospitals and clinics throughout Tonga. The Tonga Family Health Organisation also plays a key role in combating communicable diseases. Their target group is youth members who are vulnerable to sexual abuse, under age pregnancy, and pre-marital pregnancy (TFHA, 2004 & 2005). Other health indicators demonstrate a satisfactory level in Tonga.

1.4.3 Employment Status

The government is the largest employer in the Tongan economy. The civil service currently employs 4,500 Tongan people, although it has been suggested by some foreign donors to be too large and needing downsizing (Prime Minister's Office, 2004). However, the public service economic reform underway in 2006 in Tonga will lay off up to half of its employees in the next three years through a redundancy program. In the private sector, employment has stagnated in recent years (MLCI, 2004 & 2005; Tonga Statistics Department, 2003). Other sectors of the economy, such as the agriculture and fisheries sectors, offered some employment opportunities, but they are largely seasonal or on a casual basis ('Uta'atu, 2000; Tonga Statistics Department, 2003).

Moreover, the socio-economic indicators suggested that despite the high literacy rate in Tonga and availability of appropriate education qualifications, the unemployment rate still remained high. The unemployment rate was recorded in 2005 to be at a high of 11.9 per cent. Tongan youth, both male and female, have the highest rates. The sluggish

performance of the private sector has reduced employment opportunities for job seekers. In order to help combat this problem the Tongan government has attempted to adopt serious measures. These measures include the protecting of the labour market for Tongans by not allowing non citizens to enter the Kingdom looking for job opportunities in areas where Tongan could work. In addition, the Ministry of Labour, Commerce and Industries embarked on series of entrepreneurship training causes, since the year 2000 to encourage job seekers to turn their skills to self-employment (MLCI, 2000).

Unemployment has been exacerbated by labour exploitation, owing to the fact that there is no labour legislation to protect the interest of workers in the Tongan labour market (Fisi'iahi, 2000). As a result many workers, especially low skilled labours, are discouraged from returning to the labour market (MLCI, 2004). Exploited labour also contributes to poverty, as many unskilled workers have no visible means of promoting their socio-economic lives. This issue is further investigated and discussed in Chapter Seven of this thesis.

1.4.4 A Sign of Poverty?

The government has largely denied the existence of poverty in Tonga (Cocker, 2002; Fusimalohi, 2002). However, a number of studies have suggested the likely problems associated with urbanisation in Tonga, can accelerate the rate of poverty (Connell and Lea, 2002). Although the government denied that poverty was not a big concern in Tonga, some evidence from squatters, who are internal migrants from remote islands who come to Tongatapu, indicated the likely prevalence of poverty. Given that most internal migrants do not own land in Tongatapu, most of them opted to reside near the Tukutonga rubbish and human waste dump, located to the eastern side of the capital Nuku'alofa. As they have no land for growing food supplies, most of them are unemployed with insufficient income. Hence their daily existence depends on what they can get out of the rubbish dump.

During a visit to the area, parents and children were seen wandering around the dump searching for something to take home. One man explained that Fridays and Saturdays are like 'pay days' to them because that is when big grocery stores dump their rubbish. Often expired foodstuffs, especially canned and bottled foods, are brought to the dump to be destroyed. The unemployed workers and their families took these items and made use of

those goods. One woman added that they count their blessings (*monu*) when expired goods are dumped, as they are still be able to make a living by consuming those goods.⁸ Children were not going to school but rather, were helping their parents collecting foodstuff from the rubbish dump, as pictured in Figure 1.1 below. Thus the cycle of poverty may be replicated.

Figure 1.1 – Squatters at the Tukutonga Landfill Searching for Usable Stuff from this Rubbish Truck

Source: Courtesy of Semisi Sika and Kaimai Production

Furthermore, as Manuofetoa (2004) has shown, there is hunger in Tonga, despite the fact that this is publicly rejected by the government. The government continued denying the claim by parliamentarians that poverty is mounting in Tonga (MP Pohiva, pers. comm., 2004; MP Uata, pers. comm., 2004). He added that at least ten families earned their living from the rubbish dump, naming it ‘a free shopping centre’ (*‘ko e fu’u sopingi senita ta’etotongi’*). These evidence are manifestations that poverty exists in Tonga, and appears

⁸ A number of women who resided alongside the Tukutonga rubbish dump were interviewed during the fieldwork at the Tukutonga rubbish dump on 19th March, 2004

as if it will increase, thus threatening sustainable socio-economic development in the small island economy (Connell and Lea, 2002).

1.5 Environmental Development

At the national level, a series of studies on sustainable development of the environment have revealed vulnerability in Tonga.⁹ The importance of searching for sustainable environmental policies is manifested in the establishment of the Department of Environment, which shouldered the responsibilities of ensuring a cleaner and sustainable environment for all Tongans. This is evident in the Department's Mission Statement, which aimed to enable the people of Tonga to plan and manage the use of their environment for sustainable development of present and future generations.¹⁰ The initiative of the Department of Environment is well backed up by regional organisations such as the South Pacific Regional Environment Program (SPREP) located in Apia, Samoa, as well as the South Pacific Applied Geo-Science Commission (SOPAC), United National Environment Program (UNEP) and the Global Environment Facility (GEF).

Tonga has committed a lot of resources and attention to various sustainable development programs of the environment, although arguably not enough. Key policy guidelines set forth by the Tongan Government in its Strategic Development Plan Eight 2001-2004 included environmental goals such as:

- To promote environmentally sustainable development that is consistent with the priority economic and social needs of Tonga;
- Implement procedures for assessing and monitoring the environment impact of development activities;
- Support environment management institutions to strengthen their capacity to anticipate, identify, assess and resolve issues of environmental protection, natural resources management, and nature conservation;
- Effectively integrate environmental protection, natural resources management, and nature conservation;
- Cooperate with the communities, private sector, NGOs and other stakeholders involved in utilizing the environment and natural resources to ensure that their actions facilitate environmentally sustainable forms of economic and social development;
- Ensure that local Governments give high priority to ensuring a clean healthy environment;

⁹ Environmental Impact Assessment studies were funded by SPREP, SOPAC, and UNEP in 2003.

¹⁰ Mission Statement of the Department of Environment, Kingdom of Tonga, 2003.

- To have Emergency Plans to minimise the effects of natural and mandate disasters. (Central Planning Department, 2006)

Despite the adoption of various strategies and implementation in managing ecological vulnerabilities in Tonga, as noted by Pelesikoti (2003) and Lutui (2003), what has remained unclear is what had been done in Tonga to address development more broadly, especially in view of the so-called ‘three pillars’. These are essential for achieving sustainable socio-economic development, but remained under a heavy cloud. As Chavez (2002) put it, heads of state go from summit to summit while the qualities of lives of many of their people are worsening each and every day. It is evident from the work laid out by government that more attention has to be paid the environment as it has important role in promoting sustainable socio-economic development in Tonga. (see Chapter Two for more discussion on the ‘three pillars’).

1.6 Culture and Development

The Tongan culture has been known for being highly stratified, with outsiders seen to be disadvantaged (Taufu’i, 1996). However, the greater access of Tongan people to western countries brought about some modification in the Tongan culture, while core values were still maintained. For instance, people generally continue to cling to many of their old traditions, including respect for the monarchy and the nobility. Obligations and responsibilities are reciprocal, and although the nobility are able to extract favours from people living on their estates, they likewise must extend favours to their people. In addition, status rank plays a powerful role in personal relationships, even within families.

Over time, Tongans began to confront the problem of how to preserve their cultural identity and traditions in the face of the increasing impact of Western cultures and political ideas. Increasing migration and the gradual modernisation of the economy have led to the breakdown of the traditional extended family. Some of the poor, who had traditionally been supported by the extended family, are now being left without visible means for support. Educational opportunities for young commoners have advanced, and their increasing political awareness has stimulated dissent against the nobility system (Halatuituia, 2002).

In addition, a rapidly increasing population is already too great to provide the constitutionally mandated culture of land distribution to each male upon reaching the age of

sixteen. Given the small size of the islands, distribution of land has become a problem. For example, a family with two or more boys may face the problem of sharing the family owned land with the children. As mentioned earlier, family land is inherited in the line of the eldest son. As such, only the eldest son is guaranteed land, and the rest of the boys within the family will have to go the hard way of seeking land from either the Government or one of the Noble holding estates, or other private landholders. Currently, this practice costs a lot of money.

Despite all these changes to the Tongan culture, some of the core values of the Tongan way (*anga faka-Tonga*) such as respecting family traditional lines (*tukufakaholo faka-famili*) is of utmost importance. Each family member plays a role, with older persons commanding the most respect. Women benefit from a higher social status, as tradition gives them certain authority over male family members (*fahu*). Although recent civil unrest has called for an end to traditional ‘respecting the monarch’, the value of respect (*faka’apa’apa*) to the monarch still remained with the majority of the Tongan people. Similar respect still exists, particularly in villages that are ruled by nobles (*hou’eiki*), although many people are dissatisfied with the way that nobles have treated them with regard to land distribution. The correlation between culture and socio-economic development are investigated in later chapters.

1.6.1 Religious Culture

The adoption of Christianity by Kingi Siaosi Tupou I following the arrival of Methodist missionaries in the 1820s immediately became part of the Tongan culture. This meant that missionaries (*misinale*) and church ministers (*faifekau*) were given the same respect paid to the monarch and in the family lines. The admittance of Tongan people to Christianity put the missionaries and church ministers in the same social class as Nobles. Although not formally classified in the traditional Tongan social classification, the people give missionaries and church ministers the same form of address that is normally given to the nobles by using the same language shown in Table 1.2 above. Tonga has a Sunday Law that guides the people of Tonga and visitors to observe the *tabu* of Sunday. Most commercial activities are prohibited from operating on Sundays, except for a few essential services.

The importance of religion as a cultural practice is manifested by the fact that almost every Tongan belongs to a particular type of religion, largely following the religion of their previous generations. Religion closely follows the family in its importance to the broader culture, and almost all Tongans are churchgoers. The Free Wesleyan Church is the dominant religion holding 38 per cent of the population, with the Roman Catholic accounting for 17 per cent. The other religion are the Free Church of Tonga (12 per cent), Church of Tonga (7 per cent), Church of Jesus Christ of the Latter Day Saints (Mormon 16 per cent), and the Tokaikolo Fellowship (4 per cent). The other 6 per cent is divided among smaller denominations including the Seventh Day Adventists, Jehovah Witness, Assemblies of God and Baha'i Faith (TSD, 2003). The Church of Jesus Christ of the Latter Saints (Mormon) is the fastest growing religion. This is mainly due to their welfare program that targeted the disadvantaged groups in the Tonga society. The Mormon have for example made improvements to housing, and other assistance.

However, the high value placed by Tongan people on their culture has had some negative effects on the socio-economic wellbeing of some Tongans. Studies have revealed that some Tongan people encountered socio-economic hardship as a result of over-commitment to religious obligations. James (2000) assessed the effect of annual contributions and the commitment of worshippers to their church, and suggested that many Tongans opted to give the money they possessed to the church, and ignored the need to pay school fees, buy school uniforms or provide other basic needs for the family. Moala (2005), made the same observation in New Zealand, Australia and the United States and suggested that a similar trend has occurred in Tongan communities in these countries. Moreover, many people have failed to make repayments on loan, which has resulted in the loss of securities, including homes and other important properties.¹¹ Further discussion of religion as a dominant cultural practice is presented in Chapter Two.

¹¹ The commercial banks in Tonga (Westpac Bank of Tonga, Tonga Development Bank, ANZ Bank, MBF Bank) and other financial services (Funaki Money House) have used the weekly newspaper and even on the internet to publish photos of their clients who failed to repay their loan according to the agreement. Most of these people had been given loans for the purposes of donating to the church annual offering.

1.7 Government Strategic Plan for Socio-Economic Development

In attempting to promote socio-economic development in Tonga, the Government has set down the following socio-economic goals in the Strategic Development Plan Eight (SDP8) with the anticipation of improving comparative advantages and competitive positions:

- Well educated and skilled labour force, and a healthy population;
- Efficient, well structured state owned enterprises (public utilities);
- Sound and encouraging environment for the development of the private sector in economic activity;
- Efficient and well structured government sector with the qualities of good governance and accountability;
- Well maintained physical infrastructure;
- Active participation of Civil Society Organisations and the community in economic development;
- Development benefits being distributed equitably;
- Efficient and well structured government sector with the qualities of good governance and accountability;
- Low crime and guaranteed national security;
- and stable macro-economic environment. (SDP8, 2006:4)

These key areas have been identified in previous government five years plans and work has been carried out in partially addressing of some of these issues. Hence the government has long continued to seek financial assistance for funding these projects. Some of the key issues are currently funded by foreign donors, such as AusAID, NZODA, EU, Great Britain, China, Canada and Japan, to name a few of donors. The government noted in its SDP8 that these issues will be fully addressed by the end of the 2008 financial year which would be an important leap towards achieving sustainable economic and social development in Tonga.

1.8 Chapter Summary

The chapter has presented an overview of the various aspects of the Tongan economy and how they have performed so far. The historical background revealed that Tonga was the only Polynesian island not to be fully colonised, and under the control of a monarchical system of government. The political history revealed how the country is administered and run under the ultimate power of the King. Although other social classes such as the nobles and the commoners are allowed to participate, the role of the latter in government has been shown to be very minimal. Only recently, has a political party been formed but their

influence on the administration of the government has already convinced the King to consider political reform.

Although the Tongan economy has remained reliant on agricultural produce for foreign receipts, it was suggested that other sectors have also become important or have potential in promoting sustainable socio-economic development. The role of remittances in supplementing the often deficit budget of the country was demonstrated to be a vital component of GDP and the socio-economic development.

Moreover, the chapter also provide some overviews of the social and cultural aspects of development in Tonga. A brief evaluation of development in education and health services in Tonga and their importance for the social wellbeing of Tongan people shows that despite the high literacy rate and easy access to health services, results are mixed. Unemployment remained high and the growing trend of poverty is striking. The discussion also presented some of the core cultural practices that Tongan people still value. These values include the respect of the monarchy, nobles, missionaries and church ministers. The high respect for Christianity, which is endemic in Tonga has also affected the socio-economic wellbeing of many people in Tonga. This has occurred particularly through donation of family and business funds to churches, without first ensuring that the basic needs of the family or the business have been met.

The development of the environment has continued to be an important aspect in Tonga, and the government with the assistance of foreign donors has committed resources to various environmental projects. Finally, the chapter observed the role of the government in promoting socio-economic development in Tonga. The government has set down key development issues in its Strategic Development Plan 8 with the expectation of achieving some of the sustainable socio-economic development goals by 2008. In order to understand these issues more clearly, closer attention to the scholarly and policy literature is needed, and will follow in the next chapter.

CHAPTER TWO

Review of Literature: Major Sustainable Development Challenges Issues

Preamble

To maintain sustained growth in economic activities is of paramount importance to any society, especially a developing one. However, economic growth by itself may not suffice to bring about sustainable development. On the one hand, growth means an increase in per capita income or output. On the other hand, development intends, among other objectives, to lift the economic status of the poor or the economically under-privileged, increase the level of employment, make better utilization of economic resources, and promote social equality (Salih, 2003:153).

2.0 Introduction

Thus far the processes of socio-economic development in small developing countries have not been sufficient to fulfil the needs and wants of their citizens. Salih (2003) and others argue that economic growth is vitally important for any society large and small, but it has to be maintained and sustained at levels that will improve the economic status of the poor, increase employment opportunities, wisely utilise economic and physical resources and promote social equalities of all citizens. The initial World Commission on Environment and Development (1987) was where the original concept of *sustainable development* emerged. Hence, sustainable development was described as:

The process of meeting the needs of the present generation without compromising the ability of future generation to meet their own needs (WCED Brundtland Report, 1987:43).

The focus of this thesis rests on the socio-economic aspects of the sustainable development process. Thus the definition provided by the Brundtland's report is of great importance in paving the way for deriving a definition of *sustainable socio-economic development* for the purpose of this study presented in *sub-section 2.2.2*. As will be shown, the notion of *sustainable socio-economic development* is particularly appropriate for the small island state of Tonga. This remote group of islands in the South Pacific has demonstrated considerable potential for development, assisted by continuing involvement with international organisations, which promote development. However, for several reasons,

which are developed in this thesis, Tonga has not developed as rapidly as might be expected, especially considering attributes such as literacy and health levels, and local resources. It is in context that this thesis tries to unpack and discuss the various development issues that need addressing in Tonga.

With these kinds of limitations in mind, this chapter seeks to explore research into sustainable development in Tonga, in order to identify primary issues and areas, which deserve closer attention. The objectives of the chapter then are four-fold. (1). Firstly to explore broad research approaches in relation to sustainable development as a concept and practice in the island Kingdom of Tonga. The exploration of research approaches will assist in revealing the various aspects of sustainable socio-economic development in Tonga that are already apparent in the broad literature; (2). Secondly, the chapter seeks to identify the extent, attributes and perceptions of sustainable socio-economic development in the islands. This is important because it will bring to light how these issues relating to sustainable development reflect the special attributes of Pacific Island Countries (PICs); (3). Thirdly, I seek to demonstrate some of the problems that stand out as challenges to sustainable development in Tonga. Identifying some of the problems will enable the thesis to develop discussions on issues that are vital for socio-economic development in the island, and (4). Fourthly, this chapter aims to evaluate the various initiatives taken by the Tongan government, as well as non-government organisations in responding to challenges of sustainable socio-economic development in Tonga. The importance of evaluating the initiatives will highlight the contribution that various sectors can make in the sustainable socio-economic development processes in the islands.

To underline the importance of these issues, the chapter may refer to some experiences of sustainable socio-economic development from other PICs, as examples. This will allow the identification of some of the major problems and the ways that they have challenged sustainable socio-economic development in regional economies. Having identified some of the major issues and the scope and nature of the literature, it will then be possible to evaluate the literature in order to identify areas in which this thesis can be situated and can make a contribution. It is important that challenges to sustainable socio-economic development are identified and analysed in the quest for a more effective and widespread pattern of sustainable socio-economic development in Tonga.

2.1 Organisation of Chapter

In so doing, this chapter is divided into various sections and each section has its own subsections whenever appropriate. *Section 2.2* will provide the diverse definitions of sustainable development that will be used throughout this thesis. Providing definitions will clarify the scope of each term. *Section 2.3* considers the dynamics development in PICs, and why these are important to the sustainable development processes in Tonga. The significance of this section is to consider how the Tongan cultural inheritance, increasing urbanisation and human capital outflow may have impeded the process of sustainable development, especially the socio-economic aspects. *Section 2.4* investigates sustainable development from a Tongan perspective, taking particular focus on the extent of the work being done in promoting sustainable development in Tonga. *Section 2.5* investigates the various problems that challenge sustainable development processes in Tonga, and will allow this thesis to delineate some of the more important problems for closer examination in later chapters. *Section 2.6* considers the role of the government in attempting to promote sustainable development in Tonga. *Section 2.7* will identify the limitations of the literature and where to situate the possible contribution of this thesis. *Section 2.8* will revisit the four objectives of this chapter listed in previous section, and offer some conclusions.

2.2 Diverse Definitions of Sustainable Development

The generally accepted definition of sustainable development presented in the first page of this chapter has survived more than a decade since the United Nation's Commission on Environment and Development first promulgated this definition. However, one evident problem with the Brundtland concept of *sustainable development* is that it is a term that seems to have multiple meanings, which in turn can limit the development of effective initiatives (Brown, 1996; Sathiendrakumar, 1996; Tisdell, 1993; Pearce *et al*, 1990). It is less of a problem for other scholars. Pearce (1993:8) for example, has suggested that "...defining sustainable development is really not a difficult issue. The difficult issue is determining what has to be done to achieve it". Further, Manstetten (1996) and Klauer (1999) argued that a precise definition of sustainability is not necessary, as definitions of sustainability differ according to cultural and socio-economic contexts. However, one aspect widely agreed upon is that the essence of sustainable development is to act fairly

towards future descendants, fellow citizens and nature. Barbier (1987) and Mikesell (1992) have suggested that acting fairly toward future citizens may explain why there has been no single definition for sustainable development, which of itself highlights the problems associated with the borrowing and exchange of ideas and experiences.

The work by Brown (1996) has offered a critique related to the emphasis of the definition of sustainable development to be either overly environmentally oriented or focus too much on business activities. This critique holds that the emphasis of sustainable development paid insufficient attention to the welfare and needs of poor people and those adversely affected by environmental impacts. In addition, Pearce *et al* (1990), Tisdell (1993), and Sathiendrakumar (1996) also suggested that the Brundtland definition of sustainable development ignores the fact that the environment can be treated as a capital good and may be exploited for commercial production. This latter critique pointed out that a lack of business focus is the problem with the Brundtland's definition of sustainable development. It is in this respect that sustainable development needs a definition to include all aspects of development.

Given the complexity of views on sustainable development, this thesis will argue that a single coherent definition will largely depend on the context of a particular society in study. Since this thesis focuses on Tonga, it is important then to define the key terms that will be used in this thesis in relation to sustainable development. This is important as it allows the examination of sustainable development as a concept and how the associated terms and attributes can ensure study and analysis of sustainable development is appropriate to the Tongan context.

2.2.1 *One Tongan Definition of Sustainable Development*

The only document in Tonga that carries a formal definition of sustainable development is the Environmental Impact Assessment (EIA) Act of 1999, whose objective was to achieve sustainable development. The EIA Act of 1999 was passed and enacted by the Legislative Assembly in 1999.

There sustainable development is defined as:

Promoting development at a rate and such a way as to ensure that the equality of the environment and the supply of the resource is maintained and, wherever practicable, enhanced to meet the needs of the present generations without compromising future generations' need (EIA Bill, 1999 *cited in Pelesikoti (2003:7)*).

Pelesikoti (2003) further suggested that the Tongan definition provided by the EIA Act 1999 emphasised a process whereby sustainable development would be promoted as an environmental issue.

This explanation of the principle of sustainable development highlighted the need for the present generation to conduct all activities that would satisfy their current needs and wants in a manner that would maximise their benefits, while observing their obligation to reserve some benefits for future generations. Hence, future generations should not be disadvantaged because of the present generation's levels of development, particularly in terms of exploiting the environment, potentially putting the future economy in crisis, and inheriting social problems. What the WCED in 1987 and later the United Conference on Environment and Development 1992 were promoting, then, was that it is through sustainable development that the present generation could guarantee the reservation of benefits for the future generations.

The Tongan definition of sustainable development itself makes researching into sustainability more inadequate. This argument stems from the idea that how can the present Tongan generations possibly understand what the needs of their future generations will be? For example, the past generations of Tonga have maximised their benefits from utilisation of land for farming, expecting their present generation to continue the same. Instead, the current generation looked at migration as the best option in search of future opportunities, and the current trend indicated 'whole family' migration to be very common in Tonga nowadays. New migration schemes to New Zealand (Pacific Category Access) offers the whole family a migration right, as long as the mother or father secured a job in New Zealand. Further, the process of 'whole family' migration would be very costly, especially for big families. In particular their possibility of meeting travel costs and other expenses would be to sell assets, of which land and housing are most valuable. As such, many Tongans migrants, especially if they were heirs to the land prefer to either engage in long-

term lease or completely sell their land, despite the fact that land sale is illegal (Fisi'iahi, 2000; Halatuituia, 2001).

It is in this context that an argument is made that sustainability may not be as important for future generation as it is today, given that whole family migration will see their next generations growing up in different country. Recent studies of Pacific Islands including Tonga revealed that the new generations, or the second and third generations grow up in their new found lands (Connell and Brown, 2005; Small and Dixon, 2004), thus indicating that the issue of preserving land for the future generations may be unsustainable. This is because the scarcity of land will not guarantee that all Tongans will get a piece of land in the future. If that is so, how can the present generation guarantee that future generation will continue to live and survive in Tonga without owning a piece of land. Similarly, how can future Tongan generations secure land if the majority of lands belong to the nobles and the government, and securing of land is a very costly process (Murray & Storey, 2001; Maude and Sevele, 1987). How can Tongans of this generation possibly look after their environment if most of them do not own the land that they utilise for farming or for temporary residence purposes? It is not unusual in Tonga now to see that some Tongans are foreigners in their own country, as they neither own land nor are entitled to anything other than the 'free air'. It is in this context that defining of sustainable development from the Tongan perspective presented earlier is problematic and does not reflect the realities of development in the islands.

2.2.2 Sustainable Development: Socio-Economic Definition

The definition of sustainable socio-economic development used in this thesis will draw on the explanation of sustainable development suggested by the Brundtland Report (1984) as a base but will include rather more socio-economic and political aspects. Harris *et al* (2001) suggested that sustainable development should be addressed as a *triple-bottom-line* or *three pillars* of sustainable development, which encompasses social, economic and identifying environmental issues. The proponent of the *three pillars* argued that social, economic and environmental issues should be equally addressed in order to identify how they may affect or contribute to the sustainability of development. The importance of the *three pillars* is well articulated in the aspects that are to be considered when addressing sustainable

development in Tonga. Bigg (2004), Mowforth, (2003), Harris *et al*, (2001), and Pearce *et al* (1999), have all suggested that any form of development has to be built on *three pillars* in order to be sustainable.

The idea behind these notions holds that development strategies must strike a balance in all aspects of these three pillars, and to maintain it at a reasonable level for a better world at present, as well as in the future to come. The importance of addressing the three pillars stems from findings of various researchers that what has been done so far in the quest of sustainable development has been evident primarily in the environmental aspect only. Environmental and ecological issues have been the subjects of widespread international attention. Kirkpatrick *et al* (2004), Salih (2003), Kuhndt and Geibler (2002), Camargo (2000), Bass and Dalal-Clayton (1995), and Pearce *et al* (1990) argued that while cognisance of the needs of the environment is essential, it is equally important to address all pillars of development to sustainable levels.

However, it is argued that addressing sustainable development in terms of the ‘three pillars’ in developing countries like Tonga is useful but not sufficient to fully achieve a level of development that is sustainable and effective in the long run. This argument stems from the fact that political instability in many developing countries in the PICs has damaged not only the society the economy. The experiences of political instabilities in Fiji and the Solomon Islands are prime examples of this argument (Reddy *et al*, 2004; Narayan and Prasad, 2006). As suggested by Salih (2003), all aspects such as political, socio-economic, environment and culture should be integrated to the development process in anticipation of sustainability. To this effect, striking a balance on the various pillars will be argued to be important in sustaining the level of development in Tonga. Adopting a Tongan definition of sustainable socio-economic development will not weaken the meaning of the initial Brundtland’s definition but rather incorporate the relationship among all aspects of sustainable development. Sustainable socio-economic development or in Tongan *langa fakalakalaka fakasosiale mo faka’ekonomika tu’ulua* is defined from a Tongan perspective and for the purpose of this study as:

The process of adopting socio-economic, political, cultural and environmental strategies that would generate long-term benefits for the people of Tonga and their future generations.

Defining sustainable socio-economic development from a Tongan perspective is favoured for a working definition in this thesis. This is because it emphasises the importance of addressing socio-economic, political and ethical issues that would benefit all social classes in the society, while at the same time reserving the benefits for later generations. This may seem very ambitious but the thesis will maintain that future generations of Tongans living in will benefit from growing up in a society of political stability, reasonable socio-economic standard, highly valued culture, and a well-looked after environment.

2.2.3 *Sustainability Conditions Relevant to Definitions*

Despite the discrepancies and different views on the status of promoting sustainable development in Tonga, the pursuit of sustainability in all contexts requires certain conditions, as prescribed by the United Nations (1987). These conditions are presented to sum up the diverse definitions of sustainable development as well as the critiques and suggestions for a more balanced definition are presented in Box 2.1 below. They shall be used in subsequent chapters of the thesis as basis for investigating the challenges to sustainable development in Tonga.

Box 2.1: United Nations Sustainability Conditions Set Out in 1987

Source: Government of Tonga Strategic Development Plan 8, 2006.

Some of the conditions set out by the United Nations may be too challenging for PICs to follow. This means that any attempt to fulfil all of the above conditions would be very costly to some members of the PICs, given the differences in sizes of economies and their respective performances. Ray (1999) suggested that some issues applicable to other countries might not be appropriate to sustainable development in the PICs. Goldsmith (2005), for instance, argued that the model of ‘doomstay scenario’ model of governance may be applicable to explain the form of governance in Papua New Guinea with a population of over four million, while it will be inappropriate to apply in the island of Tuvalu with a population of about 9500. While the importance of addressing all the conditions set out above is clear, however, I opted to limit the investigation to some of these conditions central to this thesis, in the search for the means toward sustainable socio-economic development in Tonga.

2.3 The Dynamics of Development in Pacific Island Countries

The purpose of this section is to explore and present the dynamics of development by observing the features that illustrate the irony of development processes in the PICs. This is because many researchers have found some important similarities in the development processes of some PICs. The weakness of the way that each country in the PICs region handled their development processes has been a typical feature of the PICs. For example, Kavaliku (2000), James (2000), and Toatu (2002) have all argued that the socio-economic performance of PICs in the South Pacific region has gone through some turbulence for different reasons. Further, Ray (1999) suggested that PICs have their own features and that any effort at reform will have to be in a structure that fits the perspective of each of these countries. The argument by Ray assumes that PICs share some features, such as small economies and great distance from major markets. In this respect, three dynamic features revealed in the literature are vital for sustainable development in the PICs and cannot be left out of the process. These features include the traditional cultural values and obligations; the so-called MIRAB economy; and the increasing urbanisation. While they appeared unavoidable, it is important to deal with them from a Tongan perspective.

2.3.1 Tongan Culture, Social Obligations and Sustainable Socio-Economic Development

Some researchers into Pacific affairs have frequently referred to the strong cultures of some PICs to be a special characteristic that has strongly influence their process of socio-economic development. Researchers such as Kavaliku (2000), James (2000), Thaman (2002), and Saffu (2003), for example, argue that an individual country's culture is a significant feature of the PICs, and these are vital factors to consider when seeking sustainable development in the region. Hence, it is important to give sufficient consideration of the relationship between socio-economic development and the culture of respective societies.

Although researchers suggested that culture has a key role in the performance of economies in the South Pacific region that may not be found in other countries outside the Pacific, it is argued that the negative effects of PICs culture are also notable. For example, Thaman (2002), Kavaliku (2000) and James (2000) have argued that the road to sustainable development in the region must take close account of the relationship between economic development and the strong cultural values of the respective economies. Similarly, Saffu (2003) asserted that culture plays a role in the development of entrepreneurs in South Pacific countries including Tonga. Kavaliku (2000) a retired Tongan Prime Minister investigated the relationship between culture and sustainable development in countries of the South Pacific region. In his comprehensive article 'Culture and sustainable development in the Pacific', he argued that culture could not be separated from sustainable development.

Moreover, during an intensive study of the Tongan culture, James (2000), expressed how a village entrepreneur and his family were highly respected by fellow villagers. The family own a small shop and were regarded as a rich family in the village. To retain that respect in the village culture, the family were required to share their largesse. For example, James revealed that the man's daughter was made the chairperson of the village basketball team and her role was to feed the team (*fakakofi*) almost every week until the basketball season was over.¹² In this context, James concluded that these kinds of attributes of culture affected entrepreneurship in Tonga.

¹² The basketball season in Tonga runs from early December to late January to accommodate school students during long school holidays. Almost every village has a basketball team and inter-village competition takes place almost everyday.

Similarly, Ritterbush (1986) also found that various cultural practices in the Tongan society hampered the process of developing entrepreneurs. This is specifically related to indigenous entrepreneurs. Ritterbush revealed that given the strong commitment of some Tongan entrepreneurs to social and religious cultures, some of the funds generated by the business were committed to fulfil social and religious obligations. It is in these ways that business funds were seemingly misused without much consideration of the impact on the sustainability of business operations.

Moreover, cultural practices related to land tenure system have arguably enhanced corruption and discouraged some farmers in Tonga from engaging in activities like commercial squash farming. Storey and Murray (2001) noted that having good connections and the status of farmers in the Tongan society has become a culture that makes the difference in the process of securing land from land owners, especially the nobles. Because most arable land in Tonga is owned by either the monarch or nobles, the process of securing land for commercial farming frequently involves money, gifts, contribution of food and other cultural obligations (Maude and Sevele, 1987).

Overall, there appears to be good evidence to suggest that the commitment of Tongan people to some of their cultural practices could continue to be threat to sustainable development in the island. The literature did not call for the Tongan culture to be completely overturned in the name of economic development, but rather to reduce the constraints on sustainable development, and to establish the relationship between culture and development in Tonga. The ways in which some cultural practices appear to be a barrier to socio-economic development has been exacerbated in part by the ‘brain drain’.

2.3.2 Human Resources Outflow: The ‘Brain Drain’ Trend

A number of studies have also revealed how some PICs have relied heavily on outside sources such as donors’ loans and aid, as well as remittances from men and women residing abroad, thus giving them a name of MIRAB (Migration, Remittances, Aid and Bureaucracy) countries (van de Grijp, 1997; Evans, 1999; Evans, *et al*, 2001; Connell and Conway, 2000; Fisi’iahi, 2000; Connell and Lea, 2002; Small and Dixon, 2004; Connell and Brown, 2005; Fraenkel, 2006). Among the migrants remitting money to families and

relatives left behind in home countries were highly qualified professionals in different fields.

The outflow of highly qualified professionals from the PICs has certainly been identified as an important element of special features that have hampered the sustainability of socio-economic development in Tonga. Studies of the brain drain in the Pacific suggest that highly qualified professionals from PICs left these countries for a range of reasons. However, in the context of Tonga, first and most obvious reason is the good employment packages offered by the receiving countries. Kerse and Ron (2002) and Fisi'iahi (2001) found this to be the case in Tonga where salaries of professionals such as medical doctors, registered nurses, lawyers and accountants are nowhere near comparable to those in other countries. For example, an average starting salary for a medical doctor in Tonga is TOP\$12,000.00 (AUS\$8,800.00), less than a fifth of the salary of junior medical doctors in New Zealand or Australia (Ministry of Finance, 2005).

Not surprisingly these highly qualified people from Tonga have sought employment in other neighbouring countries and in regional and international organisations. In 2005, thirty two Tongan professionals were employed by international and regional organisations in Fiji, New Caledonia, Samoa, London, Switzerland, Cook Islands, Vanuatu, New Zealand and elsewhere. This does not include Tongan professionals who have migrated permanently to countries like New Zealand, Australia and the United States, estimated to be more than one hundred. These figures may appear small but in the Tongan context, where total population is slightly over 100,000 they are a huge loss to the country (MLCI, 2005). Not all leave permanently; some Tongan professionals take up assignments on a secondment basis from the government, while others are on leave without pay. Nevertheless, educated people have resigned from their positions to take up permanent employment out of Tonga and appear unlikely to return.

Indeed, this high outflow of professionals poses a more serious threat on sustainable human resources development in Tonga, as they are building a trend for others to follow in the future. Its implication for sustainable development in Tonga is clear and could be summarised in three main points. First, the majority of these professionals were trained under government scholarships, which is a double loss to the government, which has paid education fees, and lost educated and qualified people. Second, some of these people were

employed in essential services such as the health and education sectors and their departure creates major difficulties for these services. Third, the Tongan people do not get the best service that these people could have provided for them (MLCI, 2004; Ministry of Education, 2004).

On the other hand, studies have also suggested that the brain drain may have had some positive effects on PICs. This is seen in the context of remittances from these professionals to their families and relatives in the islands, which contributed to the overall high remittances received by these countries. In this respect, Tongamoa (1987), Ahlburg (1996), Connell and Conway (2000), Fisi'iahi (2000 and 2001), and Connell and Brown (2004), among others, revealed the important links between Tongan migrants and high remittances to the country. These assessments included the contribution of highly qualified migrants in the overall figure of remittances from all Tongan overseas, although Connell and Brown (2004) highlighted the crucial contribution of Tongan nurses in Australia to the remittance trend in Tonga. Overall, while the relationship between migration of highly qualified professionals from Tonga and remittances cannot be underestimated, the lack of expert human resources is also important. Further assessment to clarify the costs and benefits of 'brain drain' to the country would be beneficial. It is also noteworthy that the 'brain drain' paradigm is not only evident in the out migration from Tonga, but it is also seen in the internal migration from the islands and villages to the main island of Tongatapu. This will be discussed in the next section.

2.3.3 Increasing Urbanisation and Sustainable Development in Tonga

The literature offers evidence of the growing concern of PICs to internal migration from islands and rural areas to urban towns. Most researchers have found that urbanisation has become a dynamic feature in many development countries including the PICs (Connell and Lea, 1995; Storey, 1998; Cocklin and Keen, 2000; Finau *et al*, 2000; Evans, *et al*, 2001; Connell and Lea, 2002; Storey, 2005). On the one hand, these studies revealed the enormous pressures that increasing urbanisation has imposed on land, environment and services available in urban areas. They noted that land scarcity forced many immigrants from the outer islands to settle in swampy unwanted areas surrounding the urban cities. The same pressures applied to environmental exploitation and over utilisation of infrastructure

such as electricity, water, and health services. On the other hand, Connell and Lea (2002:15) emphasised that although increasing internal migration to various cities in the South Pacific countries have increased pressures, it may also bring about new opportunities for economic development. Nuku'alofa is no exception. Storey (1995) suggested that urbanisation may signal to government the importance of appropriate urban management and planning. Finau *et al* (2000) and Evans *et al* (2000) also found that increasing urbanisation gave rise to increasing health awareness and the role of the government in combating diseases associated with urbanisation. However, more studies are needed to clarify the opportunities and benefits associated with urbanisation.

In the Tongan context, the literature identifies the increasing inflow to the main island of Tongatapu to be a common feature of the settlement in Tonga. A number of studies have revealed how the increasing internal migration from the outer islands, and rural areas of Tongatapu have distorted the effort of development in Tonga (Connell and Lea, 2002; Halatuituia, 2002; Finau *et al*, 2000). Furthermore, Halatuituia (2002:41) found that many people left their home in the outer islands of Tonga to settle in the Nuku'alofa area in search of employment opportunities and better education. He also suggested that other factors such as family reunions and the availability of land are also seen as reasons for internal migration and settlement in Tongatapu.

For whatever reason, the increasing urbanisation in Tonga means that immigrants to the Nuku'alofa area face enormous pressures. The scarcity of land coupled with high cost of securing land in Nuku'alofa township forced many immigrants to form informal settlements in swampy areas in Sopo, Halaovave, Popua and Pa Tangata. Such, informal settlement increases the over utilisation of resources with degradation of the environment (Connell and Lea, 2002; Storey, 1998; Pelesikoti, 2003; Lutui, 2002). The picture in Figure 2.3 demonstrates one of the crowded areas of informal settlement beside the landfill at Pa Tangata.

There have been other problems associated with increasing urbanisation, in addition to the scarcity of land and degradation of the environment. These problems include increasing poverty and hardship, mounting unemployment, increasing crime, and inadequate housing (Storey, 2005; Connell and Lea, 2002; Cocklin and Keen, 2000; Storey,

1998). These problems are discussed later in this chapter, in terms of the challenges to sustainable development in Tonga.

Figure 2.3: Squatter: Informal Settlement near Pa Tangata Landfill

Source: Complement of Semisi Sika of Kai Mai Production

We drove past the scene and I looked over to my left and saw a woman there, holding her baby. She made eye contact with me, and I felt this immediate uneasiness, but then she smiled at me! It was the biggest smile I saw in Tonga, very sincere, warming, inviting and happy. I smiled back and as we drove away, I was so touched by this experience - that in Tonga, even the poorest of the poor can still manage to smile and make your day (*MH-01, pers. statement, 2006*).

2.4 Sustainable Development: A Tongan Perspective

As noted earlier, the term sustainable development or *langa fakalakalaka tu'uloa* has been a major 'catch-phrase' of worldwide debate, since the World Earth Summits led by the United Nations in 1987. The significance of the term sustainable development is apparent in the extensive research which has explored multiple aspects and levels of sustainable development in almost every country in the world. In his official address during the launching of Tonga's Strategic Development Plan Seven (SDP7) in 2003, the former Tongan Prime Minister, 'Ulukalala Lavaka Ata emphasised that Tonga should make more intense efforts towards socio-economic development that would not only provide for the needs of today but also reserve benefits for future generations of Tongans. The SDP7 had been preceded by a Five Year Development Plan and followed by the current Strategic Development Plan Eight (SDP8) which was launched on 21st June 2006 is in operation.

During the development of SDP8 sustainable development was widely discussed in Tonga, as seen in the numerous consultations conducted during the preliminary draft of the plan. A total of five hundred and ninety six representatives from villages, community groups, youth groups, churches, private sector and non-government organisation and as well as government Ministries and Departments, were consulted over the Plan (Central Planning Department, 2006). This was a new strategy for the government to embark on countrywide consultation on the development plan, a manifestation of the new importance placed on the participation of all citizens in the development process.

Despite these efforts, what remained cloudy was the scope of what has been done so far in the attempts to reach a reasonable level of sustainable development in the country. On the other hand, the various reasons for sluggish development and why it has taken so long for Tonga to eliminate the barriers that may hamper sustainable development are unclear. It is in this context that the extent of sustainable development in Tonga in recent years is worth examining and discussing.

2.4.1 Sustainable Environment Development: Reality or Fabrication?

The literature has provided considerable research emphasising that much sustainable development throughout the world dealt with the environmental or ecological aspects only. Harris *et al* (2001) and Frazier (1997) among others suggested that sustainable development in most developing countries has been largely evident in the ecological aspect only. This has been the case in Tonga, where the phrase was introduced to the islands by the Tonga Department of Environment through the EIA Act of 1999. The emphasis here was on the long-term consideration of the environment. Similarly, in his address to the World Summit on Sustainable Development in Johannesburg, South Africa in 2002, the Tongan Deputy Prime Minister and Minister of Environment, Honourable James Cecil Cocker, advised that Tonga was committed to implement Agenda 21 of the Earth Summit on Sustainable Development, which would ‘allow for concrete improvement of the environment over the next decade...and reverse global degradation of the environment’ (Cocker, 2002:1).

On one level, the statement seems ambiguous, as no one solution could fix the global degradation of the environment, while national effort is argued to be a very costly and time consuming process. However, this statement shows the in-principle commitment

of the Minister of Environment and the Government of Tonga to sustainable development of the environment. Despite the concentration of the Tongan government in promoting environmental sustainability, such as constructing a new landfill at Tapuhia, the perception of some Tongan people has remained a barrier to sustainable environment development, as shown in figure 2.2. This picture demonstrates how some Tongan people treated their environment and their perception toward the Tukumotonga landfill at Pa Tangata. They dumped their rubbish on the roadside and near the squatter settlement, instead of the proper area within the landfill.

The exclusive concentration of the Tongan Government on sustainable development of the environment has been evident in the continuous negotiation for funding by donors of various environmental projects monitored by the Department of Environment. These have included a number of development projects funded by various foreign donors, such as the New Zealand Overseas Development Agency (NZODA), AusAID and the South Pacific Regional Environmental Program (SPREP). These projects have included the Tonga Environmental Management and Planning Project; the Environmental Research, Management and Conservation Project; the Ha'apai Conservation Area Project; and the Agro-forestry Development Project. These are a few of the many projects monitored by the Tonga Department of Environment (Department of Environment, 2004). Further, the Tongan Government committed money in the 2003/04 (TOP\$150,000) and 2004/2005 (TOP\$250,000) financial years, as a supplement to the \$15 million Australian Government funding for the construction of a new landfill project at Tapuhia (Ministry of Finance, 2004 & 2005).

This is not to underestimate the efforts of the Tongan government or to undermine the importance of the environment in the process of sustainable development in Tonga, but rather to emphasise the imbalance of addressing the so-called 'pillars' of sustainable development. It is in this context that Frazier argued that the wide use of the term 'sustainable development' has been largely based on the "perspective of one discipline while ignoring the essential elements and point of views of other disciplines" (Frazier, 1997:183).

Figure 2.2: A Showdown at the Tukumonga Landfill, Pa Tangata Suburb

The Tukumonga Landfill is located at the eastern side of the capital Nuku'alofa, right in the seafront and three kilometres away from the downtown Nuku'alofa. While some people unload their rubbish, others who lived nearby count their blessings by searching for rubbish, as means of daily survival.

...and the wanderers enjoyed the left overs.

A prime example in Tonga is the concentration of Tongan environmentalists in formulating strategies to avoid exploitation of forest, while land demand for squash growing requires clearing of forests. Felemi (2001) noted that a lot of trees have been removed to allow commercial farming due to shortages of land for commercial purposes. He added that this has been a common practice by commercial farmers targeting export markets such as

squash. Although such practice affected the environment its contribution to improved socio-economic conditions of many commercial farmers and their families in Tonga is well articulated (Storey and Murray, 2001).

2.5 Challenges of Sustainable Development in Tonga

Tonga like other countries has encountered many challenges in its endeavour to sustain development agendas that could generate reasonable long-term benefits for the Tongan population. Although the challenges of sustainable development are variable, this section will focus on the core challenges which have been revealed by the literature to have hampered the efforts of the government and the public at large in Tonga. Some of the challenges presented here will be thoroughly examined in later chapters of the thesis. For the rest of this section, the challenges explored briefly will include lack of observation of governance, unfavourable investment climate, and increasing unemployment and hardship.

2.5.1 Lack of Observation of Governance – ‘Weak Governance’

The increasing recognition of the importance of managing and administering state’s affairs has turned policy-makers and researchers to focus on *governance*. The United Nations Development Programme (UNDP) defines governance as:

The exercise of economic, political and administrative authority to manage a country’s affairs at all levels. It comprises mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences” (UNDP, 1997:2).

Alternatively, the World Bank defines governance more vaguely as:

The manner in which power is exercised in the management of a country’s economic and social resources for development (World Bank, 1992: 4).

Larmour (2005) suggests that defining governance may be complex, as it has multiple meanings and that definition will largely depend on the context where the terms has been applied. Nevertheless, the Tongan government observed the definition by the World Bank as favourable and it is the one that is incorporated into the SDP8, which added the following elements to the definition:

The process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state of the institutions that govern economic and social interactions among them (SDP8, 2006:50).

Thus this thesis will follow the same definition for ease of observation of how Tongans value governance in all aspects of the development spheres.

Some researchers have identified the link between governance and socio-economic performances of developing economies of PICs. Good governance in the PICs has been succinctly dealt with in a number of recent theoretical and empirical works such as the findings of Larmour (1994a), Macdonald (1998), Ray (1999), Toatu (2002), ADB (2003), World Bank (2004), Mellor and Jabes (2004), Larmour (2005), Goldsmith (2005); Huffer and So'o (2005), Huffer (2005), Fry, 2005, and PIFS (2004 and 2005). Most of these studies have linked good governance to the economic performance of some PICs. Their findings have generally identified the importance of quality and reasonable governance for the long term to individual income per capita of PICs population and greater involvement in economic activities of the country.

Conversely, the findings of Mellor and Jabes (2004), Narayuan and Prasad (2003), Good (2003), Urwin, 2003, Toatu (2002), UNESCAP (2002), Larmour (2005), Huffer and So'o (2005) have identified the negative effect of poor governance on economic performances of PICs. These studies have shown that poor governance is associated with increasing corruption and civil unrest, such as when citizens are dissatisfied with government, as is the case in Tonga illustrated by photographs in figure 2.4 and 2.5 respectively. In turn, the socio-economic performance of the PICs is then negatively affected.

Similarly, Larmour (1994a), Macdonald (1998), and Toatu (2001) have also found that governance and appropriate institutions are vital to the development process of PICs. However, their characteristics are different from those of larger economies outside the South Pacific region, and this has been found to be partly responsible for the failure of some PICs in their endeavour to achieve sustainable economic development. These researchers argued that weak institutions overseeing the governing process of PICs have led to high levels of corruption, mismanagement of resources, and dishonesty of governing

officials. In turn, this lack has been partly responsible for the sluggish sustainable development process in PICs.

Moreover, Douglas (2005), Goldsmith (2005), Huffer (2005), Douglas (2000), Larmour (1997), and Lawson (1997) have woven a link between governance and cultural traditions of some countries in the South Pacific. The work of these authors suggested the ways that governance is undermined by the strong adherence of people in the PICs to their cultural traditions. Often in some cases such as in Papua New Guinea and Tuvalu, politicians and government officials defend their wrong actions as part of their traditional roles to their electorate which they claim are not regarded as corruption (Larmour, 1997; Goldsmith, 2005). Further, the strong belief of Christians in Tuvalu has been perceived as part of their culture which has determined their decision making process (Goldsmith, 2005). It is in this context that governance as a dynamic feature of development in PICs stood out as a potential barrier to sustainable development, and Tonga, as part of the PICs, is no exception.

Figure 2.4 - A cry for governance during a protest march in Tonga on the 5th August 2005.

Source: Planet Tonga, permission granted 17 July, 2006.

The emphasis on governance in Tongan only appeared at the end of the 1990s and to address the issue fully in multiple scales of the Tongan society will take time (SDP8, 2006; Helu, 1997). The notion of governance is of particular importance for Tonga, as development is conducted within a traditional political system (*anga faka-Tonga*) and cultural environment which has shaped the ways of addressing governance in different levels of the Tongan society (Mellor and Jabes, 2004; World Bank, 2004; Dunne, 2005). Mellor and Jabes (2004) suggested that development of governance in PICs is hampered by traditional political systems and strong cultures, and that these factors have not yet been

addressed in terms of governance. Dunne (2005) further suggested that despite the commitment of the Tongan government to address governance, little progress has been seen so far.

The work by Larmour (2005) labelled Tonga as a country of high corruption and accountability, alongside Fiji, Nauru and Samoa. Giving priority to these two elements of governance, Larmour (2005) argued that there were two main reasons that undermined good governance in Tonga. The first main reason, he argued, was the engagement of the ruling family (monarch) in business ventures, taking into account the number of public utility businesses run by members of the ruling family. Secondly, the system of government allowed weak accountability of ministers and government to the Parliament and Tongan citizens at large. Hence, any wrong action of government ministers was a matter for the monarch to deal with, with no intervention from the people, other than having to voice their concerns and dissatisfaction through the elected members of Parliament. The photograph in Figure 2.6 illustrates a demonstration by the Tonga National business Association in dissatisfaction with the involvement of members of the family in business.

Figure 2.5 - Health workers appealing for ‘good governance’ during a demonstration in Tonga

Photo: Planet Tonga, permission granted 17 July, 2006.

A prime example of Larmour’s argument and attributes, and the occurrence of ‘poor governance’ in Tonga has been the fate of the Tonga Trust Fund (TTF) as delineated in Box 2.3. The TTF was developed from a ‘Cash-For-Passports Scheme’ established by the government in 1988. It was managed by Mr George Chen, a Hong Kong businessman who had been a long time friend of the Tongan King. The TTF amounted to US\$26 million,

which was estimated to have a Tongan value of TOP\$50 millions at the time it was disappeared in June 2001 (Tu'i'onetoa, 2001; Keith-Reid, 2001; Field, 2001). Despite questions from the Tongan people of the whereabouts of the fund, the Prime Minister publicly announced:

...Today, you have the commitment of Trustees of the Tonga Trust Fund and of the Government that the fund is under sound management, and we are committed to enhancing its growth for the benefit of all Tongans ('Ulakalala Lavaka Ata, 2001:1).

Figure 2.6 – Tonga National Business Association shows dissatisfaction for engagement of ruling family in business undertaking in Tonga

Photo: Planet Tonga, permission granted 17 July, 2006

Soon after this public announcement, the Attorney General on his return from New York announced that the TTF had completely disappeared. The amount of money involved may not be much for some countries, but in the Tongan terms, it is a huge amount to be lost by the Board of Directors. Its loss also had the effect of constraining economic development in Tonga through a reduction of funds available for investment. This was a turning point to the performance of the Tongan economy, as policy makers had to consider other sources of fund to enable development.

Tongan politicians claimed the loss of the TTF to have seriously affected the performance of the economy (Pohiva, 2002; Moala, 2004; Saulala, 2003; Sevele, 2003). An assessment by the International Monetary Fund (IMF) claimed the loss of the TTF to be partly responsible for the rocky situation of the Tongan economy (IMF, 2004). Further, the IMF has claimed that Tonga came through decades of poor governance and past leaderships are responsible for driving the economy to this critical financial position (IMF, 2006).

Governance is also an issue in private, public and not-for-profit organisation. Just as with governance at government level, 'governance' in organisations, especially small organisations refers to the mechanisms processes and structures which ensure and enable effective and ethical management of the organisation's resources so that it meets its objective.

As with governance at national level, governance in organisations rests on appropriate decision making structures, and transparency, accountability, responsibility and ethical behaviour. As will be shown throughout this thesis 'good governance' parallels 'good management, and vice versa (Helu, 1997; Larmour, 1997; Edwards, 2004; Mellor and Jabes, 2004; Goldsmith, 2005; Huffer and So'o, 2005).

Box 2.3: A Diary of the Tonga Trust Fund

Source: Auditor General Report to Parliament 2001, Prime Minister's Office 2004

2.5.2 *Unfavourable Investment Environment*

From the business perspective of sustainable development, the literature reveals that Tonga needs investment. It was made clear by Cocker (2002), 'Utoikamanu (2006) and IMF (2006) that Tonga needs stronger investment in order to put the economy at a level that would bring long-term benefits for the country. In fact, a favourable investment environment is one deciding factor that would encourage both foreign and local investors to invest in any country. This means that investors will decide to invest in a country when government investment regulations are not too harsh and would allow them to flourish. Similarly, investors consider easy access to land and properties for immediate establishment of investment as a favourable environment for investment.

However, recent research into investment in Tonga revealed that the unfavourable investment environment is one of the major challenges for sustainable socio-economic development in Tonga (Bosworth, 2006:45). To this effect, there are important areas that are worth examining in order to shed light on the type of impediments that appear to have created unfavourable investment climate in Tonga. Firstly, the system of land tenure and the process of land lease by both foreigners and local investors are shown to be discouraging factor for investors. Secondly, the process of acquiring appropriate licences (business and development licences) also contributes to the lack of investment in Tonga. Although that are other factors such as the distance from markets that causes high transportation costs, but there is little that Tonga can do much about such a geographical factor. Moreover, other PICs have, to a greater or lesser extent, circumvented distance, by enhancing the advantages of their countries.

2.5.2.1 *Land Tenure System*

The process of securing land for investment by both local entrepreneurs and foreign investors have long been a barrier for investment in Tonga. In a study of the land tenure system in Tonga, Halatuituia (2002) noted that majority of land is either owned by the monarch or the nobles (chiefs). The Ministry of Survey and Natural Resources looks after the land of the monarch, while each noble has unfettered power over division of their land. As discussed in Chapter One, the Tongan society is divided into three social classes, consisting of the King, the nobles or chiefs and the commoners. Hence, any Tongan

commoners or foreign investors who intend to secure a piece of land for business engagement, either have to go through the processes of applying to lease government land, or to lease land from a noble, or in some cases lease land from a Tongan individual, depending on the location preference. The terms of any land lease has to be decided by the parties involved but such terms also have to abide by the government policy of twenty years maximum land tenure and is subject to renewal at mutual agreement of parties involved. The current Land Act, which is nearly ninety years old provided that non-farm land can only be leased out at a maximum of twenty years. Foreigners, like Tongan commoners cannot own land but rather they lease it from nobles, who are the biggest landowners

Put another way, Bosworth noted:

...because there is no land market, foreign investors often have little choice in securing preferred land in a reasonable term of lease, hence taking whatever is offered by land owners. This seems to be a major deterrent to foreign investors, especially small investments and those involving substantial land improvements and building of non-moveable assets (Bosworth, 2006:45).

Further, it is evident that the process of securing land from landowners, and the nobles is often costly and has often involved corruption. Maude and Sevele (1987) have argued persuasively that the process of securing a land lease from nobles by Tongan subjects is often expensive. It may involve the offering presents of food, valuable gifts, or money before one can get the approval of a noble for a land lease. Such informal arrangement has deterred some investors, as landowners demanded too much from investors during the term of informal lease arrangement (Ritterbush, 1986).

2.5.2.2 Excessive Government Regulation of Investment

A second main barrier to investment in Tonga is the process of securing licences by foreign investors. Not only is leasing of land and buildings difficult for investors but other policies also constrain investment. In a statement to the Senior Officials Meeting of the ESCAP 62nd Commission Session, Tonga's Ambassador to the United Nations acknowledged that although Tonga needs more investment in order to keep the economy afloat, excessive regulation and policies are clear impediments. She noted:

Tonga's current investment policy is characterised by excessive regulation and a lack of predictability in administration of policy. As such, private sector development and particularly large scale investment is discouraged instead of being promoted ('Utoikamanu, 2006:1).

Much has been said by Tonga bureaucrats and experts from donor agencies such as the ADB, World Bank and the IMF, that Tonga needs a vibrant private sector as a key to sustainable socio-economic development, but 'Utoikamanu's opinion exemplifies what are the perceptions of the barriers to investments, and so for sustainable development in the islands. One of these regulations is the long and complicated process of securing of business and development licences by foreign investors. There are many steps in meeting requirements in the complex process of applying for licences. Box 2.4 lists the requirements for application for business and development licences that each foreign applicant has to fulfil prior to issuance of appropriate licences. The difficulties are associated with the waiting time for approval of visas, as well as the process approval of construction by the Government Housing Code Committee, which normally takes a few months (MLCI, 2004).

Box 2.4: Requirement associated with application for a business or development licenses by foreign investor to do business in Tonga.

Source: Investment Promotion Unit, Ministry of Labour, Commerce and Industries, 2005

A discussion of the type of incentives available for new entrepreneurs in Tonga will be discussed in Chapter Four of this thesis when discussing government policies related to entrepreneurs development in Tonga.

Similar observations were made by Bosworth (2006), USDS (2005) and Chand (2004) in which they concluded that such complicated procedures contributed to the unfavourable investment environment in Tonga. The two administration policies of

securing land and buildings, as well as securing development and business licences, presented above serve to exemplify how the investment climate in Tonga needs to be revisited in terms of easing up investment policies and regulations. Any attempt to ease up such regulations and policies would not make sustainable development a perfect process, but it would facilitate entrepreneurship.

2.5.3 *Increasing Unemployment and Hardship*

In the context of PICs, evidence already exists to show that increasing population is related to rapid urbanisation, and increasing unemployment, increasing crime rates, alcoholism and, under age pregnancy as outcomes of growing poverty, Tonga included (Connell and Lea, 1995; Storey, 1998; Cocklin and Keen, 2000; Finau *et al*, 2000; Evans, *et al*, 2001; UNFPA, 2002; Connell and Lea, 2002; Chand, 2004; Storey, 2005; ADB, 2005; ‘Utoikamanu, 2005). The correlation between increasing urban population and unemployment also suggests that growing poverty is a direct effect of the inability of the economy to provide employment opportunities for its population. In this respect the Island Kingdom of Tonga is no exception to other developing countries, as more people are currently facing hardship, and regarded as being poor.

On a country report to the Workshop on National Sustainable Development Strategies in New York, Fusimalohi suggested that increasing unemployment is a major factor in growing poverty and hardship in Tonga (Fusimalohi, 2006). Similarly, Chand (2004) and ‘Utoikamanu (2006) also identified the growing unemployment in Tonga as a failure of the government coupled with the slow performance of the private sector to provide sufficient employment opportunities for those seeking employments. Youth and immigrants from outer islands are most notable, as most of them do not have a bush allotment (*‘api tukuhau*) for agricultural engagement. In 2003, the unemployment rate was estimated in 2003 to be at the high of 13 per cent (Statistics Department, 2003). A pre-census survey conducted by the Tonga Statistics Department revealed that seventy per cent of the unemployed people wandering in downtown were migrants from the outer islands who were residing in the urban areas of Sopo, Halaano, Hala’ovave, Popua, Halaleva, ‘Anana, Houmakelikao and Pa Tangata (Statistics Department, 2005). Figure 2.5 highlights the plight of emigrants residing at the urban site of Pa Tangata where the Tukutonga

landfill is located. Their economic activity comprised being the first trawl through disposed rubbish on a daily basis. The rubbish collected from the landfill includes expired foodstuff, especially canned food and hardware materials. Foodstuffs were used for family consumption and hardware materials were utilised to build shelters for residences.

Increasing unemployment in the Nuku'alofa township has contributed to putting more people in to hardship. Although poverty is frequently used to explain the situation of hardship in the world, it was suggested by Cocker that 'it is unlikely that the concept of poverty evident in Western and Asian societies may not exist in Tonga' (Cocker, 2002:4). Moreover, 'Utoikamanu (2005) also used the term 'hardship' to explain the states of poverty in Tonga, as a side effect of high urbanisation and the threat that it poses for sustainable socio-economic development in Tonga.

Like other developing countries, the sustainable development processes in Tonga have been challenged by a number of factors discussed in this section. The development of the environment is under enormous pressures. Similarly, socio-economic development is still hampered by the existence of barriers such as poor governance, unfavourable investment climate and increasing hardship of many Tongan people. In attempting to combat these challenges, the role of government is investigated and discussed in the next section.

Figure 2.5 – Immigrants residing beside the Tukumotonga landfill at Pa Tangata

2.6 The Role of Government in Sustainable Development

A survey of the literature revealed that the most challenging roles of the government in promoting sustainable development in Tonga are most important in terms of its commitment to development of the environment and combating hardship. The establishment of the separate Department of Environment in 2002 to oversee the environmental development and continuous financial commitment have indicated the commitment of the government to sustainable development (Cocker, 2002). At the same time the government has paid attention to combating the increasing hardship encountered by a reasonable proportion of its population.

In attempting to alleviate the problems of increasing unemployment and hardship created by urbanisation ongoing development projects have been conducted throughout the islands. Development projects have included electrification of all islands between 1998 and 2002, upgrading of schools to include Form 7 (Year 12) in 2004, upgrading of health services and establishment of youth offices in all islands. These projects were funded by foreign donors and monitored by the government (Fusimalohi, 2004; 'Utoikamanu, 2005; MLSNR, 2005; TNYC, 2005). Moreover, the Ministry of Labour, Commerce and

Industries, in association with the Tonga National Youth Congress, conducted entrepreneurship training to encourage youth of the islands to engage in self-employment activities (MLCI, 2005; TNYC, 2005). These projects were targeted at sustaining the livelihoods of island people, and at reducing internal migration, especially to Tongatapu. Consequently, youth groups in the islands of Vava'u, Ha'apai and 'Eua already run commercial projects, including local food restaurants, screen printing and art studio, handicraft shops and kava and vanilla farms (TNYC, 2005).

In this respect, many see good reasons for island people to remain in their respective islands, rather than choosing to accelerate unemployment and hardship in Tonga. For example, Halatuituia (2002) asserted that phenomena such as the land privilege of all Tongan males, widespread government high schools across the country, and reasonable health services are available in the islands. Nevertheless, there has been little indication that upgrading of those services for sustainable livelihood of outer island people appears to have reduced the rate of internal migration. As Fusimalohi (2004) and 'Utoikamanu (2005) suggested, the efforts in accelerating successful development in the islands and rural areas including better education and creation of employment opportunities has been earmarked to reduce urban migration. Yet, further studies may reveal why urbanisation continues to exist while there have been good reasons to remain in their respective islands.

2.7 Possible Contribution to the Literature

An extensive review of the literature shows that a number of pivotal issues in Tonga's attempts to achieve sustainable development are being researched by both Tongan and foreign researchers. However there are gaps. In particular, there are three issues identified to be lacking in the literature which can be investigated in this thesis. Firstly the notion of the important issue of governance in business and industries development in both family-run firms and public enterprises in Tonga has not been widely researched. Secondly is the issue of marketing as a barrier for entrepreneurship development in Tonga. Thirdly labour market issues and how a lack of 'decent work' challenges sustainable socio-economic development of Tongan workers needs to be investigated. This thesis tries to contribute to the literature by investigating these issues and how they challenge the socio-economic aspects of the sustainable development process. This can be done by providing real case

studies, which highlight the major challenges that hamper the effort Tonga and her people in promoting the sustainability of socio-economic development in areas of governance in the private sector and state-owned enterprises, as well as aspects of governance for the welfare of Tongan workers. The thesis will also attempt to contribute to the literature by making a twenty years review of the barriers to entrepreneurship that were revealed by a previous major research project to have impeded the development of entrepreneurs in the island. The literature has identified that the Tongan economy needs a vibrant private sector, hence there is demand for more entrepreneurs. Removal of barriers is thus of vital importance. However, private sector development unfettered by protective labour legislation and a commitment to 'decent work', may lead to economic growth, but not economic development.

The essence of identifying the gap in the literature underpinned the importance of finding of various researchers to the reality of what is happening in Tonga. Hence, there are three important questions that needed to be answered.

- Firstly, why has it taken so long for Tonga to overcome these challenges or what has held Tonga back from overcoming these challenges?
- Secondly, is it possible to counter those challenges and remedy them?
- Thirdly, what needs to be done to bring Tonga closer to sustaining her level of socio-economic development?

This thesis will try to answer these questions by investigating the reasons that have hampered the process of socio-economic development, as well as providing some policy measures to combat those challenges.

2.8 Limitation of the Thesis

The Kingdom of Tonga has other development barriers that challenging its effort to achieve sustainable socio-economic development, in which this study would not cover in detail. Some of these barriers are articulated by other studies. These include the lack of public finance to support development of entrepreneurs in terms of providing small grant. It appears that while indigenous entrepreneurs need financial support to assist the development of their businesses, the government does not have the fund for such purpose.

In addition, the lack of foreign direct investment (FDI) has also appeared to be contributing to the sluggish performance of the private sector. The government's development plans has always carried a plan for development of FDIs but there has been lack of success in development in the area. Other barriers such as excessive government regulations and taxes are also major barriers to that hampered the development of small businesses and the sustainable socio-economic development. Although these issues are of equally important in the process of sustainable socio-economic development in Tonga, they are not covered in this thesis. However, these barriers are areas that need further studies in order to highlight their roles in the process of sustainable socio-economic development in Tonga.

2.9 Chapter Summary

In this chapter, the extent of the notion of sustainable development in Tonga was investigated while the experiences of sustainable development in other Pacific Island Countries were also mentioned. In the context of sustainable development, the United Nations emphasised the importance of meeting the needs of the present generation without affecting the ability of future generations to meet their own needs. Hence, this was the explanation that is largely held by countries that are signatories of the United Nations as a general definition of sustainable development.

Based on the definition, however, the chapter focussed on investigating how the major building blocks of sustainable development, namely ecological, economic, and socio-political issues, are being handled. As has been suggested by many researchers in the literature, it is important that the issues underpinning development of the environment, the development of the economy and the social and civil betterment of the people should all be equally addressed. Others further argued that political and cultural issues are social pillars of sustainable development, as it was revealed that they can have positive or adverse effects on the process of socio-economic development in PICs including Tonga. It is in this way that was suggested in this chapter that development would be enriched and sustained.

However, the review of the literature suggested that what has been done in the name of sustainable development has been biased toward the ecological aspect only, which is manifested in the extent of development of the environment in Tonga. This is when the richer concept of sustainable socio-economic development emerged.

Hence, various challenges to sustainable development were discussed to highlight their impact from a Tongan context. Issues such as weak governance, increasing unemployment and hardship fuelled by urbanisation, brain drain, poor employment relations and strong cultural values were identified to be associated with the dynamic features of PICs and have challenges the sustainability of development in Tonga. Understanding these factors and their different impacts have so far assisted the government in developing appropriate and effective policies for Tonga's endeavour to manage these challenges. Foreign aid donors have also played pivotal roles in the pursuit of sustainable development in the country.

It was in this context that this thesis seeks to make two important contributions. First, the thesis seeks to contribute to social science literature the importance of scholarly addressing of aspects of sustainable socio-economic development in Tonga; and second, to increase understanding of challenges for sustainable socio-economic development in Tonga, so that policy ideas can be developed to enable sustainable socio-economic development. The objective is to benefit all Tongan citizens of the current generation and to reserve the benefits for the generations to come.

In this respect, the thesis will investigate the issue of governance at all levels of development in Tonga, as well as the broad elements of socio-economic system which can be turned to generate socio-economic development, and the need for a fair and appropriate labour legislation that would ensure sustainable employment in the labour market. The essence of investigating some of these core issues stems from the importance of understanding the various challenges of sustainable development in PICs, and Tonga in particular. Hence, this chapter has paved the way for the thesis to begin attempting to make a valuable contribution to the literature of sustainable socio-economic development in Tonga.

CHAPTER THREE

Research Methodology

Preamble

...descriptions vary with the conceptual or theoretical framework within which they are couched. To evaluate a description properly one must know something about the theoretical framework that brought it into being (Kaplan and Manners, 1972:22).

3.0 Introduction

Every study begins with the selection of a particular topic and a problem. In social science, problems help researchers to understand phenomena. They advance assumptions about the social world, how science should be conducted, and what constitutes legitimate problems, solutions, and criteria of proof (Urbanowicz, 1972; Gioia and Pitre, 1990; Hammersley and Atkinson, 1995). It is important, in this respect to select the most appropriate research method in order to attain the objectives of this thesis. However, Northrup suggested that identifying the problem to investigate is the deciding factor in selecting a method:

...for inquiry does not start with a method; it starts with a problem. Thus it is the problem which designates the method, not the method which designates the problem (Northrup, 1947:20).

It is in this context that selection of appropriate methodology relevant to investigation of challenges and responses to sustainable socio-economic development in Tonga is important.

It has been shown in the literature review that there have been insufficient specific studies of the challenges of sustainable socio-economic development in Tonga. A number of studies have investigated specific areas of the Tongan economy and have revealed some critical problems to development. However, more challenges are yet to be discovered. For instance, the literature contained studies on the importance of developing the private sector in Tonga, as a key factor for accelerating economic growth but the literature lacked the capacity to provide the reasons for its sluggish performance. Similarly, the literature has provided the correlation between sustainable socio-economic development and development issues such as governance and the labour market in PICs. However, the

literature has lacked the specific application of these issues into the Tongan context and how they may have affected the process of socio-economic development in the country.

In this respect, a number of key issues revealed by previous studies to be barriers to sustainable socio-economic development in Tonga are central to the investigation of this thesis. Drawing from the findings of previous studies, the issues of ‘governance’, ‘marketing’ and ‘labour market’ are of great importance for further investigation. These issues were raised recommended by Ritterbush (1986) for further study. This thesis is in part a product of Ritterbush’s recommendations. As such, my purpose is to investigate the various barriers that affected the development of: (1). Family-run businesses; (2). Public enterprises; and (3). Decent work in the Tongan labour market.

In doing so, the investigation of this thesis will endeavour to answer two important questions. First, how do ‘weak governance’, ‘insufficient markets’ and ‘lack of decent work’ impede the process of sustainable socio-economic development in Tonga; and second, why it has taken so long for appropriate authorities to realise the importance of removing these barriers in seeking to enable Tonga’s development at sustainable levels that would benefit the current generation as well as future generations.

This is not to undermine previous studies in specific socio-economic areas that already exist in the literature, but rather revisit what has been done to address issues raised by previous studies, and how they have progressed so far. It is in this context that selection of appropriate research methods to explore the factors that may have hampered sustainable socio-economic development is important. An apt research method will assist the effective investigation of problems and so enable this thesis to provide some policy insights in the quest for sustainable socio-economic development in Tonga.

Identifying the best research methods will enable the gathering of appropriate data in the field. Patton suggested:

...many researchers today advocate a paradigm of choices that seeks methodological appropriateness as the primary criterion for judging methodological quality. This will allow for situational responsiveness that strict adherence to one paradigm or another will not (Patton, 1990:42).

In this respect, an overview of the methodology literature will assist in identifying the most appropriate research methods to be used in investigation of issues pertaining to sustainable socio-economic development of Tonga.

3.1 Overview of Methodology Literature

There have been many studies on different aspects of countries in the South Pacific region by both indigenous and foreign researchers. It is notable that foreign researchers have done more work on the Pacific Island Countries (PICs) than indigenous researchers. In this respect, the purpose of this section is to review the literature on methodologies being used by other researchers in the affairs of the PICs, and Tonga in particular. Given that this study seeks to contribute to the literature on sustainable socio-economic development, this review will identify research methods being used by previous researchers for ease of selection of appropriate methods to be used.

Many researchers in the areas of socio-economic development in PICs preferred to live in the place of study for a period of time sufficient for their respective study purposes. Some of the studies in the humanities conducted in the PICs and Tonga in particular have adopted qualitative research approaches in conducting their fieldworks. Researchers such as Urbanowicz (1972), Ritterbush (1986), van der Grijp (1997), James (200 & 2003), among many others have spent some time in Tonga and other PICs to conduct fieldwork.

Other researchers including Kami (1995), used a quantitative approach to measure the trends of investment in PICs, while Halatuituia (2002) and Pelesikoti (2003) adopted a combination of quantitative and qualitative approaches to collect fieldwork data in their respective field of studies. Nonetheless, most research in socio-economic discipline favoured qualitative approaches to investigate the characteristics of socio-economic development in PICs. Overviews of quantitative and qualitative research methods are presented to demonstrate why many researchers in PICs frequently favour qualitative research over quantitative methods. Certainly, qualitative research methods fit in well with some kinds of research problems, while quantitative research method fits in with other kinds of research questions.

3.1.1 Quantitative Research Methods

A quantitative research method is suggested to be largely based on statements such as ‘anything that exists in a certain quantity and can be measured’. It is associated with positivism and is designed to collect data in a form suitable for statistical analysis. Liebscher noted: “...a quantitative research methodology is appropriate where quantifiable

measures of variables of interest are possible, where hypotheses can be formulated and tested, and inferences drawn from samples to populations” (Liebscher, 1998:674). Similarly, Hines argues that quantitative research followed positivism whereby “...it begins with aims usually in the form of a hypothesis to be proven or disproven” (2000:8). This shows that a quantitative method is based primarily on positivist thought and that a hypothesis is a foremost requirement before quantitative research can begin.

In addition, implicit in quantitative research is a requirement for an objective observer who neither participates in, nor influences what is being studied (Carr, 1994). The investigator or researcher is also the data gathering instrument, hold a mandate of collecting data and providing a result by comparing pre-test and post-test data (Smith, 1988; Burns and Grove, 1987). The essence of a quantitative research approach rests on the assumption that there is an objective truth existing in the world that can be measured and explained scientifically. Hence, its main concerns are to advance the measurement of reliability and validity of data (Cassell and Symon, 1994; Duffy, 1986).

Hence, the advantage of a quantitative approach is that it is possible to measure the reactions of many people to a limited set of questions thus facilitating comparison and statistical aggregation of data. It states the research problem in very specific and set terms, and it has the capability to clearly and precisely specify both the independent and dependent variables under investigation (Frankfort-Nachmias and Nachmias, 1992). In addition, quantitative approaches also follow firmly in the original set of research goals, arriving at more objective conclusions, testing hypotheses and determining the issues of causality. The researcher is also able to achieve high levels of reliability of gathered data due to controlled observations, mass surveys and other form of research manipulations that would eliminate and minimise subjectivity of judgement (Balsley, 1970; Kealey and Protheroe, 1996).

Despite the advantage of using quantitative approaches, there are also weaknesses that could found in such approaches. There are four main weaknesses of quantitative approach that worth presenting. First, the approach may fail to provide the researcher with information on the context of the situation where the studied phenomenon occurs. Second, the researcher is unable to control the environment where the respondents provide the answers to the questions in the survey. Third, the outcome of the research is limited to those

already outlined in the original research proposal due to closed type questions and the structured format. Fourth, the quantitative approach does not encourage the evolving and continuous investigation of research phenomenon (Weinreich, 1996; Duffy, 1985).

3.1.2 Qualitative Research Method

As one of the two major approaches to research methodology in social sciences, qualitative research approaches aim to describe certain aspects of phenomenon and to explain the subject of study (Cormack, 1991). Qualitative research involves an indepth understanding of human behaviour and the reasons that govern human behaviour. It also relies on reasons behind various aspects of behaviour. In the social sciences, qualitative research is a broad term that describes research that focuses on how individual groups view and understand the world and construct meaning out of their experiences (Mason, 2002; Cormack, 1991; Morgan, 1980; Fryer, 1991).

Unlike quantitative methods, qualitative research methods place little importance on developing statistically valid samples, or on searching for statistical support for hypotheses. This approach in general is more likely to take place in a natural setting (Denzin, 1971; Lincoln and Guba, 1985; Marshall and Rossman, 1989). Ting-Toomey (1984) named three main characteristics of a qualitative research method. First, qualitative research is the study of symbolic discourse that consists of the study of texts and conversations. Second, qualitative research is the study of the interpretive principles that people use to make sense of their symbolic activities. Third, qualitative research is the study of contextual principles, such as the roles of the participants, the physical setting, and a set of situational events that guide the interpretation of discourse (Ting-Toomey, 1984).

A qualitative approach has a number of advantages. Duffy (1986) suggested that qualitative approach allows the researcher to obtain firsthand experience providing valuable meaningful data. This is because the more time the researcher spent with the informant, the data obtained are more likely to be honest and valid (Bryman, 1988). Qualitative methods allow the obtaining of a more realistic feel of the world that cannot be experienced in the numerical data and statistical analysis used in quantitative research. It also allows flexible ways to perform data collection, subsequent analysis, and interpretation of collected information. In this context, qualitative approaches enable researchers to take a holistic

view of the phenomena under investigation and to interact with the research subjects in their own language and terms. It also allows a descriptive capability based on primary and unstructured data (Bogdan and Taylor, 1975; Patton, 1980; Kirk and Miller, 1986).

The qualitative research method has its own weaknesses. Cassell and Symon (1994) suggested that qualitative research allows researcher to depart from the original objectives of the research in response to the changing nature of the context research. The weakness of the qualitative research method is also seen in the inability of researcher to investigate causality between different research phenomena. In addition, researchers have the tendency of arriving at different conclusions based on the same information depending on the personal characteristics of the researcher. It is this way that non-consistent conclusions are achieved because the researcher may face difficulty in explaining the differences in the quality and quantity of information obtained from various respondents. Qualitative research approaches may show bias evidence by lack of consistency and reliability because the researcher can employ different probing techniques and the respondent can choose to tell some particular stories and ignore others. Two forms of qualitative research methods adopted in my fieldwork are discussed in the next section. First is the case research approach, and the second is ethnography.

Case Study Research Approach

One form of qualitative approach frequently used by researchers is the ‘case study’ research method. A case study is defined “...as a thorough and planned investigation of a ‘real world’ phenomenon, which takes account of the contextual influences, and which draws on theoretical underpinnings in order to investigate systematically” (Kelly, 1999: 119). As a research strategy, a case study allows the researcher to investigate a contemporary phenomenon within its real-life context, and to understand complex social phenomena. Yin asserted:

...the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events-such as individual life cycles, organisational and managerial processes, neighbourhood change, international relations, and the maturation of industries (Yin, 1996:3)

In this respect, a richness of information can be collected from immediate actors or people who are directly affected by the investigated problem (Yin, 1994; Stake, 1995; Creswell, 1998).

Hence, the advantage of a case study is seen as being useful in organising a wide range of information about a specific case, and in analysing the contents by seeking patterns and themes in the collected data. The investigator is immersed in the life of organisation or community under study, and is provided with the opportunity to view official documents, hold formal and informal conversations, observe ongoing activities and develop an analysis of both individual and cross-case findings. It is in this way that a case study research method provides a richness of information. Creswell further suggested that the case study approach will provide a detailed account of specific phenomena and “...involves situating the case within its setting, which may be a physical setting or the social, historical, and/or economic setting for the case” (Creswell, 1998).

Ethnography Research Approach

A method of qualitative research largely used in social science is the ethnography research method. Ethnography is a form of research that involves close field observation of socio-cultural phenomena. This means that conducting ethnographic research allows the researcher to place the phenomena studied in their social and cultural context. The method also allows the researcher to engage in the lives of the people or particular group identified for the study. Ethnographic research is a qualitative method that is associated with anthropology (Kaplan and Manners, 1972; Urbanowicz, 1972).

Therefore, *ethnographies* are analytic descriptions or reconstructions of intact cultural settings during a prolonged period of time by collecting, primarily, through interviews and participation observation. The research process allows interviews of informants so that interview can explore all areas of investigation. Ethnographic research allows the researcher to interview informants multiple times, using information from previous informants to elicit clarification and deeper responses upon re-interview. The process of ethnographic research is aimed to reveal common cultural understandings related to the phenomena under study (van Maanen, 1996; Creswell, 1998; Fetterman, 1998; Harris and Johnson, 2000; Mason, 2002).

Hence, the ethnographic approach will provide some understanding of the language, concepts, categories, rules, beliefs and so forth, used by members of the research settings (Van Maanen, 1996; Fetterman, 1998; Creswell, 1998; Harris and Johnson, 2000).

3.2 Selection of Methods

In identifying a most appropriate type of approach to be used in this study, the perspective of the problem to research was taken into consideration. This means that the many factors that challenge the process of socio-economic development has to be revealed by having the researcher to live in the scene and to be closer to participants for effective exploration of the problem. In this respect, a multimethod approach, which is a combination of quantitative or qualitative approaches, has potential for dealing with the complexity of the issues. A purely empirical approach was out of contention because of the lack of available data in Tonga for thoroughgoing statistical empirical analysis. A multimethod approach appears to be a useful tool for researching a broad topic in the attempt to find a solution to solve the problem (Tashakkori and Teddlie, 1998).

Buchanan (1999:151) has suggested, the multimethod approach has three major benefits for research. Firstly, a multi-method approach allows the corroboration of information or validating findings. This means that a multimethod approach provides richness of information for easy analysis and validation. As Denzin (1989:236) noted, that multi-method ‘...is necessary to redress the inherent deficiencies that flow from (relying on) one investigator or one research method’. Brewer and Hunter (1989:81-2) added that multimethod ‘...works to reduce mono-method bias’.

Secondly, multimethod research allows the obtaining of appropriate information. Buchanan (1999) suggested that a multimethod approach enables researchers to obtain adequate information for easy understanding of the complexity of the research social setting. Further, relying on a multimethod approach will allow researchers to gain a variety of information that would provide wide insights on different perspective of the research area. As Buchanan put it: ‘...the problem can only be mitigated by researchers using a number of data-generating methods on the one project’ (Buchanan, 1999:155).

Thirdly, multimethod research can strengthen the quality of data being collected during the research period. The assumption of this third benefit of multimethod holds that each ‘method’ contributes to the research setting and integrates information, so that combining research approaches will generate high quality and reliable information. Thus the merit of multimethod research is that it provides good quality and reliable information that will ease the process of analysing data to deploy as a result of the research.

Hence, a qualitative multimethod research approach is favoured for study of sustainable socio-economic development in the Tongan economy because it produces richness of detail and depth of understanding often lacking in other forms of social research. In addition, multimethod research has the substance and merits of building on my own cultural heritage. Data collection in the various case studies of Si'i-Kae-Ola enterprise, Royal Tongan Airlines and the Civil Servants' Industrial Action, which are selected as major cases in this thesis all benefit from a qualitative multimethod approach being undertaken by a co-participant in the same cultural community.

3.3 Research Process

One of the most challenging parts of the research process was the establishment of relationship between the researcher and the authorities in the various levels of the society and government. Approaching bureaucrats was very challenging, despite the fact that the researcher was one of them. This does not mean that all bureaucrats needed for this research were daunting. Only a few of senior officers in government were reluctant to be involved but rather authorised lower assistance to provide information required in my research. The refusal of some bureaucrats to get involved in the first place was perhaps understandable. Given the current and continuing political mayhem in the country, many bureaucrats were reluctant to be involved straight away but rather requested further clarification from the researcher before their respective decisions were made. This was especially the case with those bureaucrats who did not know much about the researcher, and had not established previous working relationships. However, informal talks in *kava* sessions, men's club and on the golf course were very helpful in making connection, which in turn made communication much easier and more frequent. This was manifested in the follow up fieldwork in late 2005 and early 2006.

Private sector employees were easier approachable than bureaucrats in government ministries and departments. In part this was so because the researcher had already established good relationships with senior officials of the respective firms that had been selected for fieldwork. In addition, most private sector employees selected for the fieldwork were known to the researcher and could be convinced to participate during the course of the research. One of the strengths of the fieldwork process was the cooperation by the

managing director/owner of the SKO enterprises in allowing his employees to be interviewed by the researcher during working hours in allocated offices in their respective business operations (supermarket, wholesale warehouse, car yards and mechanical workshop). Prior to this arrangement, the researcher met the managing director/owner of SKO and his two sons, and discussed the purpose of the research. As a consequence of those discussions they offered full cooperation.

By contrast, the status of the operation of the RTA at the time of fieldwork meant it was difficult to invite the management team to participate in the fieldwork. It should be noted that the RTA had been government owned company and the management setting was exactly the same as the bureaucratic setting in the public service. The Board of Directors consisted of two ministers and senior government officials. In order to get the fieldwork process rolling, employees of the RTA were contacted on a one-on-one basis. Hence, most contact with RTA employees was done outside official hours in private homes and other public places such as church halls and community centres. Despite the hassle encountered during the fieldwork into the operation of the RTA, some senior officers of the RTA were very open in discussion and provided very crucial information for this thesis. Such cooperation made the process of the fieldwork much easier when it was necessary to conduct a second and third round of fieldwork to the company, especially given that the company collapsed in the middle of the fieldwork. It was in this stage of the fieldwork that some of the questions in the questionnaires were modified so as to investigate thoroughly the recent failure of the RTA.

Nevertheless, discussing of the purpose of the study more thoroughly in the follow up fieldwork clarified the position of the researcher and made the fieldwork more interesting to participants. This is manifested in the involvement of new informants in the follow up fieldwork, especially former employees of RTA as well as employees of firms within the Small Industries Centre who had been reluctant to participate in the first round of the fieldwork. The successful completion and the richness of information in the follow up fieldwork was due mainly to the willingness of participants to contribute independent views.

3.3.1 Permission to Conduct Research in Tonga

The Government of Tonga has a policy that all researchers in Tonga must seek the approval of the Cabinet prior to commencement of the fieldwork. To fulfil this requirement, the researcher filed an application with the Prime Minister's Office attaching all appropriate documents required by government. The application was submitted in 8th July 2003 and was approved by Cabinet on its meeting on 22nd August 2003 respectively. The Cabinet also approved the waiver of the monetary deposit of \$1,000 that was to be held in goodwill in the Prime Minister's Office until the research is completed and to be forfeited if the researcher breached any of the governments' confidentiality policies. The letter of approval from government was photocopied and was an important tool for ease of communication with bureaucrats, government and quasi-government offices. The approval document also assisted in verifying the status of the researcher to other participants in the study. This was particular useful in the private sector in demonstrating that the research is genuine and worth doing. Such processes assisted the fieldwork, especially in the follow up at the second half of 2005 and early 2006.

3.3.2 Validity of Information

In the process of the fieldwork, the validity of information provided by informants was always a concern. Some participants committed to assist the fieldwork others may only take the questions lightly and may not provide valid answers. While the validity of information was of concern to the author, Gabriel states that '... the validity issue in qualitative research cannot be considered to be solved – just because of the huge amount of literature on the matter...there is no such easy answer to questions about validity' (Gabriel, 1990:512). However, Stenbacka suggests one way of getting valid information by stating that "the interaction between researcher and respondent leads to circumstances that improves the possibility of getting good data" (Stenbacka, 2001:552). This is important as it encouraged the researcher to interact with all informants as much as possible so as to convince them of the need for provision of valid information. This was relevant particularly with the RTA employees, especially when the company collapsed.

Consequently, frequent interactions between the researcher and majority of the participants made the research easier, and also offered wide opportunities for informants to freely express their opinions about organisation. As suggested by Stenbacka (2001:552)

“...the understanding of the phenomena is valid if the informant is part of the problem area and he/she is given the opportunity to speak freely according to his/her own knowledge structures. Validity is therefore achieved when using the method of non-forcing interviews with strategically well-chosen informants”. It was in this context that the author was able to secure reasonable amount of valid data for this thesis.

3.3.3 Reliability of Informants

Another concern on the ethic of the research process is the reliability of informants selected for this fieldwork. In fact, it is a hard and challenging role to identify reliable informants and vice versa. Given that some of the informants for this fieldwork were close relations or have some sort of connection with the owners of the firm to be studied or the management of these firms, it was always a concern for the researcher. For example, the view and opinions of some employees and shareholders of the SKO seemed biased at times, especially when the managing director was present at the discussion.

Nevertheless, the ability of the researcher to interact closely with key informants changed the attitude of the author toward the informants. Although reliability as an attribute of informants cannot be physically seen, Eneroth (1984) suggested that informants' reliability could be easily changed by the researcher's ability to use the circumstances which makes it possible to use the interaction with the method to its fullest. This means that the author was able to gain the reliability of informants by having to frequently interact with them in both formal and informal ways. It is this context that made the author to heavily rely on the reliability of selected informants. Given the prolonged duration of the fieldwork, it was easy to identify unreliable informants and data collected from these people were treated caution.

3.4 Data Collection

This research focuses in identifying the barriers which may have retarded the progress of the socio-economic development in Tonga. It also seeks to understand the extent of responses by government and the private sector in addressing those challenges. In this respect a series of socio-economic, cultural, political and religious issues and indicators

relevant to the process of sustainable development were viewed and examined during the course of the fieldwork.

One central factor in data collection is employing research approaches that would describe and explain what had occurred in the field. Hammersley and Atkinson (1995) emphasise the importance of a reflexive approach when conducting ethnographic research, as it will allow researcher to be part of the fieldwork. In this respect, the local knowledge of the researcher is vital for data collection. All data collected during the fieldwork were stored in two separate memory sticks. Data collected during the follow up fieldwork were also stored to compliment and supplement data from previous fieldwork.

3.4.1 *Mode of Approaches*

The process of approaching informants was crucial for the process of this fieldwork. The importance of approaching informants was triggered by the fact that informants have be carefully approached given the sensitivity of the issues to be researched and their relationship with their respective workplaces. Hence, the most appropriate mode of approach employed during the course of this fieldwork was through formal letters to appropriate authorities required to be included in this fieldwork. In fact, in the course of the fieldwork, personal interviews, survey questionnaires and interviews were the main forms of approaches used.

With regard to the government ministries and departments, the approach was to go on the formal bureaucracy procedure of seeking the approval of the head of departments. The same procedure was employed when approaching bank managers and senior officials as well as officials, of non-government organizations. Formal letters were written and personally delivered to the different offices of participants. All government heads of departments and managers were approached by a letter of invitation to participate in the fieldwork, at the initial approach. However, a number of heads of departments and managers were reluctant to respond in a timely manner. Their reasons for not responding were understandable and respected by the researcher. At other times most participants were very kind and only required a telephone call to arrange for further interview or discussion on the research issue. Overall, it was found that these modes of approaching respondents to be very effective for the successful completion of all phases of the fieldwork processes.

3.4.2 Interview Processes

The interview process was the very important in generating information from informants during the duration of the fieldwork. As shown in Table 3.1 the majority of informants were available for interview on one-on-one basis, which is the main source of data collection for the fieldwork. The interview questionnaires were derived to focus on having the interviewees to identify the various factors that they believe to be the main barriers challenging the sustainability of socio-economic development. The interviewees were selected according to their respective roles in the various socio-economic activities in Tonga. For instance, government officials were mainly selected from government ministries and departments whose services are directly related to socio-economic development. Similarly, the participants selected from the private sector were mainly employees of selected firms that were selected as case studies for this thesis as well as other participants associated with them.

The essence of the interview process is the flexibility of the researcher and participants to openly discuss the issues relevant to their respective roles in sustainable socio-economic development. By the same token, the flexibility of the interview process allows the researcher to ask more questions other than those listed in the original questionnaires. Urbanowicz acknowledged the importance of the semi-structured interview process in ethnographic research by suggesting that the ethnographer "...can always generate data on questions which interest him" (Urbanowicz, 1972:27). All interviews were audio recorded at the approval of the interviewees and later transferred to memory sticks.

3.4.3 Analysing of Official Documents

All official documents selected there were important for the purpose of the fieldwork were viewed at the consent of the respective heads of government ministries, departments and private sectors included in the fieldwork. Most of the information needed from the government were contained in quarterly and annual reports, and were available for purpose from the government printing office. Other documents such as the report on to the demise of the Royal Tongan Airlines by the Royal Commission of Inquiry and parliamentary minutes of meetings were made available to be sighted at their respective offices. By contrast, not all the documents needed from private sector organisations were available for independent viewing by the researcher. However, the researcher was allowed to view some

documents such as annual and financial reports in the presence of one of their employees. The reluctance of some participants to have the researcher view official document independently was understandable and respected by the researcher. However, every effort was made to gain as much information as possible from every available document viewed.

3.4.4 Field Observations

The process of field observation was also crucial in the entire duration of the fieldwork. Field observation contributed a lot to the understanding of what are really occurred in the field of study and were helpful in ensuring the reliability of informants and validity of information provided. Hammersley and Atkinson (1995) suggested that field observation requires special skills that would avoid potential deception of participants. This is particularly important in studying the SKO and RTA, as some employees may have been biased and hesitant to provide independent views at the presence of the managing director or one of the managers. This is when one-on-one interview were important. In addition, field observation was of particular importance when observing the services provided by various sectors in the public and private businesses dealing with socio-economic development. All participants were made aware of the purpose of field observation and were praised for their time and accessibility to the study.

3.4.5 Questionnaires

It was important for the researcher to understand the socio-economic background of participants as well as their levels of literacy, which were crucial in deriving the questionnaires. The questions were bilingual (English and Tongan languages) for ease of understanding and convenience of participants. Asking simple questions during the interview process were crucial for the responses from participants. The venues for interviews were also important factor in the fieldwork. This is because participants were able to provide useful information when they were comfortable with the venue of interviews. Unless where two or more participants were willing to interview as a group, majority of the interviews were conducted on a one-one-one basis. Such process allows the researcher to be more flexible in asking questions and the participant to provide direct and informative responses.

3.5 Sampling Details

Like any other research fieldwork, the author did not expect to receive a hundred per cent responds from those people who were covered during the course of the fieldwork. As such, the author did not have much of a choice to force every one who was identified for this fieldwork to complete the questionnaire or to have time for interviews. A total of 153 questionnaires were sent out to selected participants and 134 participants (87.6%) responded to the questionnaires either in writing or through interviews. The other 19 participants (12.4%) did not respond at all, despite follow-up by the researcher. Table 3.1 present a detail account of the respondents who were identified and used as a sample during the course of this fieldwork.

Table 3.1 Details Sample of Data Collection

Description of Participants	Total Number of Correspondences Sent Out	Actual Number and Percentage of Written Responds Received	Actual Number and Percentage of Interview Took Place
Bureaucrats	32	6 - 18.8%	12 - 37.5%
Bank Officials	4	1 - 25%	2 - 50%
NGO Officials	12	1 - 8.3%	10 - 83.3%
Members of Parliament	8	5 - 62.5%	2 - 25%
Royal Tongan Airlines Former Employees	25	5 - 20%	18 - 72%
Royal Tonga Airlines Former Suppliers	4	-	4 - 100%
Royal Tongan Airlines Former Employees	2	-	2 - 100%
Royal Tongan Airlines Customers	10	-	5 - 50%
Si'i-Kae-Ola Employees	10	-	10 - 100%
Si'i-Kae-Ola Major Suppliers	3	-	3 - 100%
Si'i-Kae-Ola Long-term Customers	5	-	5 - 100%
Si'i-Kae-Ola Competitors	4	-	4 - 100%
Other Private Sector Employees	20	4 - 20%	15 - 75%
Private Sector Former and Current Entrepreneurs	20	3 - 15%	17 - 85%
Commercial farmers in Auckland and Sydney	4	-	4 - 100%

Source: Fisi'iahi Fieldwork, 2004, 2005, 2006.

3.6 Fieldwork Problems

As was shown above, much of the extensive data for this project was obtained from the surveys, interviews and focus groups as well as local organizations. However, the unavailability of sufficient statistical data from government offices was a major organisations constraint encountered during the course of the research. Participants in the Government and semi-government organisations were unable to provide exact information in some areas because of adherence to their policy on confidentiality of public documents. Despite the approval granted to the author by government to conduct research in Tonga, such approval does not force an organization to provide the researcher with the needed information for specific cases appropriate for the thesis. For example, there was a lack of formal information on the government's role on the Royal Tongan Airline because government officers handling the matter could not provide the information without the approval of the boards of the directors.

Further, the collapse of the Royal Tongan Airlines in the middle of the fieldwork was a major problem encountered by the author. About ninety per cent of the employees were laid off immediately at a short notice, when the owner, Royal Brunei Airline, ordered the repossession and grounding of the aircraft at the Auckland International Airport, New Zealand. The rest of RTA staff members were laid off within two weeks and all offices were closed. The researcher faced the problem of having to chase up the employees and trace their personal contacts for the continuation of the fieldwork. In the second round follow up of fieldwork during the second half of 2005 and early 2006, some of the RTA former employees were employed in other airlines. However, the majority of former employees were employed by a domestic airline belong to the Crown Prince's and a local business partner, known as the *Peau 'o Vava'u* airline. Given the increasing political tension in the country, which involved the Crown Prince's business interest, it was very hard for the researcher to seek approval from the manager to interview some of their staff during official hours. This was exacerbated by the role of the researcher in the recent Civil Servants Strike in Tonga, and not surprisingly the manager did not approve interviewing staff members in the office.

Moreover, a lack of available data from remote and rural areas also confined the reach of the research to fully identify the extent of socio-economic development in these

areas. For example, lack of appropriate statistical information on the operation of the RTA in outer islands, as well as other government offices made analysis harder. Participants were unable to provide exact information other than general estimates, which led the research process to rely with due caution on data available from independent reports. This significant dearth of information was found to be a major problem in researching socio-economic attributes in Tonga, to the extent that it may have distorted the accuracy of information collected for this thesis, and other researchers in the same field. Despite the problem, however, the researcher managed to assess the extent of challenges and responses to sustainable socio-economic development in Tonga from available information provided by participants and personal experiences with a fair degree of rigour.

3.7 Chapter Summary

The main purpose of this chapter was to identify the most appropriate research method to be adopted in the attempt to search for the barriers that challenges the process of sustainable socio-economic development in Tonga. The importance of adopting the most appropriate research method was based on reviewing the literature that revealed vital barriers to sustainable socio-economic development that need further investigation. These barriers include the issues of governance in all aspects (multiple-scales) of the development spheres in Tonga as well as the absence of appropriate labour legislation that would deal with the employment aspects of the socio-economic development.

In so doing, a review of the research methodology literature was conducted to identify types of methods frequently used by previous researchers in socio-economic development areas in the PICs and Tonga in particular. It was revealed that the most notable researchers in development issues largely used different forms of the qualitative research methods for their research purposes. A number of researchers have adopted quantitative approaches while a few adopted a combination of the two approaches for data collection. On balance however the adoption of mixed qualitative methods was revealed to be more favourable.

The chapter presented the qualitative research methodology selected for this thesis, after a quantitative approach was analysed. In addition, qualitative research approaches were discussed in order to identify the most appropriate forms to be used in this thesis.

Given the nature of research setting and the broad ranging research problem, a qualitative multimethod research approach was favoured.

The qualitative research approaches of case study and ethnography research were found to be useful in conducting the fieldwork for this thesis. These research approaches were favoured because they combine very effective qualitative approaches and also allowed the researcher to draw on extensive and links with office-holders, business people and local communities. Moreover the data collected is sufficiently broad-ranging to provide the basis for longer term policy-making.

The research processes adopted to guide the fieldwork were also an important part of the chapter. The research ethic includes the fulfilment of the requirement of securing appropriate permission by government to conduct the fieldwork in Tonga. The ethic also allows the researcher to ensure the validity and reliability of information collected during the fieldwork. The mode of approaches of participants were also presented, in which hand deliveries of questionnaires and direct personal contacts (formal and informal) by the researcher and participants were found to be most effective mode of conducting this fieldwork. The various research techniques employed for data collection were also discussed to be crucial parts of the entire fieldwork.

Despite the completion of the fieldwork, it was not a problem free process. The researcher encountered some problems during the fieldwork main caused by the demise of the RTA in 2004, which was central to investigation in this fieldwork. The reluctance of some important participants were also problematic in the process of the fieldwork. Nevertheless, the follow up fieldwork at the second half of 2005 and early 2006 were much easier as the researcher established closer contacts with some of his important participants. Consequently, the fieldwork was a success.

Chapter Four

Barriers to Entrepreneurship in Tonga: A Twenty Years Re-Evaluation (1986 – 2006)

Preamble

Above all, indigenous in nations such as Tonga, where the disbursement of business profits among many individuals is commonplace, means that the well-being of the people still rests with people, not with the government or foreign nations (Ritterbush, 1988:160).

4.0 Introduction

Many studies of countries in the South Pacific region have focussed on the development of the private sector as a vehicle for accelerating socio-economic growth. Individual researchers such as Fairbairn (2006), Kami (1995), McGregor *et al* (1992), Fairbairn (1988), and Ritterbush (1988 & 1986) among others have conducted intensive research into the importance of promoting the private sector through increasing investment and development of entrepreneurship. International organisations and foreign donors have also shown increasing interest in developing the economies of Pacific Island Countries (PICs) through private sector and entrepreneurship development. These organisations include the Asian Development Bank (ADB), World Bank, International Labour Organisation (ILO), and the United Nations Development Program (UNDP) among others. Their interest in the development of the private sector and entrepreneurship in the PICs is seen through financial commitment to enable the provision of specific training, workshops, and advisory services to promote the development of entrepreneurs. Tonga is a major recipient of foreign donors' assistance.

In a similar vein the Government of Tonga Strategic Development Plans 7 and 8 (SDP7, 2001 – 2003 and SDP8, 2006 – 2008) have also emphasised the importance of private sector development to the socio-economic development of Tonga. The SDP8 (2006-2008) has a strong commitment to the development of the private sector through promoting entrepreneurship. The commitment of the government to the private sector and development of entrepreneurs in Tonga is fuelled by the fact that these are the major source of domestic production as well as sources of employment creation. The last census figures revealed that about 75 per cent of those in paid employment in Tonga are either

employed in the private sector or are self-employed (Tonga Statistics Department, 2003). It is in this context that almost every government document emphasises the importance of the private sector, and its role in leading the economic growth in the country.

Despite what has been said and revealed by many studies into the development of the private sector through the promotion of entrepreneurship at different levels in Tonga, there has been slow progress so far. It was revealed in Chapter Two of this thesis that one of the main problems encountered by foreign entrepreneurs is the existence of an unfavourable investment climate in the country. It was also revealed that some Tongan entrepreneurs have been affected by unfavourable land arrangements with landlords. This occurred at a time when the problem of land scarcity has become a critical issue encountered by local entrepreneurs in Tonga. Taking into account the importance of the private sector in promoting socio-economic development in Tonga, critical barriers that appear largely responsible for the sluggish performances of entrepreneurs are worth investigating. By the same token, the sluggish performance of existing entrepreneurs could be a discouraging factor to new entrepreneurs who might otherwise enter the private sector.

A previous study investigating the factors that obstructed entrepreneurship in Tonga was conducted by Deacon Ritterbush and published in 1986. In her study she identified key problems that largely hampered entrepreneurial performances in five major business sectors in the country. Using the findings by Ritterbush (1986) and the various factors identified as the barriers for the development of entrepreneurs in Tonga as a benchmark, this chapter attempts to make a twenty year re-evaluation of those factors. As such, the objective of this chapter is four-fold. First, the chapter will identify barriers to entrepreneurship found by Ritterbush two decades ago. Second, the chapter will attempt to identify which barriers have continued and why have survived this long. Third, the chapter will identify new barriers have emerged between the study periods; and fourthly, the chapter will examine the various government and non-government initiatives, and the roles of international organisations in their endeavours to overcome barriers to entrepreneurship.

It is my expectation that re-evaluating of barriers to entrepreneurship would enable this thesis to delineate the most pressing barriers. These can then be explored further in case studies in consequent chapters. Presenting barriers to entrepreneurship can demonstrate how their prolonged existence adversely affects the performance of the respective

businesses and the achievement of sustainable socio-economic development in the country. It is anticipated that the outcome of this twenty year evaluation will demonstrate the importance of entrepreneurship to sustainable socio-economic development in Tonga.

The discussion presented in this chapter is based on (a). Ritterbush's finding and the data she collected from 185 participants during her fieldwork, and (b). data collected during two fieldwork surveys that I conducted, which include personal interviews with 20 entrepreneurs, 10 government officials and 5 bank officials associated with entrepreneurial development in Tonga. It should be noted that the differences in number of participants were mainly due to limiting of the scope of my fieldwork and did not cover all business sectors covered by Ritterbush. Despite the differences in the data collection, the findings are telling and achieved the objective of the fieldwork.

4.1 Chapter Organisation

This chapter is divided into a number of sections which are presented in the following order. *Section 4.2* will present a summary of the findings of the earlier study by Ritterbush (1986) into the development of entrepreneurship and business ventures in Tonga which was conducted in early 1980s and published in 1986. Given that a core goal of the chapter is to make a twenty year re-evaluation of barriers to entrepreneurship development in Tonga, the presentation of previous findings will allow a logical comparative evaluation. Apparently, Ritterbush's mandate was to identify the various factors that hampered the development of entrepreneurship in Tonga at that time, and presentation of her findings will assist this thesis in evaluating the extent to which those factors still exist. This section will also present the various policies that were recommended by Ritterbush in her quest to overcome the barriers that she found in her study to have affected entrepreneurship development in Tonga. *Section 4.3* serves to make a twenty year comparative review of Ritterbush's findings in order to identify whether some of the barriers she identified have been eliminated. The section will also identify some of the barriers that have remained intact over this two decade period and to discuss why they have survived that long. The section will also investigate and discuss whether new barriers to entrepreneurship development in Tonga have become apparent.

In *Section 4.4* will contain a discussion of a new trend of entrepreneurship that emerged shortly after the Ritterbush study. This came from an influx of the Chinese-Tongan entrepreneurs under the Government of Tonga Cash-for-Passports Scheme. This is suggested to be crucial, as it will allow the discussion of how the emergence of these new entrepreneurs assisted the economy, and yet also how they may have added pressures to the development of *indigenous* entrepreneurs.

Another new phenomenon worth investigating is the involvement of bureaucrats, parliamentarians and members of the ruling family in business activities, and how this constitutes a new barrier. Investigating this new barrier will demonstrate the likely problem associated with involvement of ‘law makers’ in business. *Section 4.5* will identify and evaluate the various initiatives for promoting the development of entrepreneurship in Tonga. Such initiatives will include the role of bureaucracy, the role of non-government organisations, and assistance from international donor agencies that target the development of local entrepreneurs and the improvement of private sector performances. *Section 4.6* will also consider the likely negative effect of sluggish growth of entrepreneurship development and the processes of sustainable socio-economic development in Tonga. *Section 4.7* will present a summary of the findings of the chapter and highlight key barriers central to this thesis, which are to be further investigated in subsequent chapters.

4.2 Overview of Barriers Revealed by Ritterbush’s in 1986

The study conducted by Ritterbush was part of the initiatives by the East-West Centre under the Pacific Islands Development Program (PIDP) to develop entrepreneurship and business ventures in the PICs including Tonga. The idea behind such initiatives, holds that the role of the private sector is crucial in the development of the domestic economy, but that the involvement of indigenous people of Tonga is of vital importance (Ritterbush, 1986:1). Although the effort and involvement of indigenous people was said to be crucial, the study gave weight to the importance of foreign entrepreneurs in building joint business ventures in the country. Over the next dozen or so pages which summarise Ritterbush’s findings the majority of emphasis, however will be on local entrepreneurs.

Ritterbush drew in part on the findings of previous studies including those of Hau’ofa (1979) and Bollard (1974), which investigated the lack of involvement of

indigenous Tongans in private sector activities as well as the high failure rate of local businesses. In her study Ritterbush sought to understand the very reasons for what had happened. In addition, Ritterbush found that Tonga has the features to successfully develop its private sector, given that its economic resources, such as fertile land and rich marine resources were ready to be exploited. It would be expected, Ritterbush noted, that failure in the business arena should be minimal and short-term (1986:2).

In a preamble note, Ritterbush pointed to the importance of putting the business environment right as a solution to the problems encountered by the business sector in Tonga. In so doing, the importance of the role of government in creating a business environment conducive to long-term operation of businesses in Tonga was suggested:

Thus in order to increase the economic capabilities of Tonga and to insure that Tongan citizens have a more vital and secure position in controlling their economic futures, the government must determine better and more effective ways to manage its economic and labour problems (Ritterbush, 1986:2).

The above statement implied that Tongan citizens had a lot to offer in developing the business sector but at the same time that the government had to take a lead in ensuring that it got the investment environment right, so as to encourage indigenous Tongans to become entrepreneurs. It is in this context that this thesis has sought to make a comparative review of the study and to show how effective the role of government has been in the development of entrepreneurship in Tonga, and its implication for the processes of sustainable socio-economic development in Tonga.

4.2.1 Definition of Entrepreneur Used by Ritterbush

A valid question to ask in attempting to impose a definition of entrepreneurship is whether entrepreneurs are made or born. Although there is yet to be a clear answer to this question, there is a consensus among researchers in the field of entrepreneurship that entrepreneurs share some constellation of personality traits (Ahmed and McQuaid, 2005; Beaver and Jennings, 2005). In other words, some people are naturally more entrepreneurial than others. The same perception is seen when trying to arrive in a consensus definition of entrepreneurs. Ritterbush suggested that the differences in cultures and other features of individual countries that made the term ‘elusive’ (1986:13). Despite the lack of consensus

in the definition for entrepreneur, Ritterbush adopted vonder Ohe's (1981) view of entrepreneurs and defined the term "as an individual or group of individuals who combine resources and opportunities in new ways, turn invention into profit and improvise new arrangements of economic relationships" (vonder Ohe, 1981:2-3, cited in Ritterbush, 1986:13). A definition of entrepreneur from a Tongan perspective in the twenty first Century will be presented in *section 4.3*, which will also show how the terms are used variously in Tonga.

4.2.2 Scope and Mode of Study

The Ritterbush study covered the five main sectors in Tonga where it was believed there was potential for indigenous Tongans to develop businesses. Ritterbush also interviewed other entrepreneurs with half foreign blood as well as some foreign entrepreneurs. The sectors covered included the agricultural sector where Tongans engaged in commercial farming ventures; commercial fishing from the fisheries sector; the animal husbandry sector; manufacturing sector; and the retail, service and tourism sector. The study sought to identify how they operated, how they were financed to commence business and the sources of fund available to them, what sort of market was available for the business, and what were the problems that they encountered which could hinder their operations. By focussing in these aspects, Ritterbush felt enabled to formulate some policy recommendations that would give policy makers in the government some ideas for entrepreneurship development in Tonga (1986:1).

The study was conducted through interviews of a total of 185 business men and women engaging in these five business sectors. The informants used for her survey were selected mainly from the main island of Tongatapu, with a small number selected from Ha'apai islands to the north of Tongatapu (1986:3).

4.2.3 Most Pressing Problems Revealed by Ritterbush in 1986 as Barriers

Given that the focus of this thesis rests on the challenges to sustainable socio-economic development in Tonga, this chapter will concentrate on discussing the key problems revealed by Ritterbush in her study. In doing so, it will allow a comparative review of problems revealed by Ritterbush on the one hand, and the problems that occurred after her

study in contemporary Tonga at the turn of the century on the other hand. The concentration of Ritterbush identifying of entrepreneurship problems is central to this chapter in making a contribution to the purpose of this thesis. It has been noted that the private sector, which depends on entrepreneurs is the backbone of socio-economic development in Tonga (Fairbairn, 1988; PIFS, 2003; Mellor and Jabes, 2004; ‘Utoikamanu, 2005), so that identifying key problems will assist the development of appropriate policies to counter these problems.

During the course of studying the various sectors of the Tongan economy where indigenous entrepreneurs were mainly engaged, important problems were identified for each business sector. As such, the purpose of this sub-section is to consider the various problems encountered by each sector, particularly with regard to how these problems were revealed to have negatively affected the performance of indigenous entrepreneurs. Ritterbush previewed these problems and noted: “Reasons that were most often cited for poor business performance include lack of business skills, a disinclination to reinvest capital in future enterprises, family obligations, poor transportation networks, and unstable or unexpansive overseas and local markets” (Ritterbush, 1986:9). Presenting these problems will allow evaluation of the extent to which these problems still exist. Table 4.1 presents a summary of the problems revealed by Ritterbush in key business sectors in Tonga. Ritterbush noted key problems as raised by many of the entrepreneurs, as well as minor problems that occurred in one sector and not in other sectors.

In discussing these problems, the next sub-section will select the key problems central to all sectors to be discussed. Nevertheless, minor problems will also be discussed, whenever necessary, because some of these minor problems are beyond the authority of the government to effectively influence. For instance, some entrepreneurs raised their concerns over their inability to secure loans from banks for the purpose of reviving or expanding the business. This is because they could not fulfil the strict criteria and conditions set out by the banks, including credit checks and poor loan repayment records (1986:92, 106, 111, 115, 125 & 128). In this respect, these ‘minor’ problems are raised together with financial problems, as Ritterbush’s recommendations addressed financial problems as one whole issue.

Table 4.1 – Summary of Business Sector’s Problems Revealed by Ritterbush in 1986

4.2.3.1 *Poor Management*

The problem of poor management in Tonga was revealed by Ritterbush to be encountered by most entrepreneurs in all five business sectors in Tonga included in her study. Poor management was discussed by Ritterbush to have existed in two forms. Firstly, she noted lack of management skills by the entrepreneurs to run their businesses effectively and efficiently. Secondly, the lack of financial management skills of entrepreneurs was highlighted, since these led to problems of poor control of financial matters (1986:98, 110, 119, 125 & 135). For Ritterbush the nature of, and need for, good management were clear. She wrote: “Management issues include farm management; basic business, planning, and financial skills; and the ability to procure the services or knowledge needed to improve business operations” (Ritterbush, 1986:98).

Ritterbush revealed that a lack of general management skills by entrepreneurs prevented effective and efficient running of the business and was a common problem which existed in every business sector included in her survey. The inability of entrepreneurs to plan business activities and to properly manage business resources was found to be notable in all five business sectors. However, the problem of poor management skills and experiences were found to be most notable in the retail, service and tourist-related businesses. Ritterbush’s findings confirmed similar problems found by Hau’ofa (1979) which revealed that the lack of progress of many retail and service businesses was mainly due to the failure of management, particularly with regard to the misuse and inappropriate handling of business resources. This was seen in the inability of shop owners to avoid credit sales (*fakatau fakamo’ua*) to family members, close and distance relatives, as well as friends and other people in the village or community. Ritterbush’s study found that the inability of the management to avoid credit sales had largely and negatively affected the cash flows of small retail businesses, as well as affecting their performance and ability to grow (1986:125).

Secondly, the lack of financial management skills were suggested to have caused serious problems to businesses through the misuse of funds by some entrepreneurs and those associated with him or her in the business. Ritterbush discovered that most entrepreneurs and employees in all business sectors in the survey were not able to keep proper records of the daily operations in terms of recording incoming stock, daily sales and

customer credit records. In addition, the weaknesses in financial management skills were also seen in the inability of management to avoid over-commitment of most entrepreneurs to non-business obligations. Ritterbush noted the over-commitment of entrepreneurs by donating business money to social and religious obligations were common in all sectors (1986:9, 92, 98, 110, 119, 125 & 135). These gaps in management and financial skills were revealed by Ritterbush to have led to serious problems in promoting the growth of small entrepreneurs and such failings had a detrimental effect on the success of entrepreneurs in all business sectors.

4.2.3.2 Marketing Problems

Marketing problems were also raised by Ritterbush to be common barriers to the progress of entrepreneurs in all sectors. In her survey, Ritterbush recorded that almost all entrepreneurs involved had raised their concerns over the insufficiency of local markets for successful sales of the type of products they produced (1986:92 & 116). In addition, the marketing problems were exacerbated by the inability of most entrepreneurs to get access to international markets (1986:9 & 93).

The small size of the local markets were the main concerns suggested by many entrepreneurs in the Ritterbush's study. Entrepreneurs in commercial farming, manufacturing, animal husbandry, and retail, services and tourism related sectors voiced their concerns over how limited local markets hampered their abilities to grow. Some entrepreneurs in the manufacturing sector, for instance, revealed that the demand for local made products, such as sandals and watches, were very low because of their higher prices when compared to imported goods (1986:116). Similarly, the entrepreneurs in the commercial farming sector raised their concerns about over production of agricultural products which then flooded the local market, holding the prices of produce low, and in turn resulted in poor returns (1986:92). Commercial fishing entrepreneurs from the Ha'apai islands also raised their concerns over the limited local markets in the island, which exacerbated their inability to grow and expand their business (1986:135).

As well, a reasonable number of entrepreneurs identified international marketing problems as a serious barrier. These entrepreneurs suggested that the marketing problem was mainly due to insufficient and unstable international markets for export-oriented

products, even with major trading partners such as New Zealand and Australia. The marketing problems of farming entrepreneurs were also exacerbated by the lack of marketing information and coordination between government and growers, and the poor coordination and possibly dishonest actions of exporters (1986:92).

Similar problems occurred in the export oriented manufacturing businesses. Export-oriented entrepreneurs in the manufacturing sector suggested how the problem of marketing of semi-finished and finished products to international markets affected their various operations. Given that the limited domestic markets were fuelled by the low demand from domestic consumers, export of products was seen to be the best option. However, Ritterbush noted, a lack of effective marketing, coupled with the high cost of exporting for international markets increased the difficulties for these businesses (1986:116).

4.2.3.3 *Lack of Government Role*

The lack of government role in promoting entrepreneurship development in Tonga was also noted by Ritterbush to be one of the most pressing problems that hampered the progress of entrepreneurs. A number of issues were suggested to exemplify the lack of a government role in promoting the growth of entrepreneurs. Firstly, there was the absence of government agencies to provide relevant marketing information, investment incentives information, and business development and advisory services (1986:93 & 109). Secondly, the government appeared unable to protect the interests of the infant industries, especially indigenous-owned businesses, in most sectors from being disadvantaged by the importation of similar goods (1986:110 & 118).

Some entrepreneurs also raised the absence of government agencies to provide relevant information that would benefit entrepreneurs to be a problem which was associated with their inability to progress. This is of particular importance to newly established entrepreneurs who needed information on marketing as well as information on government investment incentives. In addition, the lack of government agencies to provide advisory services on matters relating to business management and other common business weaknesses of entrepreneurs had contributed to their inability to overcome those problems.

Moreover, the lack of a clear government role in protecting the interest of infant industries was raised as a pressing problem. This suggestion was of particular importance in

animal husbandry businesses, especially the poultry farms. The inability of the government to protect the poultry farms from imported products had posed serious difficulties in the progress of their ventures (1986:110). This meant that the government, in failing to prohibit other wholesalers from importing eggs and other poultry products, for example, was seen to have a detrimental effect on the sales of their products. These farmers also claimed that the failure of government to provide sufficient assistance through a development licence investment incentive scheme was a barrier to progress.

Entrepreneurs in the manufacturing sector raised similar concerns. They suggested to Ritterbush that a lack of government protection which was needed to assist the interest of infant industries in Tonga, had played a part in the sluggishness of their performance. This was seen in the import substitution industries where competition from imported products put them in a disadvantaged marketing position. Many others suggested that government officials offered assistance that largely favoured foreign businesses, or that advantaged specific businesses with which they were closely associated, or which were well-known (1986:119).

4.2.3.4 Excessive Government Policies

On the other hand the converse was also true. Ritterbush also raised the concerns of many entrepreneurs on the excessive restrictions and demands imposed by government on them. Most entrepreneurs from all sectors pointed to high excise duties, income tax, and other form of taxes imposed by government on small businesses to be too much for them. They suggested that high excise duties increased the cost of importing raw materials, farming equipment and machineries, and other materials needed for their various forms of production.

Ritterbush found that this problem was especially important in the animal husbandry and the manufacturing sectors. The owners of the animal husbandry business ventures suggested that government policies were too harsh on them, as they were required to pay excessive taxes on imported animal feed that were to be utilised for processing import substitution products (1986:109). They noted that such excessive duties and taxes made their products more expensive and often unaffordable for local customers.

Entrepreneurs in the manufacturing sector also raised their concerns over the excessive and harsh government policies. They believed that government was largely responsible for the hindrance of business progress. These businesses were very much concerned with the performance of government officers to be largely biased and to play ‘favourites’ against smaller and unknown entrepreneurs (1986:117). Some business people suggested that the government demanded too much from business people through taxes and duties of raw materials and capital equipment that would boost the productivity of businesses in the manufacturing sector (1986:117).

4.2.3.5 Inaccessibility of Entrepreneurs to Appropriate Land

The land issue was also raised by the Ritterbush study to be a pressing problem that stood out as a barrier to entrepreneurship in Tonga. This issue was of particular importance to entrepreneurs who did not own land, or others who needed to expand their business activities. Ritterbush reported that the land issue was of particular importance for entrepreneurs in the agricultural sector, as well as for foreign entrepreneurs in other sectors (1986:96, 97 & 128).

From her research in the agricultural sector, Ritterbush noted the problems raised by commercial farming entrepreneurs in regard to the land tenure system in Tonga and the process of securing land for commercial farming. Her study revealed how farmers engaged in different types of land lease including:

- Informal arrangement between land owners and commercial farmers;
- Working the larger plantation of Tonga’s Chief (*Hou’eiki*) and expatriate families with a few acres being made available in exchange;
- ‘Land Loan’ from relatives and friends.

However, Ritterbush also found that there were further negative issue associated with these arrangements. These problems included the failure of landowners to honour informal lease arrangements, excessive demands by landowners for proportions of the yield of farmers’ products, high costs involved in leases from landowners and the inability to grow commercial crops such as vanilla and kava, because they take a long time to be mature which limited early cash returns. Thus, short-term land lease arrangements presented major difficulties for commercial farmers seeking to grow such crops (1986:97).

The only other sector where entrepreneurs raised problems regarding land arrangement was the service sector. Ritterbush found that some entrepreneurs in this sector were engaged in informal land lease arrangement. Some of them found this type of land arrangement to be problematic. This is because there was no written tenancy contract and landlords demanded too much of them, especially requirements for payment of leases on a monthly basis. At the same time the lease rate increased at the whim of the landlords (1986:128).

4.2.3.6 *Lack of Skilled Labour*

The lack of skilled labour was also raised by some entrepreneurs and noted by Ritterbush in her study. The lack of labour skills arose in part, from a mismatch of skills of employees to the type of job in the workplace. The mismatches of skills were found to be associated with poor performances of employees and lack of productivity of businesses. This problem was found by Ritterbush to be a major issue in labour intensive industries in the manufacturing and retail, services and tourism-related sectors (1986: 119).

In the manufacturing sector, Ritterbush also noted that some entrepreneurs raised the problem of low qualified labour as an important factor leading to sluggish performance of manufacturing businesses. Some of them suggested that the lack of skilled labour, coupled with poor performance of those already in employment, were largely responsible for their firm's poor performance and low productivity (1986:120). Similar problems occurred in the retail, services, and tourism-related sector.

In addition to the mismatch of skills to the jobs, Ritterbush recorded that some entrepreneurs commented on poor perceptions of employees as being detrimental to their performance. They suggested that poor perceptions led to high absenteeism rate and lateness. As one entrepreneur noted: "...they come when feel like it and don't when they don't want to. Their constant excuses for not turning up or for turning up late are because of funerals. They always shrug their shoulders and say to me "too many people in Tonga die..." (pers, comm., 1984 in Ritterbush, 1986:120). Moreover Ritterbush revealed that labour turnover and employees' thieving were seen to be very costly, especially in labour intensive industries in the service and manufacturing sectors (1986:132).

4.2.3.7 *Lack of Financial Capital*

Ritterbush also found that the lack of financial capital was a pressing problem encountered by most indigenous entrepreneurs in almost all sectors. Most indigenous entrepreneurs explained to Ritterbush how the lack of financial capital limited their capacity to expand their operations, whenever it was appropriate to do so. Two main points arose that demonstrated the lack of financial capital as a major issue in all sectors. Firstly, there was the issue of insufficient personal funds to put the business in strong position when starting up. Secondly, the inability of most entrepreneurs to meet the loan criteria imposed by the banks was important (1986:92, 106, 110, 111, 115, 125 & 128).

For example, commercial farming and commercial fishing entrepreneurs noted that a lack of capital was mainly due to poor returns from selling their produce and catches in the local markets. Some entrepreneurs in the animal husbandry, manufacturing, and the retail, services and tourism-related sectors raised similar concerns. They revealed to Ritterbush that the return from selling their products in the local market were minimal and sometimes insufficient to cover the operational costs of their respective businesses. For example in the Animal Husbandry sector, entrepreneurs revealed that their return from investment did not allow them to cover the costs of the needed repairs and maintenance in the aftermath of Cyclone Isaac in 1982, which in turn had serious effect on their operations (1986:111).

Other entrepreneurs, especially small indigenous entrepreneurs, suggested that their lack of financial working capital was associated with their inability to obtain loans from the Tonga Development Bank and commercial banks, generally because they could not meet strict criteria imposed by banks, in accordance with their loan policies. Such criteria included sufficient securities, deposits, and good credit loan histories. Some small commercial farmers noted that banks demanded that they start repaying their loans within one month from the date of loan approvals, well before they could harvest and sell their crops. Entrepreneurs in other sectors raised similar concerns, and asserted that banks' repayment policies were too harsh and did not allow them to thrive (1986:92, 106, 111, 125 & 128).

4.3 Overview of Key Policies Recommended by Ritterbush

As a consequence of her findings, Ritterbush offered some policy recommendations, aimed at providing the government and policy makers in Tonga with sufficient information on the status of entrepreneurship development in Tonga, and areas where improvement should be made (1986:138). The purpose of this sub-section is to present some of the important recommendations made by the Ritterbush study. This will allow this thesis to revisit and evaluate those recommendations, and to explore how the government has dealt with those areas of weaknesses in the economy. This is important, as it will show how the government treated the outcomes of the numerous studies, such as that by Ritterbush, and were funded by foreign donors interested in assisting the socio-economic development in Tonga. By the same token, revisiting these recommendations will also show whether the failure of government to consider the validity of studies in Tonga has been associated with the sluggish performance of the Tongan economy. Table 4.2 presents key policy recommendations recommended by Ritterbush in response to pressings problems in all business sectors.

The discussion of Ritterbush's recommendations below does not follow the order listed in the above table because some of the problems are interrelated, and each recommendation was linked to more than one problem. There are six key recommendations that summed up Ritterbush's response to entrepreneurial problems presented above. However, it is worth noting that even by 1986, Ritterbush suggested that "some recommendations are already outdated because the government has taken action on a number of issues since the termination of the field research (1986:138).

Table 4.2 – Key Policy Recommendations by Ritterbush in 1986

Source: Ritterbush 1986

4.3.1 *Recommendation 1 – Business Infrastructure*

Ritterbush suggested that business infrastructures be developed in response to the problems of lack of access to investment information, lack of appropriate training, and lack of business advisory services. In this respect, Ritterbush recommended that a central business clearinghouse be established to facilitate and coordinate the business needs of the business community. Given the lack of awareness of many people about business information relating to financial assistance, training and government programs, it appeared important that a central business information centre should be established. She suggested that the business centre should also serve as ‘one-stop-shop’ to facilitate all business needs of both indigenous and foreign entrepreneurs (1986:139). The one-stop-shop would enable existing and potential entrepreneurs to have access to business information and investment incentives, and also be made aware of all possible assistance that they might get from the government or foreign donors associated with business development in Tonga.

Moreover, Ritterbush recommended the establishment of a Small Business Administration Centre as part of the business infrastructure. The centre would serve to facilitate training courses and advisory services on the most needed areas identified to be problematic in the five business sectors included in her study. This was in response to the problems of poor management, poor financial management, and lack of appropriate skills in areas of recording keeping, stock-taking, and related skills needed by some entrepreneurs (1986:139).

4.3.2 *Recommendation 2 – Establish of Marketing Agency*

In response to the problems of a lack of marketing information and marketing advisory services, Ritterbush recommended the establishment of a marketing agency to deal with marketing issues raised by entrepreneurs involved in the Ritterbush study. A government role in marketing Tongan products in both domestic and international markets was also

recommended by Ritterbush (1986:141). As it was identified, the lack of market information had failed some entrepreneurs in exploring potential international markets for their products. Lack of market information was seen as a major impediment in expanding the marketing of products, thus affecting the growth of business and the ability of entrepreneurs to flourish. Ritterbush suggested that making marketing information available to entrepreneurs would assist them in marketing of their end products and in building relationships that would remain in the long-term.

It was also recommended that the government should embark on promoting locally made products. Ritterbush recommended that marketing campaign efforts should be coordinated to encourage the marketing value of products made in Tonga. This could be done, she suggested, through organising a ‘Made in Tonga’ campaign by the government’s marketing agency. This type of campaign could focus on convincing Tongan consumers to buy locally made products. She also suggested that the tourism sector in association with the marketing agency, promote tourism by embarking on a ‘Keep Tonga Beautiful’ campaign, in the quest for attracting more tourists to the country (1986:141).

4.3.3 Recommendation 3 – Revisit Government Policies

Across the business sectors included in the Ritterbush study, most entrepreneurs were not happy with some of the government policies imposed on them, including taxes, excise duties, and investment incentive policies. In attempting to address this problem Ritterbush recommended that the government reconsider the efficiency and effectiveness of its policies. The revisiting of government policies were recommended to be particularly related to the level of customs tariff and tax policies which were believed by entrepreneurs to be too much to bear (1986:145).

By the same token Ritterbush suggested that government should give local entrepreneurs sufficient protection from imports of the same products. This meant that government should consider putting a cap on the prices of imported products that would enable locally made products to remain competitive in the market (1986:145). This was of particular importance for import substitution products that incurred much higher production costs due to high duty and taxes imposed on importation of raw materials. Ritterbush anticipated that these recommendations would improve the performances of small

entrepreneurs, and would also encourage the entry of new entrepreneurs. Having sufficient protection would also minimise the exit rates of entrepreneurs, especially indigenous entrepreneurs who were found by Ritterbush to be operating in small businesses (1986:145).

4.3.4 Recommendation 4 – Government to Establish Land and Building Hotlines

The issue of acquisition of land for investment purposes was also raised by some entrepreneurs to be a major barrier to the development of their respective businesses. Given the importance of the issue to promoting entrepreneurs, Ritterbush recommended that government should play a much more active role in ensuring that entrepreneurs were not disadvantaged by land lease arrangements. This could be done by imposing appropriate policies to control land lease and rental procedures and rates. She suggested that such policies would enforce the engagement of landlords and entrepreneurs in formal written tenancy agreements. Ritterbush recommended that government should provide more land through a small industries centre to enable easy access of entrepreneurs to land (1986:145).

Moreover, a process that would ease land acquisition and facilitate new building for the convenience of businesses in Tonga, was also pointed out by Ritterbush to be important in promoting the entrepreneurs in Tonga. In so doing she recommended that a land lease and building ‘hotline’ was very much needed and would enable entrepreneurs to easily access information on available land and building for investment. Ritterbush suggested that a ‘hotline’ be promoted through the local media, including the local newspaper and Radio Tonga.¹³ The ‘hotline’ would fast track the access of both indigenous and foreign entrepreneurs to land and building information. She argued that easy access to land would also allow commercial farmers to engage in long-term leases and achieve more secure farming arrangements (1986:145).

4.3.5 Recommendation 5 – Establish of Labour Referral Centre

In response to the problem of mismatch of labour to the jobs, Ritterbush recommended the establishment of a labour referral centre. She suggested that the establishment of an employment referral agency would assist in facilitating the labour needs of the various

¹³ At the time of Ritterbush’s survey, the only commercial newspaper was the government owned Tongan Chronicle (*Kalonikali Tonga*) and there was only one radio station, Radio Tonga known as the A3Z.

businesses in Tonga, particularly in the private sector. Given the higher labour turnover in Tonga and the need to curb such shortages, she recommended that the establishment of a labour referral centre would ensure matching the right workers to the right jobs (1986:139). Ritterbush also anticipated that matching the right worker to right job could reduce labour turnover and increase productivity of both indigenous and foreign businesses.

4.3.6 Recommendation 6 – Establish a Small Grant Scheme

Financial problems were central to almost every sector of entrepreneurs included in the Ritterbush study. She recommended that the government work closely with financial institutions to assist entrepreneurs. The recommendation was related to role of the Tonga Development Bank in promoting socioeconomic development in Tonga. She suggested that a government subsidisation scheme in association with the Tonga Development Bank would make sure that entrepreneurs were not disadvantaged because of the strict loan conditions imposed by banks (1986:142). Ritterbush further recommended that the government establish a ‘land loan fund’ within the Tonga Development Bank. This would enable entrepreneurs who required more land to finance the lease or purchase of land for their business purposes.

Moreover, Ritterbush further recommended that the government agencies such as the Central Planning Department seek and establish specific small business grants scheme. She suggested that such a scheme would enable individual entrepreneurs’ access to financial grants for start up and for expansion of businesses (1986:142).

4.4 Twenty Years Re-Evaluation of Barriers - 2006

The purpose of selecting Ritterbush’s study for a comparative review in this thesis was based on the fact that it was the first comprehensive and intensive study into entrepreneurship development of major business sectors in Tonga. Although there had been previous studies on entrepreneurship development, such as that by Hau’ofa (1979) on market vendors and small retail shops, most studies had focussed on specific sectors.

However, given that the focus of this thesis rests on identifying the *current challenges and responses to sustainable socio-economic development in Tonga*, the following review will compare two key barriers revealed by Ritterbush in 1986 with their status in 2006. This is because some of the barriers identified in 1986 may have been

addressed or no longer appeared as important as they were in twenty years ago. In addition, some of the barriers revealed by Ritterbush remained the same for one reason or another. In part this means that there is little sign of overcoming these barriers because finding a solution could impose significant financial cost to government. Such barriers includes the government policies on duty and taxes, lack of financial capital for start up, and lack of government role in terms of financial grant to small entrepreneurs. These elements of public finance certainly deserve further investigation but they are beyond the scope of this thesis. The other barriers such as the issues of land and government investment policies have already been discussed in terms of the unfavourable investment climate in Chapter Two, while some labour market issues will be addressed in Chapter Seven

In this respect, the evaluation of barriers in this section concentrates on poor management and marketing barriers. This is because there are important reasons why these barriers have remained. Despite the prolonged existence of these two major barriers, it will be demonstrated with evidence that to a far extent they are associated with core values of the Tongan way or *anga faka-Tonga* and strong religious beliefs or *tui faka-lotu malohi*. In doing so, ‘poor management’ is transformed in this review to ‘poor governance’, which is the preferred term to explain how poor management exists various levels in Tonga. Table 4.3 presents a checklist of barriers to entrepreneurship revealed by Ritterbush in 1986 and compares them to barriers revealed in the fieldwork for this thesis, which was concluded on 30th June 2006.

Table 4.3 – A Check List of Barriers to Entrepreneurship (1986 – 2006)

4.4.1 Tongan Version of Entrepreneur in the 21st Century

As presented in section 4.2.1, Ritterbush followed the vonder Ohe (1981) version of defining an entrepreneur, she used to identify her target group during the course of her fieldwork in Tonga twenty years ago. However, given that the purpose of this chapter is a twenty-year review of Ritterbush's study, it is important that the definition of entrepreneur is also revisited. This is important, as it will show whether the definition used by Ritterbush is still applicable in Tonga at the turn of the twenty first Century.

Although there is no record of an official definition of ‘entrepreneur’ in Tonga, the term ‘entrepreneur’ is nevertheless widely used. In terms of socio-economic development in Tonga, an ‘entrepreneur’ is regarded as one who develops enterprises in new ways. At the same time, those who start a small business of any type are also regarded as entrepreneurs. The Ministry of Labour, Commerce and Industries has identified entrepreneurs to be individuals or a group of people who start a new business, without concern as to the type of business. This is evident in the entrepreneurship training manual, which all types of trade are included (MLCI, 1995-2003). A study by van der Grijp (1997), referred to squash exporters in Tonga as entrepreneurs, while Besnier (2004) also treated those booth owners at the Nuku’alofa flea markets (*fea*) and road side vendors as entrepreneurs. Halatuituia followed the same notion and wrote: “In Tongan society women have also become small entrepreneurs, for example by becoming a manager/storekeeper of the family owned shop or selling goods at the local market (2002:52). Fairbairn defined entrepreneur as “...a person who organises and manages a business and assumes the risk for the sake of profit (2006:1). In this respect, the Tongan version of ‘entrepreneur’ at the turn of the 21st Century referred to individual or group of people starting and managing a business regardless of the type as long as they generated some sorts of income.

4.4.2 Reason for Prolonged Survival of ‘Poor Governance’

The matrix presented in Table 4.3 indicated that the problem and poor management or poor governance has remained a barrier for entrepreneurs in Tonga over the twenty years since Ritterbush published her study. The problem of poor governance at all levels has always been a major concern when studying small island economies, and Tonga is no exception. Fairbairn (2006) revealed that a lack of business skills for managing the day-to-day operation of the business was evident in investment practices of indigenous entrepreneurs. Such weakness is mainly seen in the areas of keeping records, managing inventory, products pricing and credit control. As revealed and discussed by Ritterbush, poor management was made worse by misuse of business funds, in which over-commitment to non-business obligations stood out to be a major barrier encountered by many indigenous entrepreneurs. Because Ritterbush did not go into detail and present specific cases as evidence of the existence of barriers, I aimed to present two cases from two sectors included in her study to demonstrate why these barriers have survived this long.

The prolonged existence of poor governance in most business sectors in Tonga was investigated during the course of the fieldwork. Two major factors explain why weakness has remained a serious threat to entrepreneurship development in Tonga. Firstly, the lack of management skills by indigenous entrepreneurs and immediate family members is demonstrated in a case from the fishing industry. Secondly, a persistent problem found in the unreliability, dishonesty and corruption of employees being hired to run or manage the daily activities of the business, which will be demonstrated by a case from the retail sector.

Case One: The Indigenous Fishing Entrepreneur

The gaps in management skills of indigenous entrepreneurs and their immediate family members is a contributing factor in the failure of indigenous entrepreneurship. This was mainly seen in newly established family-based small and medium size businesses, in which either one of the family members managed the business. One of the entrepreneurs selected for the fieldwork is an experienced fisherman with tertiary qualification in marine resources. He is originally from the island of Ha'apai and resides in Sopo at the outskirts of Nuku'alofa. He operated one commercial fishing boat and employed three fishermen, while he remained a full time employee with the Ministry of Fisheries. In 1994 he resigned from his position to concentrate on his fishing business, as he had gained a reasonable share of the local market. Later in 1994 he opened up a small restaurant opposite the Talamahu market serving fish only, as a back-up business. At the one end of the restaurant, he opened up a sewing business for his mother, who has some experience in commercial sewing. His parents looked after the restaurant and the sewing business while he was in charge of fishing. However, these businesses failed in 1997, when the boat was repossessed by the Tonga Development Bank because he had failed to continue loan repayments. The restaurant closed down while the sewing business was relocated to their family home in Sopo and was closed soon after. This entrepreneur expressed the difficulties he experienced due to lack of management skills:

We started very fast as the demand was very high, given that fishing was good and the restaurant was well supplied with fresh fish on a weekly basis. We put a mark on our operation and built a relationship with many workers, especially civil servants and others working in Nuku'alofa. As time goes and our relationships with customers became strong, some of them asked to purchase on credit and to settle their account on a weekly or fortnight basis, depending on how they are paid. My parents did the same thing as a way of retaining customers, given that their

neighbours also engaged in the same business. In addition my parents increased their donation to church weekly offering (*li pa'anga faka-sapate*) and the annual offering (*misinale faka-ta'u*). However, I did not realise the danger of giving credit to some of our frequent customers, friends and relatives, which was our biggest problem. Some of them never came back to pay their account, and it came to a point that I was having difficulties in repaying my loan and meeting other administration costs. We had no other option but to close the business as soon as the Tonga Development Bank repossessed the boat. (PSE-01, pers. comm., 2005).

Despite the problems this entrepreneur has not given up his entrepreneurship dream. He is now running a taxi company after working in New Zealand for some time. Asked how he looked back at what he had been through, he suggested that he regretted what had happened to his businesses but that is how his family put values in the Tongan way (*anga faka-Tonga*) and the strong commitment of his late parents to their religious belief (*tui faka-lotu malohi*). He smilingly whispered “I think they secured a place in heaven for what they did” (pers. comm., 2005), referring to his late parents.

Such an approach indicates how indigenous entrepreneurs go about running and managing a business. That is giving credit to frequent customers, friends and relatives would make them obligated and come back more often. Not only that but such generosity may spread out by these people and may draw more customers to the business. At the same time, increasing commitment to religious obligation by the parents clearly reflect a value that has survived in Tonga for many decades, and there is little indication that values of the Tongan way (*anga faka-Tonga*) and religious beliefs (*tui faka-lotu*) will soon disappear. Balancing the Tongan way and achieving sustainable entrepreneurship appear contradictory forces.

Case Two: The Joint Venture Entrepreneur in the Retail Sector

The second proposition for the prolonged existences of poor management is suggested to be the result of unreliability and dishonesty of hired employees who take advantage of their position and benefited from the business. This is seen in a scenario where an independent manager or office employee is hired to run the business. The fate of the Ozy Quality Meat is a prime example of this proposition. A Tongan entrepreneur residing in Sydney with an Australian counterpart formed “Ozy Quality Meat”. Their main business was wholesaling and retailing of meat and meat products. They appointed a local manager to take care of the operation in Tonga, while they remained in Sydney and occasionally visited the country. In

less than two years of operation the company was in deep financial difficulties and it ended up in the hands of a receiver on behalf of the bank. The Tongan entrepreneur discussed his fate:

We heavily relied on the expertise of the Tongan manager but we ended up in big trouble because of his mismanagement of funds. We fired him and are seeking compensation but it is yet to be heard in court. We then appointed another well-educated indigenous woman to manage the business but the same problem occurred soon after. The accounting firm on receivership still tried to recover unpaid credit from customers, relatives and friends of ten employees. They also advised us on how stock and cash were donated toward sports teams and community group projects. It seemed that there is no one else to trust other than having to come and live in Tonga and take care of the business. I personally think that this Tongan way (*anga-faka Tonga*) will discourage my business partner or any of his business friends from ever thinking of doing business in Tonga (PSE-02, pers. comm., 2005).

The danger of having to rely on other people to take care and manage the operation of a newly established business is evident by the above statement. The evidence suggested that the Tongan entrepreneur saw the opportunity of opening up a business in Tonga while using his proximity status and close ties to meat producers in Australia to push the growth of the business. As has become evident from this case, the dream of the entrepreneur has turned disastrous as a result of poor management.

4.4.3 *Reasons for Prolonged Existence of Marketing Problems*

The limited domestic market in PICs including Tonga is well articulated (1986:82). In this respect, the study by Ritterbush suggested that seeking more international markets for the export of Tongan made products was one possibility in overcoming problems of the small domestic market base in Tonga. Ritterbush identified the absence of a government marketing agency as a problem for entrepreneurs. Indeed, she emphasised the lack of government role in seeking new markets for Tongan products (1986:93). Nonetheless, there are two important marketing problems that have been revealed since Ritterbush's study to have hampered the efforts and abilities of some indigenous entrepreneurs to develop successful businesses. The first problem has come from the sending agricultural produce to relatives in three major receiving countries of Tongan emigrants, namely New Zealand, Australia and the United States of America. The second issue has been associated with the actions of local exporters acting on behalf of the entrepreneurs. Given that agriculture

remains a mainstay of the Tongan economy, these two marketing problems are selected from the agricultural sector.

Case One: Marketing of Agricultural Produce to Tongan Migrants

During the period studied by Ritterbush, informal international marketing was not of great importance. This is because the Tonga Commodities Board (TCB) was the largest buyer and exporter of agricultural produces including copra, banana, vanilla and vegetables. Hence, growers found the TCB to be easier and quicker to make money. In this respect, many farmers utilised the service of the TCB by selling to them their exportable quality produce and sending the rejects to the domestic market (MAFF, 1989). However, the TCB did not last due to failing copra prices, tough quarantine restrictions on bananas and vegetables in New Zealand, and poor prices for vanilla and other commodities (MAFF, 1990; 'Akolo, 1991).

It was then that some commercial farmers took the initiative establish a direct marketing strategy for their produce to New Zealand, Australia and the United States. These farmers looked at the number of Tongan migrants in these countries as opportunities for marketing. Consequently, containers of frozen produce were shipped to relatives and friends in these three countries who acted as marketing agencies for the farmers. In many cases farmers also travelled overseas and joined in the marketing processes. Typical root crops exported include cassava (*manioke*), talo (*taro*), giant taro (*kape*), and yam (*'ufi*) (MAFF, 1990; Halatuituia, 2002; Felemi, 2001).

However, the result of this marketing strategy was mixed. Some farmers found the marketing strategy to be successful, while others have had very poor experiences. These marketing practices were observed in Sydney (2005) and Auckland (2005 & 2006). It was found that farmers who have good connections, such as large families, relatives, and friends, or who belong to one of the well known Tongan churches in these two cities are more likely to successful. Indeed, it appears that farmers who did not have access to both large families and strong church connections faced serious problems. This is because the produce is normally distributed to Tongan homes at the earliest possible opportunity to avoid the cost of storage in private homes and rental properties. Cash is collected on the spot if available, but the usual practice is credit sales, to be collected later when money is

ready to be picked up. In some cases a number of Tongan vendors in the Flemington market in Sydney and the Otara, Otahuhu and Mangere flea markets in South Auckland normally helped in selling the produce for commissions. Two commercial farmers were interviewed in Auckland and two in Sydney in late 2005 and early 2006 respectively. All expressed their disappointment in this type of marketing. One of them is a well known commercial farmer in Tonga who noted: “There is a Tongan old saying, *mate pe ‘Tonga he ngaue ‘a e Tonga’* (PSE-03, pers. comm., 2005), meaning Tongans are made worse off by Tongans”. All four interviews found the same problem, although interviewed at different times. That is, they were all unable to collect all the money owed to them by those who took the produce for credit, because many people did not care to pay even that they went to their respective homes numerous times (PSE-04, pers. comm., 2005). All of them reflected that the process, as it stood, did not work.

Case Two: The Actions of Exporters

The second continuing marketing problem which was seen as a barrier to entrepreneurship in Tonga is evident in the action of exporters. This is largely evident in the export of squash and vanilla where exporters must secure a valid export licence by fulfilling government requirements. From the late 1980s until now, squash exports to the Japanese market have been very strong, and have continued to be reliable sources of income for many Tongan commercial farmers engaging in squash growing (van de Grijp, 1997; MLCI, 1989-2003; Felemi, 2001; Murray and Storey, 2001). Similar importance is demonstrated by the vanilla industry, although in much smaller scale (MAFF, 2000).

The action of exporters in the squash export industry is widely apparent in Tonga, and according to Felemi (2001), not a single season has passed without farmers’ disappointment. Given that not all farmers are entitled to export licence, they have to be members of a registered exporter in order for their squash to be exported (MLCI, 1989-2003). However, the process of exporting squash to Japan has led to apparent disadvantage to farmers following the actions of some exporters. The role of farmers or growers in the export process end when their bins of squash are inspected and passed by quarantine inspectors. That is when the role of the exporter begins. Communications between the exporters and the Japanese markets are kept confidential from farmers, which partly explained the problem encountered by farmers (Storey and Murray, 2001).

In the 1990 farmers became aware of the prices that their squash are to be paid at, normally per kilogram. On a number of occasions, farmers were paid in very low prices, while in other seasons, most farmers did not get any return from their squash. As van de Grijp (1997) revealed, such action by exporters led to the government's decision to suspend some exporters export licences for failing to pay their farmers. In one case, some farmers went further and took one exporter to court in the quest of recovering the money that they were supposed to get from their squash. The Supreme Court rule in the farmers' favour and order the company to pay back to the farmers the "sums that ... had been wrongfully deducted from earnings due during the 1991 season" (van de Grijp, 1997:36).

Despite recovering the money that farmers were supposed to receive but were wrongfully deducted from their pay cheques, this case demonstrated how unethical and illegal actions by squash exporters badly affected commercial farmers. Because only a number of exporters are granted with licences to export squash, the above experience indicated that commercial farmers will continue to be vulnerable to actions of marketing agents and exporters.

4.4.4 New Barriers to Entrepreneurship after Ritterbush

A review of the status of entrepreneurship development in the Kingdom of Tonga suggested that despite the many efforts in attempting to alleviate the barriers that hampered the development of entrepreneurs, they seemed to be insufficient and ineffective. This means that while the government attempted to overcome these barriers, some of the key problems revealed in the Ritterbush study have persisted. In addition to these problems, there are other problems which arose after Ritterbush, which will be discussed here as 'new' barriers to entrepreneurship. Two of these problems include the influx of Chinese-Tongans, and involvement of bureaucrats in business undertakings. It is worth to investigating how these new barriers have become critical factors, if entrepreneurship is to develop successfully and more widely in Tonga.

Chinese Influx: A Barrier Or A Wake Up Call?

A new feature of commercial and entrepreneurial life in Tonga has been the influx of Chinese in the last two decades. It should be noted that the Ritterbush study concluded

before the Cash-for Passports Scheme commenced in late 1986. The Cash-for-Passports Scheme was launched to attract Chinese¹⁴ investors and citizens, and coincided with the announcement of the intended return of Hong Kong to the Chinese government. In the initial stage, four hundred and forty six Hong Kong Chinese participated in the scheme. At the same time, Chinese government started to build a relationship with the Tongan government, which resulted in the Tongan government to cutting its long-term ties with the Republic of Taiwan. Crocombe wrote about the Pacific movement of the Chinese and suggested: “Since China is a big trading partner, many countries are prepared to sideline Taiwan to make deals with China” (Crocombe, 2005:3). However, Crocombe had also suggested that the influx of Chinese people to the Pacific islands may have created more problem than benefits to those islands.

The question posed in the title of the sub-section demands an answer. At one end, it is questioned whether the involvement of Chinese-Tongans¹⁵ in business in Tonga is a benefit in the development of successful entrepreneurship, or a wake up call for indigenous Tongans. At the other end it simply posed an answer that this may become a barrier for entrepreneurship development in Tonga. To answer these questions, it is important to make a comprehensive evaluation of what is actually happening in the involvement of Chinese-Tongan in the business operations in Tonga.

The Chinese-Tongans are well known in their involvement in the areas of retailing and wholesaling businesses. They have rented small retail stores normally located in the front yard of many Tongan homes but were already closed down permanently. According to the records of the Trading Licences Division of the Ministry of Labour, Commerce and Industries, all Chinese-Tongan businesses have engaged in formal lease agreements with owners of the building and lands for their operation.¹⁶ It was revealed that almost all Chinese-Tongan entrepreneurs renovated the small shops and made them bigger, allowing more rooms at the back for residence purposes. Their operations in the wholesale and retail sectors have also expanded to outer islands, including Vava’u, Ha’apai and ‘Eua.

¹⁴ The term Chinese is used in the personal comments, as all interviewees ignored their status of being Tongans but they simply referred to them as Chinese or *Siaina*. This study regarded the comments valid and is not to be observed as discrimination against the Chinese ethnic group in Tonga.

¹⁵ Chinese-Tongan refers to Chinese individuals holding a Tongan Protected Passport, which is regarded as a Tongan residence and has equal right to businesses with any other Tongan citizen.

¹⁶ Trading Licence Registered was sighted on 14th December 2004.

Tapueluleu (2003) reported that the Chinese businesses dominated wholesale business in the islands, as they are much cheaper than Tongan wholesalers. Moreover, the Trading Licence record shows that many other Chinese-Tongans were engaged in commercial fishing, manufacturing, tourism prime facilities, services, commercial farming and construction contracting.

Given the fast rate of engagement of Chinese-Tongans in almost all business sectors in Tonga, a number of indigenous business people were interviewed during the survey on how they feel about the influx of Chinese-Tongans in the business arena. One long-term retailer observed:

They are very smart at doing business and have dominated the retail sector because of cheaper goods they imported from Asia. It does affect my business but not much. I have long-term customers and I can compete with them by lifting my services and trying to satisfy my customers in order to keep them. I feel pity for the new indigenous stores, as they may not have enough starting capital to compete with these people. Look around and see how many indigenous stores being driven out by Chinese businesses (PSE-05, pers. comm., 2004).

Another retailer also expressed his concern on the pressure being imposed on indigenous Tongan businesses by the Chinese-Tongan businesses.

We have to follow the prices that the Chinese set in order to survive. This means that we have to buy from Chinese wholesalers and compete in that price. Since the establishment of those two Chinese shops in our area, two other indigenous retail stores went out of business and they have closed permanently (PSE-06, pers. comm., 2004).

A third indigenous retailer who is from a village in the eastern side of Tongatapu also raised his concern on the fast growth rate of Chinese-Tongan businesses, as he wrote:

I think the government should look at this matter, as it is a serious threat to us indigenous Tongan businesses. There are not many Chinese shops in the villages because they concentrated in the main business centre in Nuku'alofa. However, we still feel the pressure, as those from the villages who were in Nuku'alofa during the day, for whatever reasons, do their shopping in Chinese shops in Nuku'alofa before returning to the village. Most of us will be soon out of business (PSE-07, pers. comm., 2004).

The three statements above were common answers of other entrepreneurs that were interviewed in the service, wholesale and retail sectors. It is also evident from these statements that heavy competition pose by Chinese-Tongans would drove out weak and small entrepreneurs in the service and retail sectors. In addition, the strong position of Chinese-Tongans could also be a discouraging factor for new indigenous entrepreneurs to

enter. Further investigation of the impact of the engagement of Chinese-Tongans entrepreneurs in businesses will be considered in Chapter Five together with the case study of the Si'i-Kae-Ola Enterprise.

The Engagement of Bureaucrats and Ruling Family in Business

Another interesting phenomenon developed after Ritterbush's 1986 publication. This was the increasing involvement of Tongan bureaucrats, parliamentarians and the ruling family in business undertakings. A number of government ministers, nobles, members of parliament and senior government officials either solely owned a business or was a shareholder in a business. Similarly, some members of the ruling family either owned a business or were shareholders in a business.¹⁷ Given the problem of land issue, some foreign entrepreneurs looked at a joint venture with elite people in Tonga as the best option of quickly accessing to land and other needed services. This is a very common practice in Tonga, where a noble's proximity to land and good connection with elite people comes in to play (van Fossen, 1999).

The bureaucrats, parliamentarians and members of the ruling family engaged in business activities including wholesale and retail, manufacturing, tourism-related activities, exporter of agricultural produce, telecommunication, airline operator, electricity supply, and satellite business.¹⁸ However, it is worth noting that the involvement of members of the ruling family in some of the business activities such as electricity supply, telecommunication, and satellite businesses are not contested in this thesis. This is because these businesses need substantial capital investment and there were lack of interest from indigenous entrepreneurs undertaking these activities. The concern in this section rests on their involvement in business activities where they compete with smaller entrepreneurs, which will be argued to be in conflict with roles of protecting the interest of entrepreneurs.

The involvement of these people in business activities has been a well-known subject of political debate in Tonga for some years. Many perceive these to be a conflict of interest between business interests and their role of being the 'law makers' of the country. In this context, many critics argued that since their main roles rests on making laws for the

¹⁷ Recorded in the business licences registered as well as company registration data base 2000-2006, which was sighted a number of times during the fieldwork.

country, they are likely to be biased on any law that is likely to affect their business interests. Critics also pointed out that the involvement of ruling family members in business activities would give ‘law makers’ little independence in decision making, hence they would always rule to the advantage of the ruling member’s favour at the expense of others. The case of the ‘one airline policy’ offers some evidence for these assertions.

The ‘one airline policy’ that was passed by the Privy Council in late 2004, directed that only one airline would be allowed to operate in the domestic arena after the collapse of the Royal Tongan Airlines (RTA) (PMO, 2004). At that time, two different groups of indigenous entrepreneurs took the initiative of leasing aircraft from New Zealand to continue the domestic services terminated by RTA. One group of entrepreneurs consisted of four Tongan males who registered and operated an airline called *Fly Niu*. These four entrepreneurs were former employees of the RTA, consisting of two pilots, an aviation engineer and an administrator. The other company was co-owned by the King’s eldest son, the Crown Prince and his Indo-Tongan business partner, and was known as the Air Waves of Vava’u or *Peau ‘o Vava’u* (MLCI, 2004).

However, the ‘one airline policy’ gave the exclusive right to the Crown Prince’s business, thus forcing the indigenous entrepreneurs to close down operations. It was later revealed that the ‘one airline policy’ caused a dispute among Cabinet members, which resulted in three ministers being sacked for opposing the policy. The Minister of Police, Attorney General and Minister of Justice, and Minister for Labour, Commerce and Industries were sacked from office after a Cabinet dispute over the government’s ‘One Airline Policy’. The ‘one airline policy’ was passed in the Privy Council at the time where the Crown Prince, the co-owner of the other airline, was the chairman of Privy Council in lieu of the King who was in New Zealand for medical reasons (MP-Tt1 pers. comm., 2005). To some extent the events reflected Ritterbush’s comment when linking custom to successful business, where she wrote: “Essentially, successful indigenous entrepreneurs were masters at manipulating the environment to suit their own needs” (Ritterbush, 1988:154).

One of the pilots and a shareholder of the *Fly Niu* airline reflected on the issue during an interview:

It is a pity that the government has a very short sighted vision in this matter. The demand is there and two airlines will still survive. This move is rather political than being business oriented, as the government has to give the exclusive right to the son of the king who is soon to be the next king. We got no other options but to go overseas and look for a job. We feel that we are foreigners in our own country and the government has no interest whatsoever in our entrepreneurship endeavour (PSE-08, pers. comm., 2005).

The example of the ‘one airline policy’ demonstrated the feared effect of the involvement of policy makers in business activities. This experience could be replicated in other business sectors where bureaucrats, parliamentarians are involved, but that is an area that needs further investigation and a thesis of itself. Nevertheless, the point to highlight here is the problem of involvement of bureaucrats in business activities in the country. This is because there is always a tendency for conflict of interests that may result in biased decision making to their advantage, and at the cost of other entrepreneurs. It is in this evidence that the involvement of bureaucrats, parliamentarians and members of ruling families in business undertakings is evidently a discouraging factor to existing and potential entrepreneurs.

4.5 Role of Bureaucracy in Addressing the Barriers in the 21st Century

The government seems to have ignored the key policy recommendations provided in Ritterbush’s study. I conducted an intensive search for a copy of her study in related government offices, that is the Ministry of Labour, Commerce and Industries, Ministry of Agriculture and Fisheries, Central Planning Department and the Prime Minister’s Office but to no avail. The purpose of searching for Ritterbush’s work was to conduct a follow-up with the government on whether some of her recommendations were taken in to account, and how they might have been implemented. I was not able to clarify this position due to unavailability of her work in government offices. Moreover none of the people consulted in these respective offices were aware of Ritterbush’s work. Despite no apparent records of Ritterbush’s study, the government has undertaken some initiatives in attempting to address similar problems to those revealed by the Ritterbush. Moreover, despite the lack of records

some of the government responses outlined in Table 4.4 below may have been the outcome of her recommendations.

Table 4.4: Government and Non-Government Initiative in Addressing Barriers to Entrepreneurship in Tonga 2002 - 2006

Government and Non-Government Initiatives	Remarks
Establishment of a Business Development and Advisory Services, Tonga Trade Unit, and Employment Service Unit	<p>The government established a number of units in association foreign donors.</p> <ul style="list-style-type: none"> • Two Business Development and Advisory Services were established to provide training of entrepreneurs in all aspects of business undertaking funded by ADB. One in Nuku'alofa and one in Neiafu, Vava'u island. • The Tonga Trade Unit was established to take on the marketing problems also funded by the ADB. • The Employment Service Unit was set up to take on labour relations matter in association with the International Labour Organisation. The ESU also conducted an annual 'career day' to assist potential workers in defining their career paths.
Establishment of the Pangopango market project	The government leased a parcel of land in Pangopango, American Samoa to enable the marketing of Tongan products. The market is currently in operation, and is utilised by Tongan farmers for marketing agricultural produce.
Tonga Cooperative Societies and Credit Unions Entrepreneurship Training Program	This government department conducted entrepreneurship training to its members. The department also embarked on a small loan scheme to entail the entrepreneurship abilities of their members.
Annual Trade Fair by Chamber of Commerce and Tonga Handicraft Association	The Tonga Chamber of Commerce in association with Tonga Handicraft Association and Tonga Trade Unit conducted a trade fair on annual basis. Potential buyers from the South Pacific are invited to this annual event and to build relationships with suppliers in Tonga.
Tonga National Youth Congress Entrepreneurship Training Program	The TNYC embarked on entrepreneurship training in the quest of combating youth unemployment. A small loan scheme has been set up to enable their members to start a small business, if they are unable to find some form of employment.
Tonga Development Bank Small Business Advisory Services	The TDB provided entrepreneurship training and advisory services to their registered clients.

Source: Fisi'iahi, 2002-2006(a)

The various initiatives presented in the above table indicate that the government and non-government organisations recognise the importance of entrepreneurs to the socio-economic development of Tonga. Some of the projects were revealed during the fieldwork to be successful, although it was too early to use their success as measures for the long run. This is seen for example in the Tonga Cooperative Societies and Credit Unions peanut growing project. It has been reported that some of their members are already engaged in full time commercial farming, as a result of their involvement in this entrepreneurship project

(MLCI, 2005). Another successful project is the Tongan National Youth Congress (TNYC) entrepreneurship program. Some members of the TNYC have already established small roadside food vendors as well as two screen printing and art galleries in Nuku'alofa and Neiafu (TNYC, 2005).

The effectiveness of other initiatives was not so good or are yet to be determined. The business development and advisory services encountered some financial problems and both the Nuku'alofa and Neiafu operations were forced to closed down in 2005 (MLCI, 2005). The Tonga Trade and the Employment Service Units also encountered financial problems when financial assistance by foreign donors expired. Hence, they are only playing minimum roles in their day-to-day operations. The Pangopango market offered limited marketing opportunities, as demand appeared to be very limited (MLCI, 2004 & 2005). The same analysis applies to the role of the Tonga Development Bank, as their clients still encountered poor governance issues despite the numerous training and advisory services provided.¹⁹ The effect of the annual trade fairs is still too early to tell, as genuine connections between Tongan suppliers and foreign markets are yet to materialise (pers. comm., 2006). These roles indicated that promoting entrepreneurship in Tonga is not a single role of government but rather a collective effort of all parties with interest in developing the Tongan economy. Some policy recommendations relevant to this suggestion will be provided in the concluding chapter of this thesis.

4.6 Implications for Sustainable Socio-Economic Development in Tonga

The various barriers presented previously demonstrate that they posed serious threats for the process of socio-economic development in Tonga. In saying so, the purpose of this section is to provide a discussion on how the prolonged existence of barriers to entrepreneurship development in Tonga may affect the process of sustainable socio-economic development. In this context, there are three important propositions established here to exemplify the argument. First, the prolonged existence of barriers to entrepreneurship development may drive some entrepreneurs out of business, particularly indigenous entrepreneurs is presented in sub-section 4.6.1. Second, the barriers may

¹⁹ Noted by the managing director and the manager lending of the Tonga Development Bank during an interview session on 12 April 2004.

continue to limit wider contribution of indigenous Tongans to the socio-economic development in Tonga, in terms of wealth and employment creation. This proposition is presented in subsection 4.6.2. Third, the existence of barriers will continue to discourage the entry and involvement of indigenous Tongans in commercial activities that would assist in the improvement of their well being and self sustainability. This proposition is considered in subsection 4.6.3.

4.6.1 High Exit Rate of Entrepreneurs

The above proposition established that the longer the various barriers to entrepreneurship development existed, the higher the exit rate of entrepreneurs from the business arena. This does not confine to a particular group or race, but it is suggested that indigenous entrepreneurs are the most vulnerable, particularly with reference to the size of their operations, financial backup and other features that are directly related to indigenous entrepreneurs only. A manifestation of this argument is provided from the experiences of entrepreneurs who operated within the Nuku'alofa Small Industries Centre between 1986 and 2006. Out of the usual twenty nine tenants occupying the government buildings, an annual average of three tenants (10.34%) ceased operation and left the centre.²⁰ This may sounds small and may not affect the performances of the economy, but it is argued that this is only out of the twenty nine industries within the Small Industries Centre and does not include small businesses in other locations in Tonga.

In addition, the Trading Licence Divisions recorded an average of five businesses exiting in every quarter.²¹ About 90 per cent of these businesses are indigenous entrepreneurs in the retail stores and small catering services, while the other 10 per cent are either Chinese-Tongan shops in dispute with their respective landlords or flea market vendors temporarily closing down, while awaiting the arrival of boxes of goods from relatives residing overseas.²² Moreover, it was revealed that foreign investment declines are not in a large scale as it is for indigenous businesses, but they mainly close for a reason

²⁰ Small Industries Centre tenants' record book was sighted during the course of the fieldwork in 2005.

²¹ *Ibid*

²² Acknowledged by the Dr Talaivosa Ueleni, Head of the Licences Unit on 14 December 2005.

including shifting overseas, not to mention bankruptcy.²³ In this context, it appears that the trend will remain this way for as long as these barriers exist.

4.6.2 Minimal Role of Indigenous Entrepreneurs in Socio-Economic Development

The second proposition suggested that the barriers would continue to avoid the role of indigenous Tongans in making notable contributions to the socio-economic development in Tonga in terms of wealth and employment creations. This proposition stems from the notion that the involvement of entrepreneurs in the private sector contributes to the socio-economic development of the country through wealth creation as well as creating more employment opportunities for the working population of Tonga. To this end, the barriers would slow down the performance of entrepreneurs, which would make their contribution less effective and remain minimal.

This suggestion is supported by the fact that some fifty four employees out of the total four hundred and eighteen employees within the Small Industries Centre were laid off by the end of 2005, while one hundred and two employees experienced a restructure in employment conditions (MLCI, 2005). This means that some of these employees were put onto a casual or part time basis in order to keep the industries going. The twenty eight industries operating within the Small Industries Centre estate are mainly involved in manufacturing of import substitution products, processing of export oriented products, especially herbal medicine products, and service industries. As such, the existence of barriers that would allow them to thrive had given them nothing other than poor performance. As a consequence, these industries' sluggish performances also made their wealth creation ability ineffective as well as their inability to contribute to the economy through employment of others. The spillover effect of such sluggish performances on industries also affected the welfare of families of employees, their contribution to church and other social obligations thus hurting the sustainability of the process of socio-economic development in Tonga.

²³ Noted by the manager lending of the Westpac Bank of Tonga and confirmed by the managing director of the Tonga Development Bank during interviews on 14 October 2004.

4.6.3 *Discouraging of New Entries*

The third proposition argues that the prolonged existence of barriers will continue to discourage the entry and involvement of indigenous Tongans in commercial activities that would assist the improvement of their well being and self sustainability. According to the Trading Licence register, new entry to the retail and wholesale sector is at a very slow pace. This is due mainly to the awareness of potential entrepreneurs of what is actually happening in the economy. Although there are lot of potential in other areas such as hair salon and niche businesses of that kind, very little involvement from indigenous entrepreneurs is seen so far.

However, the Ministry of Labour, Commerce and Industries had embarked on a career development program since 2002, which is an annual event to showcase to the people of Tonga the areas with potential opportunities for their engagement (MLCI, 2002). Despite these efforts, it has been revealed that the influx of Chinese-Tongan businesses has made things much harder. This is because they also entitled to areas of business where indigenous Tongans are entitled to, and given their wealthy status they are more likely to be the first ones to move in to those business areas. This is seen in the areas of screen printing and art, where youth groups are engaging in as revenue generation projects for the last two years. In late 2005, two Chinese-Tongan businessmen opened up two screen printing workshops and two art workshops, over which the coordinator of the youth had a lot of concern, and led to doubts about viability of their project in the long run. As he suggested, "...they out run our products as they produce in mass quantities and their prices are much cheaper than ours. We may compete in the quality but most customers care more about price than quality" (pers. comm., 2006). In is in this context that potential entrepreneurs, especially youth members may be discouraged to enter the business arena in such circumstances.

4.6 Chapter Summary

The twenty-year re-evaluation of the barriers that was revealed to be responsible to the sluggish development of entrepreneurship in Tonga shows little improvement from where it was two decades ago. It was unfortunate to find that some of the key entrepreneurs engaged in the Ritterbush study are no longer in operation as a result of their inability to overcome the barriers to their respective business operations. This is seen in the animal husbandry

sector where two large poultry farm and one piggery are already out of business due to their inability to cope with the unfavourable business environment.

This review highlighted that factors such as poor management in all forms, marketing problems, financial problems, excessive government policies, and ineffective government role still remained as barriers to entrepreneurship in Tonga. Some of these factors appeared unavoidable and could have led to unsustainable increase in financial costs on government. However, two main factors under focussed central to this thesis were further investigated in order to understand the various reasons for their prolonged existence in the business arena. These two factors were poor management (which was discussed on a twenty first century version as ‘poor governance’), and the marketing problem.

In addition, two new features of the Tongan business arena were identified and found to be major barriers. The first is the influx of Chinese-Tongan entrepreneurs, who used their financial wealth to dominate most business sectors in the economy; and the second is the involvement of bureaucrats, parliamentarians and members of the ruling family in business. Some evidence was provided to exemplify how these two factors may affect existing and potential entrepreneurs in Tonga. The positive contribution of the entry of Chinese-Tongan entrepreneurs may be through wealth and employment creation, and their contribution to the socio-economic development is a subject to be further investigated.

The study also revealed that despite the efforts of the government to alleviate the barriers to entrepreneurship development in Tonga, little success has been seen so far. As seen in the discussion, a number of projects funded by foreign donors were implemented in the quest of promoting entrepreneurship in the Kingdom. Almost all failed once the funding by donor agency expired. In addition to the role of government, other non-government organisations also worked to address the problems that were revealed to be barriers to the promotion of entrepreneurs in Tonga.

The prolonged existence of barriers to entrepreneurship development was suggested to have some negative implications for the sustainability of socio-economic development in Tonga. The evidence indicated that the existence of barriers may drive entrepreneurs out of business, and given their weak financial position, indigenous entrepreneurs appear rather more vulnerable than Chinese-Tongans. These barriers may continue to limit the role of indigenous Tongans in making notable contributions to the socio-economic development of

Tonga in terms of wealth and employment creation. Moreover, the existence of barriers had discouraged the entry and involvement of indigenous Tongans in commercial activities that would assist the improvement of their well being and self sustainability.

The overall review of the study by Ritterbush has provided clear understanding of the factors that stood out to be the most pressing barriers that challenged the sustainability of entrepreneurship development in Tonga more than two decades. Some of these factors merit further investigation in consequent chapters of this thesis. The issue of poor governance in terms of leadership and financial control, as well as marketing problems needs further investigation, and indeed they are explored in the two case studies presented in Chapters Five and Six respectively. The barriers to decent work and labour market issues in Tonga are further investigated in Chapter Seven.

Chapter Five

Factors Affecting Family-Run Enterprises in Tonga: A Case Study of Si'i-Kae-Ola Enterprise

Preamble

Running a family business can be extremely rewarding, but while any entrepreneur assumes a certain amount of risk, the leader of a family business faces unique concerns and pitfalls. Although working with the people who are most familiar can make the work environment feel somewhat casual, there is, in fact, too much at stake to not take managing the business seriously. Doing so goes a long way to ensure the success, survival and health of both family and business (Finney, 1999:2)

5.0 Introduction

The Tongan economy has been dominated by family-run businesses ranging from large family enterprises operating more than one business activities to small retail stores located in the front yard of family homes. Large family-run enterprises have established diverse business activities, while smaller family-run businesses concentrate on a single business activity. Family-run businesses have been the largest sources of employment in the private sector. Large family-run enterprises with diverse operations have provided employment opportunities for hundreds of employees while small family operation employed only one person. Out of the total 34,560 persons employed in Tonga, 30,039 (86.9%) were employed in the private sector (including semi-government enterprises and statutory boards that were not classified under the civil service). Of this total, 25,239 (84%) were employed in family-run businesses, and the other 4,800 (16%) were employed in semi-government enterprises and statutory boards throughout (Tonga Statistics Department, 2003; MLCI, 2004).

As discussed in Chapter Four, a study undertaken in the early 1980s revealed some key problems that have hampered the development of indigenous entrepreneurs in Tonga (Ritterbush, 1986). Moreover, a number of studies have found the performance of the private sector in Tonga to be sluggish since the second half of the 1990s and in to the twenty first century (ADB, 2003; 'Akolo *et al*, 1997; IMF, 2004 & 2006; PIFS, 2003). Some of the factors identified to have affected the performance of the private sector in the 1980s were also found to remain the main barriers to successful performance of businesses in the private sector since the late 1990s. Two problems identified much earlier that still

exist in the private sector are ‘poor management and governance’ and ‘insufficient markets’.

Given that family-run businesses form the largest part of the private sector, the impact of these problems are serious impediments to businesses’ ability to develop and grow. Poor governance in most family-run businesses will threaten the longevity of operations given the size and the ability of the family to continue to financially support the business. Similarly, the existence of marketing problems may also pose serious threat to the development of family-run businesses. Consequently, any damage that these problems may cause in the operations of family-run businesses constitute a challenge to the sustainability of socio-economic development in Tonga.

In order to get a clear picture of how governance is addressed, and the extent of the marketing problems in family-run businesses, the Si’i-Kae-Ola enterprise (SKO) has been selected as a case study. In so doing, this chapter will investigate and discuss how the operation of this family-run enterprise deals with the issues of governance, as well as how they have handled the marketing problems. Hence, the objectives of this chapter are twofold. First, the chapter seeks to identify the nature and role of governance in this firm, and to explore the importance of marketing to the operation of the various businesses of SKO enterprise. Second, the chapter will attempt to unfold how the lack of addressing these two issues may affect longevity of the operations of SKO enterprise.

SKO enterprise is a family-run business that is solely owned by a Tongan entrepreneur and his family. It is registered under the Company Act 2002 as T.M. Fifita and Sons Limited. The story of this successful business journey dates back to the 1960s when a young man left junior high school (known in Tonga as the middle-school) in the very early stages and worked his way from scratch to be the most successful local entrepreneur in Tonga today. The business has four different subsidiaries and in 2006 employed one hundred and twenty local workers.

The development of this family-run business is well known in Tonga, and the selection of the firm for this thesis was based on how such an operation has survived this long. According to Lea (2006), a successful family-run business involves a mission statement and a strategic plan, although many smaller family-run firms have rejected the

idea as too much for them. The notion of having a mission statement and strategic plan are widely used as vital business tools, but in the case of SKO enterprises the states of the business today is dedicated to the ambition of the owner to succeed in what he is doing best. This is manifested by the long survival of this family-business, despite the absence of the so-called strategic planning and mission statements.

Family –Run Businesses Defined

A simple definition of family-run businesses draws on the ideas of Sir Adrian Cadbury who referred to them ‘...to include all enterprises that are owned, managed or significantly influenced by a family or families’ (Cadbury, 2000:5). Similarly, the definition offered by Sharma *et al* is ‘...a business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families’ (Sharma *et al*, 1997:2). Furthermore, Davis and Tagiuri emphasise the role of relationships in defining family-run businesses as “...organisation where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights” (Davis and Tagiuri, 1982:2). In attempting to put these definitions together to a worldwide perspective, Gallo suggested that “...family businesses are essentially the same in every country in the world relative to their problems, issues, and interest” (Gallo, 1994:8). Thus, for some, despite the differences in interpretation of what might defined a family-run business, their nature, interest and problems are similar in almost every country in the world.

Figure 5.1: A Layout of the Si'i-Kae-Ola Shopping Centre – Nuku'alofa

The above picture shows the wholesale building and rental office spaces. Below in the second building housing the supermarket at the ground floor and rental spaces in the first floor. The Si'i-Kae-Ola Shopping Centre is the largest in Tonga.

Pictures: Compliments of Saipeni Tui of Kramer Architecture Group (Tonga)

However, drawing from the above definitions, a definition of family-run business needs to take on a Tongan perspective for the purpose of this thesis. This is because the definition will take account of how families in Tonga are structured. It should be noted that some of the Tongan words are derived from direct translation of English words. For instance,

‘family’ in English is directly translated into Tongan as *famili*, which refers to the nuclear or immediate family and to consist of the father, mother and their children. The rest of the family comes under the category of *kainga* or ‘extended family’. As such, a family-run business could be defined from a Tongan perspective to be a business, which run and governed by either members of an immediate family (*famili*), or members of the same extended family (*kainga*). The involvement of the extended family (*kainga*) is what more significant in Tonga, (see for example, Evans (1999) for a comprehensive discussion on the construction of social groups or *famili* and *kainga* in Tonga).

5.1 Chapter Organisation

This chapter is divided into sub-section as follows. *Section 4.2* provides a background history of SKO enterprise, which discusses the type of ownership of the business and the management setting of the company. *Section 4.3* presents the various business operations under the umbrella of SKO enterprise and its development thus far. *Section 4.4* investigate and discusses how the notion of governance is addressed in decision making and, management of this family-run business, and how this has affected the operation of SKO enterprise. *Section 4.5* will explore the marketing problems encounter by each of the operations of the SKO enterprise, and how they may have affected the operation of the SKO enterprise. *Section 4.6* will discuss the various responses by the management of SKO enterprise in dealing with these two issues. *Section 4.7* will consider the implications of the SKO operations in relation the overall sustainable socio-economic development in Tonga. *Section 4.8* will provide a summary of the findings presented in this chapter.

5.2 Historical Background²⁴

The long history of the founder of SKO enterprise is among the most touching and interesting stories that could be found in the Kingdom of Tonga. The importance of the history of SKO enterprise is evident by the progress of its development and where it is now. Hence, it is worth a review of the biography of this entrepreneur. The founder of the SKO enterprise is Mr Tevita Misa Fifita also known as Tevita ‘Oto. Tevita grew up in a low-

²⁴ The information provided in the historical background is based on the recollections of the managing director in what he called ‘*Tohi Noa*’ or personal diary and two exclusive interview sessions which took place during the first round of the fieldwork in 2004, and in the follow up fieldwork in 2005.

income family in the island of Vava'u, the second largest islands of the Tonga islands group located to the northern side. His father died when he was nine years old and a German businessman by the name of Charlie Otto Sanft (*Siale 'Oto Sanft*) took him as his own. In 1965, Sanft and Tevita migrated to Tongatapu seeking further high school education since he was thirteen years old. There was no high school in Vava'u at the time. In Tongatapu, he attended Liahona High School, a Mormon School, but left after a few months.

In seeking a life for Tevita and to occupy his time, Sanft bought him a lawn mower and started a landscaping business. In interviews Tevita recollected how he started to learn engineering by trying to fix the lawn mower whenever it broke down. In his progress, he moved on to learn other mechanical work by observing engineering at neighbouring premises. He was soon successfully learning the skills and experiences that led him to build his own three-wheel car (*ve'etolu*) by using motorcycle with an extension for passengers to the front.

As Tonga started to become a tourist destination, the three-wheeler or *ve'etolu* was very popular for taxiing tourists throughout the main island of Tongatapu during their short stay. Tevita registered his three-wheel for commercial purposes and started his commercial career by driving tourists and locals around. In response to demand he later built a second three-wheeled vehicle. In 1975, Tevita had collected sufficient funds, supplemented by a donation from his adopted father to secure a second hand car for taxi purposes. Three-wheeled vehicles were starting to be phased out and cars were more popular by then. Tevita was in this business for two years. He had collected sufficient funds to start a small retail store of his own in 1977.

By this time, Tevita was married and had started a family in the capital. He added that his small retail store was well positioned, in the heart of the capital, Nuku'alofa. As the business grew, he brought his sisters and brothers from Vava'u to assist him in building up the business. It was at this stage in the late 1970s that Tevita Misa Fifita made a jump-start on his business journey.

The business was given the name of '*Si'i-Kae-Ola*' meaning '*Small but Successful*', a name that Tevita credited to the effort of Charlie Otto Sanft, as a token of love and memory of his beloved adopted father. In the 1980s, Tevita expanded his business to

import of used cars and vans from Japan, and later imported vehicle spare parts in response to demands. As the SKO continued to succeed in its operation, Tevita during the 1990s opened up two other car yards and established a mechanical workshop in Nuku'alofa, as well as car yard and spare part outlet in Auckland. At the beginning of the twenty first century, Tevita constructed the largest supermarket in Tonga, expand its wholesale business, and rented multi-office complex. As will be evident in subsequent sections, the history of SKO provides a clear picture of commitment and dedication of this indigenous entrepreneur.

The management structure of the SKO enterprise exemplifies the division of management roles among family members. It should be noted from the structure (Figure 5.1) that the managing director's brother is the manager of the largest operation, in recognition of his many years of experience working with the managing director in building the business. The other three operations are managed by each of managing director's three children. Most line supervisors are also either the managing director's close relatives or his wife's relatives, thus keeping the business in the family, in the wider Tongan sense of the term, as can be seen in Figure 5.2.

5.2.1 Type of Ownership and Management Structure

The SKO enterprise is a registered company and the shareholdings are divided among the whole immediate family. Ritterbush (1986:85) suggested that one of the crucial questions in Tonga is 'who managed the business?'. The case of the SKO will attempt to provide the answer for this question. As mentioned in the historical background, the Fifita nuclear family consists of six members, that is the parents and four children (two boys and two girls). During the course of the fieldwork, the owner was asked about the structure of the company as well as the division of shares, which he noted:

At the initial state of the business, I was the only manager taking care of almost everything. As the business excelled, my two brothers and one sister came from the islands of Vava'u after completing school and help me with organising the business but still under my management. Over time, three of our children finished school and they opted to help me with the operation. After attending a number of business training courses conducted by the Ministry of Labour, Commerce and Industries, and numerous discussions with my family members, I decided to register the company as a family business and divided the shares among myself, the wife and our four children. I personally believed that having them part of the business will make them work hard for their dividend and they

can build their individual life from there and continue to uphold the sustainability of the business for the sake of our future generations (Tevita Misa Fifita, Managing Director [MD] pers. comm. 2004).

According to the records of the Company Registration Division of the Ministry Labour, Commerce and Industries, the shares of the Si'i-Kae-Ola Enterprise (Tonga) Limited is divided as follows. Tevita Fifita (Managing Director) and his wife have twenty five shares each, while the four children have fifteen shares each (MLCI Company Registration data base 2005). When the managing director was asked why he decided to divide the shares among the members of his immediate family, he smiled and replied:

Well, that is the main purpose of the business now. I am getting older each day and it is about time to rest and have the family to take responsible of the business. I did not think of doing this in the first place but as time passed by and our children grew up very fast, I thought to myself that this will be my best present to my children and my future generations. Teach them how to run the business and treat it as their own and when my time is up, I will die as a happy man knowing fully well that I had left something for my generation to live with and hopefully they will continue to pass on the business to their children and the children of their children and so forth (MD pers. comm., 2005).

In having the family to strongly involve in the operation of the multi-businesses, three of the four children are managing each of the business operation. Tevita continued as the managing director of the whole SKO operation, while his eldest son managed the Workshop, the second son manages the car yards and the eldest daughter who resides in New Zealand manages the New Zealand operation. The youngest daughter is still studying in New Zealand. She is expecting to return and work in the business once her study is completed. The supermarket is managed by one of managing director's brothers who has been working in the business since the early 1970s. Although these managers are given the ultimate power of controlling their respective operation, they are still accountable to the managing director and mostly rely on him when complex business decisions are to be made. Figure 5.1 presents the organisational chart of the management structure of SKO enterprise.

A number of critical investigations have found that relying on family members and relatives may endanger the operation of family-run firms. Lea (2006) suggested that any family business should not take family members in the business for granted. This critique holds that family firms may employ family members and relatives to perform and achieve

what they expected of them at the managerial level without paying the right remuneration. This is referred to in Tonga as the *faka-famili'i* or *faka-'api'i*, which refers to family members and relatives who worked in the family business and do not get what they deserve, just because of family connections and their direct relation to the business. Their service is part of the family culture. This is a very common practice in Tonga.

Figure 5.2: Management Structure of Si'i-Kae-Ola Enterprise (Tonga) Limited

Source: Si'i-Kae-Ola Enterprises (Tonga) Limited Corporate Plan (2005)

When asked about this, the managing director agreed with the critique and suggested that it could exist in newly established family-run firms, as they strive to put the operation at a satisfactory level before they get what they deserve. He further elaborated:

That was true in my old days when we started off in the 1960s. My brothers and sisters came from Vava'u and we all worked in building the business. Remember that we did not have much in our hands and every one cent in those days was counted as a building block for the foundation of the business. We did not have fixed wages rate or fixed working hours and so forth. We worked round the clock in striving to establish this business. We shared whatever we got for the fulfilment of our daily basic needs and wants. It took a lot of sacrifices. As of today and the status of the business operations, every worker including my own children and relatives get what they deserved (MD, pers. comm. 2005).

The Managing Director's eldest son also supported his father's statement and noted:

You have to be honest to your family members or relatives being employed in the business. Do not think that they are family members and you can play with them, no. There is an obvious threat that could occur and may adversely affect the business. If you do not give family members and relatives the right remuneration and what they deserve, they can easily steal from the business (MW, pers. comm., 2005).

These personal comments clarify the position and attitudes of the managing director and his manager of the mechanical workshop toward employment of family members and relatives. Further clarification of these statements will be observed in later section of the chapter, when considering the views and opinions of employees, including family members and relatives, on the governance of the business.

5.3 Status of Development of SKO Enterprise

The history of the SKO enterprise revealed that the road to the diversification of business operations was not an easy process. Given the size of the local market and the status of the economy in the last two decades, the decision to engage in multi-business activities is argued to be a very hard and risky decision. Ritterbush (1986) revealed that the most successful entrepreneurs in those days were chief or nobles (*hou'eiki*) which related to their involvement in decision making and proximity to land. Further, in the same era Hau'ofa described "desiring to move away from the old and familiar order toward something different" (Hau'ofa, 1978:161). Although the founder of SKO is not a noble or have any relation to the chiefly ties in Tonga, he took the initiative at his own risk, as he quoted:

Although my engagement in the wholesale and retail businesses was seen to be reasonably successful, I never took my mind off from what I did best as being a mechanic. Despite knowing it would be hard, I was confident and believed in myself that I can do it, thus gave it a go. To be honest, it was never a free run, but I kept on moving and with the good support of my family and relatives we attempted to overcome every challenge that came our way, and this is where we are now. It took a lot of courage, prayers, faith and most of all, family togetherness (MD pers. comm., 2004).

In the follow-up fieldwork in 2005, he offered the same views. Despite the success of running the retail store as the main business operation, the managing director still looked at mechanical work as an alternative for a second business. He started up a small mechanical workshop behind his store. He did not stop there but moved on to import spare parts for his

workshop, given that the demand was very high. At this stage, the managing director finally linked to Japanese manufacturers, which he emotionally stated:

This was a move that I will never forget in my entire life. When I decided to go to Japan, I was very frightened given that I did not know anybody there, no connection with a company as yet or even understand a single word of the Japanese language, and my English communication was only average. I then asked a personal Tongan friend to come with me to Japan and he was the one doing our communication in the English language only. It is a long story but I will make it short. We got lost in Tokyo but we did not give up and after two weeks we managed to talk to few people and that is where the connection started. It is a very emotional story to remember but that is how I started this motor vehicle business (MD pers. comm., 2005).

At first, he brought old cars from auctions in Japan and fully reconditioned them in his workshop before selling to customers. He moved on from there to importing all types of cars, vans, buses and trucks tailored to the demand of Tongan and foreign customers in Tonga and in response to demand from squash farmers. Given the potential, he leased lands from various landholders for the expansion of his motor vehicle business.

By the late 1990s, the workshop had expanded and he had established four different car yards in Tongatapu. He also purchased another car yard in Auckland New Zealand. In early 2003, Tevita Misa Fifita opened the doors of the biggest shopping centre and office complex in Tonga, still under the same name of Si'i-Kae-Ola or *'Small but Successful'*. These multi-businesses are still under the directorship of the same managing director, with the assistance of his wife and four children who managed the various branches both in Tonga and in Auckland, New Zealand. During the course of the fieldwork, all the SKO business subsidiaries were in operation.

5.4 Factors Affecting SKO Operations

Despite the successful diversification and development of the SKO multi-businesses, it was not a problem free journey. The managing director explained during the interview how some of the philosophy that he inherited from his adopted father turned out to be contrary to this family-run business.

The managing director noted:

I was taught by my father to continue to employ family members as a value of this business. However, the biggest problem encountered by almost all of my operations was caused by some of my close relatives who were employed in the business. They stole our stocks, misused the funds and failed to pay their credit account or *mo'ua*. We have lost a lot of stock that worth thousands of *pa'anga*. They are my relatives and I cannot take them to Court to recover the money. All I have done is dismissed them from work (MD, pers. comm., 2004).

The managing director also acknowledged that the engagement of Chinese-Tongan in the wholesale and retail businesses had put more pressures on competing for market shares in the domestic market. Ritterbush (1986) identified the small size of the domestic market to be a common barrier for entrepreneurship development in all business sectors in Tonga.

The managing director of SKO wrote:

The marketing problem is one of the major challenges encountered by various operations of our business. There are more competitors now than before, especially the engagement of Chinese-Tongans in the same business that we are doing. However, this is a game that only the fittest will survive (MD, pers. comm., 2004 & 2005).

The two statements by the managing director suggested that some element of poor management occurred in their operation manifested by the action of some of his close relatives employed in the business. In addition, the marketing problem also stood out to challenge the operation of the multi-businesses of SKO. Further investigations of these two key problems are presented in the next subsections.

5.4.1 Family Culture Values may Cause Weak Governance

The setting of the SKO management teams shared that all the business operations are well under control. Like any other family-run business, however, SKO enterprise has encountered some challenging problems. When asked whether there were problems in their operation, given the status of their development, all of the managers who were interviewed confirmed that there had never been a problem-free period in the years of their operations.

The managing director further noted:

SKO is no different to other businesses in Tonga. The economic problems of tough competition and so forth are obvious, but our internal problems are much more severe. We are so fortunate to have overcome some of the problems and still survive. The biggest problem that we

faced is dealing with family employees. Each of my managers will explain the internal problems that have challenged our operation (MD, pers. comm. 2004).

The supermarket manager elaborated on the managing director's comment as he quoted:

We had a big problem with stealing of our goods from our warehouse and even in the supermarket. You probably know that about ninety per cent of total employees in the supermarket, the warehouse and the wholesale are our own relatives. A lot of stealing occurred since we expanded the operation to this stage. We relied on them to do the work but some of them took advantaged of that trust and stole a lot of goods from our operation. It is sad that we loved them and expected their love in return, but not all did. The worst thing is, we did not take them to court in order to recover the stolen goods but all we do was to fire them and some were sent back to our island (MS, pers. comm., 2005).

However, when they were asked of why such actions were taken rather than taking them to court. The manager Workshop and Spare Parts stated:

That is one aspect of our culture that we should try to stop when it comes to running a business. These people were either our first cousins or second cousins and they were let off the hook because of the family values and culture. This business cannot afford to go on with such a philosophy and a repercussions definitely endangered the longevity of the business (MW, pers. comm., 2005).

The manager of the car yards further elaborated on the same issue and explained:

Our relatives and friends expected too much from us. They asked for too much credit borrowing. Church obligations were always the reasons. Some of them never pay. I do not opposed the culture of church donations or called for complete overhaul of the Tongan culture but it is our role to make our relatives and friends understand the danger involved in such business practices (MCY, pers. comm., 2005).

These statements suggested how these managers valued the family culture despite knowing that such practice endangered the survival of the business. The testimonials provided by these managers on the internal problem caused by having to respect their family values and the Tongan culture at large had weaken the governing positions of SKO. Hence, weak governance had challenged the operations of the SKO enterprise multi-businesses insofar as organisational structures and processes limited by cultural factors. The managing director noted that he could not let go of those values, referring to the employment of family members and relatives, which has been part of the business from the very beginning. A number of studies in the literature have explored the likely

impact of culture on family-run businesses. Dyer (1986) revealed when studying family-run firms in the United Kingdom that family members employed in some family businesses have a particular company culture that is strongly based on inclusiveness, loyalty, and mutual trust. Similarly, Ritterbush (1986) noted that many owners of small family businesses in Tonga considered employing family members, relatives and long-time friends as a good management practice to rely on for the longevity of business operation.

Yet the experience of the SKO confirmed the outcome of Ritterbush's finding in the early 1980s. It is evident from this experience that over-reliance on family members, relatives and long-time friends can be problematic in family-run business operation. Nonetheless, a critical analysis of the various statements provided by the management team of SKO indicated that occurrence of the problem stemmed from weak management practices in the company. This means that the failure of the management team to adopt management policies that would guide all employees (relatives and non-relatives) had weakened their governance positions. In addition, the statements also indicated that the management team relied on and trusted their relatives, thus expecting them not to steal from the business. As noted by non-relative employee:

Some of the employees related to Tevita often worked unsupervised, and they easily accessed to the warehouse and containers. I think they were trusted by the managers but some of these employees used that trust as opportunities to steal from the business (Non-relative employee, pers. comm., 2005).

A retailer who has been a long time customer of the SKO explained how he saw the problem of stealing of family members in the SKO businesses, as lack of supervision and proper management policies. He stated:

I think there were lack of supervision and proper policies in managing family employees in the SKO. On a number of occasions some of these employees tried to sell to me some of the goods at cheap prices but I refused to accept, as they may have been stolen goods. This is particularly occurred in the delivery trucks where they have the opportunities to sell stolen goods at cheap prices when they are on their normal delivery routines (Customer, pers. comm., 2005).

The above evidence indicated that family employees took advantages of the lack of proper management practices to steal from the company. It is also evident from these statements that family employees also misused their family status knowing full well that they would

not be prosecuted if they were caught. The managing director confirmed that he had tightened up their management practices after some of his relatives were sacked from work for stealing. He also admitted that the problem encountered by the business as a result of improper management practices and their reliance on family employees.

Hence, the experience of SKO demonstrates how family-run business as may be prone to weak governance, as a result of inheriting traditional family cultures and values. As suggested by the managing director of SKO, it was an obligation for him to employ family members, relatives and friends, and to promote their socio-economic well being. However, the failure of the management team to adopt proper management practices and to impose strict supervisions on all employees resulted in the lost of thousands of Tongan *pa'anga* in stolen goods.

Moreover, the experience of weak governance in the SKO also attest to the way many family-run firms continue to value the Tongan family cultures, and that these affect the ways of managing the performances of their businesses. The distortion performances of family-run businesses poses a challenge to sustainable socio-economic development in Tonga. Ritterbush (1986:72) revealed how the over-commitment of Tongans to church obligations and other family obligations and activities adversely affected the development of Tongan entrepreneurs. Further, James (1993) noted that despite the continuous expert criticisms of Tongan people for over spending in cultural and church obligations, Tongan people took it as an unshakeable cultural practice and ignore the criticisms. James summed up what many Tongan people said: “This is what makes us Tongan: this is what we do” (James, 1993:217). The effect of deep commitment of Tongans to their traditional values on governance of family-run businesses may seem ambiguous, but it is clear that management decisions are geared toward allowing the fulfilment of cultural obligations. It is in this respect that weak governance is seen to be associated with the Tongan way or *anga Faka-Tonga* in family-run businesses in Tonga.

5.4.2 Insufficient Markets – Too Many Competitors

The managing director of the SKO enterprise also acknowledged that marketing problems have affected the performance of his multiple operations. Although Ritterbush (1986) revealed the size of the domestic market to be a major problem encountered by most

entrepreneurs, the managing director of SKO had suggested that the marketing problem is much worse in 2005 than it was in twenty years ago, at least in the areas of business done by SKO (MD, pers. comm., 2005). These business activities include wholesale and retailing, motor vehicles retail, and motor vehicle spare parts. The managing director stated:

The domestic market is very small and there are too many competitors in our areas of business. There are too many wholesalers and some of them are very strong competitors. I once dominated the domestic market in the 1980s but today, it is a different story. Retailers are shopping for the lowest prices that would give the best profit, and loyal customers are a thing of the past. My other business operations encountered the same problem, as there are too many vehicle importers, as well as vehicle spare parts retailers (MD, pers. comm., 2005).

The records of the Trading Licence Division of the Ministry of Labour, Commerce and Industries, shows the number of businesses throughout Tonga that share the domestic market with the various businesses of SKO enterprise, as presented in Table 5.1. The table shows a total of 43 wholesalers in Tonga, where 32 wholesalers of general merchandise in Tongatapu, 5 in the islands of Vava'u, 2 in Ha'apai, 2 in 'Eua, and one each in the two Niuafoou (MLCI, 2005). In the retail business, the record shows a total of 1,174 retail stores in the whole of Tonga, where 970 retail stores located in Tongatapu, 117 in Vava'u, 52 in Ha'apai, 25 in 'Eua, 3 in Niuafoou and 2 in Niuafoou (MLCI, 2005). The small population size, 78,139 in Tongatapu and 17,249 in Vava'u, for example emphasise the competitiveness in the domestic market.

Table 5.1 – Number of business sharing the domestic market with Si'i-Kae-Ola

In the motor vehicle business, there are total of 12 motor vehicle importers with 8 located in Tongatapu and 4 in Vava'u. There are a total of 18 motor vehicle spare parts outlets, where 11 are located in Tongatapu, 4 in Vava'u, 2 in Ha'apai, and 1 in 'Eua. There are no spare parts outlets in the two Niuas, but they normally get their spare parts from either Tongatapu or Vava'u (MLCI, 2005).

According to the managing director of SKO, their wholesale business has encountered a lot of competition from other wholesalers. His most feared competitors are the Chinese-Tongans wholesalers. He noted:

The Chinese-Tongans wholesalers entered the market very strongly and they have taken some of our market share. They used kind of techniques to control the wholesale market. They also used their proximity to Asian manufacturers in Indonesia and Mainland China to import cheap goods in bulk of containers for their wholesale businesses. They seemed to work as an association, and they never run out of stock. I am a bit concerned about the future of the wholesale and retail businesses but I am not giving up as yet (MD, pers. comm., 2004).

The manager of the wholesaling operation and supermarket over raised his concern on the severity of competition encountered by the SKO. He was asked if he had looked at their operation and the impact of competition from other wholesalers and retailers throughout Tonga, and he replied:

We have lost a reasonable number of customers, especially retail stores in rural areas of Tongatapu and the islands of Vava'u. Our delivery records shows that some customers in rural Tongatapu only buy foodstuffs and no longer buy other goods, which means that they are buying from other wholesalers. We only have one customer in Vava'u and none in the other islands. The changing pattern in our wholesale only occurred in the second half of the 1990s where the involvements of Chinese-Tongans businesses were most notable. The sales pattern in the supermarket is marginal, and the impact of competition from other retailers in the Nuku'alofa area is widely seen but we still managed to survive (MWS, pers. comm., 2005).

A long time customer of SKO was also interviewed during the fieldwork on how he looked at the marketing problem encountered by SKO. He noted:

I am not surprise with the problem encountered by SKO and other wholesalers. I had worked with them for more than ten years and still remained one of their largest customers in the Nuku'alofa area. Some of the Chinese-Tongan wholesalers offered cheaper prices than SKO but I continue to wait for the SKO deliveries to arrive. I know some other retailers in this area no longer buy from the SKO deliveries and have switched to Chinese-Tongan deliveries (ST, pers. comm., 2005).

With regard to the motor vehicle and spare parts businesses, the managing director also expressed concern about the extent of competition that he faced. Local Tongans living overseas who also compete very strongly. The managing director said:

My company is the largest importer of used vehicles from Japan to the Kingdom, and I have been in this business for twenty years now. I once controlled the market but since the year 2000 sales started to decline as a result of entry of new rivals. Two of the new rivals are Tongan rugby players residing in Japan and have entered the market very strong. Indeed that took away some of our business shares. The same thing occurred in the spare parts business. In this respect, whoever offer the best price will get the business (MD, pers. comm., 2005).

The manager of the car yard confirmed the managing director's statement and further elaborated:

There are too many vehicles in Tonga now and customers have a lot to choose from. However, prices are the main key in getting customers. Some times we have to lower our profit margin in order to remain competitive. In addition, we allowed hire purchases to people with permanent employment and other reliable people such as commercial farmers. We are aware of the danger of hire purchase and have had problems with some of our customers, but this is the only way that our business could stay afloat in the face of strong competition, and in a very limited market. In addition, we always hope for a good squash season every year, as this is when commercial farmers pay off their debt and sometimes replaces old vehicles (MCY, pers. comm., 2005).

These statements have indicated the seriousness of the marketing problems encountered by the SKO. The managing director and his two managers also noted that they only encountered the marketing problems in the second half of the 1990s, since many Chinese-Tongans competitors had become very active in the market. As discussed in Chapter Four, the influx of Chinese-Tongans entrepreneurs is a barrier to the development of indigenous entrepreneurs.

It is arguable that the marketing strategy of 'hire purchase' or 'credit sales' adopted by the SKO could affect the business at some stage. The managing director has confirmed that some of their relatives and friends had also failed to honour the arrangements to pay for their vehicles in instalments. As a result some vehicles are repossessed and are then sold in lower prices.

In addition, the link of Chinese-Tongan entrepreneurs to Asian manufacturers, as well as the two Tongan rugby players in Japan indicated that there are potential for their respective businesses to grow. Hence, there is no quick solution to the marketing problems of SKO but continue to compete with these rivals. Although the marketing problems

appeared unavoidable, the managing director and his managers all agreed that they will continue to employ every appropriate measure that would improve their market shares and put them in a competitive edge. It is in this respect that the marketing problems stood out as a barrier for the sustainability of the SKO operations.

5.5 Responses to Problems by SKO Management

Business responsiveness has been articulated by Preston and Post (1975), Wartick and Cochran (1985) and Wartick and Mahon (1994), as the abilities of managements of a company or organisation to proactively respond to internal and external issues that may affect the performance of the company. Hence, the ability of management of a business to take appropriate actions that would enhance the growth of the business as well as ensuring its long-term operation is vital. This means that once an opportunity is available for the business, management may response quickly to capitalise on opportunities. By the same token, the ability of the management to quickly respond to any threat to the business will limit or avoid potential problems that may occur.

The managing director and his managers have adopted some measures in response to the various business environment conditions in the Tongan economy. As discussed earlier the involvement of Chinese-Tongan merchants in the wholesale and retail businesses have taken away some of the wholesale and retail markets from SKO. When the manager of the wholesale and supermarket was asked what they did in response to this problem, he replied:

The Chinese merchants are buying in bulk containers at very good prices from East-Asian manufacturers, especially Indonesia. We seemed to be at a competitive disadvantage because most of our goods in the supermarket, and the wholesale were either from New Zealand or Fiji. In response and in order to survive in the wholesale and retail business we have to go to East Asia as well. We now import from Indonesia and Mainland China and we are back in competition with the Chinese (MS, pers. comm., 2005).

The managing director of SKO enterprise discussed how his responsiveness to growing demand for affordable motor vehicles convinced him to diversify their business activities immediately, despite the risk. The managing director further described:

One of the largest moves that we made was our decision to move into expanding our car yard and import in large quantities. This was a quick move once we realised that the demand for motor vehicles predominated the Tongan market. This coincided with good squash production and people were looking for variety of vehicles to choose from. We took the risk in response to high demand from the market, and the severity of competition. Our main strategy in the vehicle and spare parts businesses is importing affordable vehicles and parts (MD, pers. comm., 2005).

Another testimony for the importance of responsiveness by the management of SKO enterprise was the decision to establish a branch in New Zealand. The managing director realised that there were growing numbers of Tongans and other Pacific Islanders in New Zealand, especially in the North Island. He responded by deciding to establish a branch there.

We realised the growing number of Tongans and other Pacific Islanders in New Zealand and saw that as a niche market that was worth trying. Currently, our largest customers are Tongans and other Pacific islanders. I personally believe that we made the right response (MD, pers. comm., 2005).

Based on the above statement and the analysis of the various operations of the SKO multi-business operations, it seems that the abilities of the managing director and his family to quickly respond to the growing demands of various sectors of the developing economy of Tonga have played a major role in the long term survival and success of this family-run enterprise. It should be noted that the greater involvement of Chinese-Tongans entrepreneurs in the wholesale and retail businesses have posed enormous pressures and intensified competitive environment in the business sector in Tonga. However, as manifested from the above testimonies, responsiveness to the market conditions is very important in ensuring survival of family-run businesses.

5.6 Implications for Sustainable Socio-Economic Development in Tonga

The SKO enterprise has not only survived and flourished. It has also played important roles in terms of wealth and employment creation in the Tongan economy. For instance, it was noted from the fieldwork that seventy per cent (84 employees) of the total employees at the SKO multi-business operations have been employed for more than ten years. Hence the

sustainability of their income played a big role in fulfilling individual and family needs, as well as fulfilment of community and religion obligations.

It is now useful to examine how the barriers discussed in the previous section may have affected the sustainability of the operation of SKO, and its implications for sustainable socio-economic development in Tonga. In so doing, there are two implications worth investigating in this section. First, the sluggish performance of SKO slows down the contribution of the company to the economy in terms of taxes and duties. Second, these barriers have also created a changing pattern in the SKO employment strategies.

5.6.1 *Lack of Contribution to Government Revenue*

The managing director and his managers have indicated that existence of the barriers of weak management and marketing problems have slightly affected the performance of all businesses of SKO. One indication of distortion performances of SKO enterprise is manifested by reduction in imports by the company. The managing director noted that they normally import six containers of foodstuff and general goods every month, one container of spare parts, and at least fifty motor vehicles every month. The company paid hundreds of thousands dollar (*pa'anga*) in import duties, port and services tax, and consumption tax. However, the changing market conditions saw a reduction of two containers and the company currently imports only three containers. The manager wholesale and supermarket said that they only increased to four containers in preparation for occasions such as the Christmas and New Year celebrations, and church conferences during the months of May and June of every year.

Like most countries, Tonga's main local source of government revenue comes from excise duties and various forms of taxes. As one of the largest importer of foodstuffs, general merchandise, motor vehicles and spare parts in Tonga, the contribution of SKO enterprise to the general revenues of the Tongan government is important. However, impact in the performances of the various businesses of SKO enterprise may reduce its contribution to the government revenues, and the economy as a whole.

5.6.2 *Changing Employment Pattern of Employees*

The existence of barriers in the operation of SKO also had some impact on the employment strategies of the company. This is seen in the changing pattern in the employment status of employees. The managing director noted that they have suspended the recruitment of new employees, while some of their existing employees are now employed on a part-time or casual basis. This new employment arrangement occurred in the mechanical workshop, delivery services, and in the wholesale and supermarket. The manager of the wholesale and supermarket also said that this is the only way that can keep their employees. He also noted:

This is only a temporary exercise as we try to stabilise our financial positions. As staff salaries is one of the largest items of expense of the company, we always look at reshuffling our staff when it comes to situation like this (MS, pers. comm., 2005).

The above statement suggested that problem appeared unavoidable, and employees are vulnerable to any changing conditions in the company's performance. Some of the employees in the SKO enterprise are sole income earners in their families. Hence the changing pattern in their employment status affected their purchasing powers and abilities to meet other family expenses, such as school expenses, payment of electricity, telephone, water and gas. Some of the employees have bank loans and portions of their salaries and wages were deducted by the banks, and they were left with the other half for the fulfilment of their end needs. It is in this way that the socio-economic well being of employees of SKO enterprise is affected, and their inability to fulfil other obligations also affected the sustainability of socio-economic development for families, as well as in the church and community obligations.

5.7 Chapter Summary

The chapter presented a case study based on the operation of a family-run business in Tonga known as the Si'i-Kae-Ola Enterprises. The chapter provides a background history of the company and how an early drop out intermediate school student built a fortune from scratch. The structure of management, performances and other management practices in the SKO enterprises was examined in the quest of revealing the important role of family-run firm in the socio-economic development in Tonga.

The status of development of the SKO was also presented to have diversified from a small retail store wholesale business, to importation of motor vehicles, and more recently the largest supermarket in Tonga. Given that the theme of the thesis focussed on the sustainable socio-economic development in Tonga and the challenges that have hampered the process, this chapter investigated the barriers that have affected the performance of SKO enterprise. In so doing, the chapter identified how family culture and values caused 'weak governance' and poor management processes. In addition, the marketing problem was also found to be major barrier affecting the performance of the various business operations of SKO enterprise.

The occurrence of weak governance was seen in the failure of the management team of SKO to adopt appropriate policies to monitor the performance of family members and relatives within the company. The managing director acknowledged how the business lost a lot of money in stolen stocks and were later found to be his own relatives being employed. The managing director and his managers admitted that they trust and relied on their relatives to help them out with promoting the business, but they later found out they were the trouble makers in the business. Some of these employees took their family status as opportunities to benefit from stealing, but cultural factors meant they were unlikely to be charged, precisely because of the same family obligations.

In addition, the chapter investigated and discussed how the marketing problems affected the performance of the various businesses of SKO. The managing director confirmed that his various businesses are affected by the competition for market shares, especially with the involvement of Chinese-Tongans in the areas of their business. The performance of the vehicle retail and spare parts businesses were also found to have been affected by the strong competition from new rivals. The various measures adopted by the management of SKO in to counter the problems that had affected their performances were also seen to contribute to the longevity and sustainability of the performances of various operations of SKO enterprise.

However, the case study endeavoured to highlight the implications of the occurrence of barriers for sustainable socio-economic development in Tonga. As a result, it was found that there has been a reduction in the contribution of SKO enterprise to the overall government revenues. This is seen in the reduction in monthly import, which meant

reduction in payment of excise duties and taxes. In addition, SKO was also found to be unable to recruit more employees and a reshuffle in the working conditions of existence employees. The chapter concluded that the SKO enterprise as a family-run business has an important role to play in the sustainable socio-economic development in Tonga. However, the continuation of barriers has hampered the performance of its various operations to some extent. Some policy recommendations are suggested in Chapter Eight of the thesis, in the quest for improving the performance of family-run businesses in Tonga.

Chapter Six

Barriers to Development of State Owned Enterprises in Tonga: A Case Study of the Demise of the Royal Tongan Airlines

Preamble

Public enterprises play a major role in the Pacific Islands. Most Pacific island governments have been concerned about the poor performance of their public enterprises and have introduced management reform projects... (McMaster, 2004:1).

Twin Otters – Domestic Services

Boeing 757 - International Services

6.0 Introduction

Like other developing countries, the Government of Tonga has a number of investments for the purpose of generating revenues to assist the government in executing its functions and to reduce reliance on government annual budget. As ‘Utoikamanu suggested: “...the importance of public enterprise reform to improve the efficiency of these enterprises and significantly reduce their share of the public budget” (‘Utoikamanu, 2006:76). The Government of Tonga had a total of thirty two public enterprises at the end of 2005, after streamlining government investment and privatising some of the businesses that were no longer viable for the government. In the middle of 2006, the government also undertook a major overhaul of public investment by revisiting operations and dismantling some of the boards of directors (‘Utoikamanu, 2006). Following this move, a new Ministry of Public Enterprises was established and of a new Minister for Public Enterprises was appointed with a mandate of overseeing the performance of public investments (Prime Minister’s Office, 2006). The new structure is a direct response by the government to the sluggish performance of some of its investment, and the failure of many board of directors to

comply with the Public Enterprises Act in terms of providing annual report and payment of government dividends (‘Utoikamanu, 2006).

Public enterprises were seen to be important in the process of sustainable socio-economic development in Tonga. This was seen in terms of being a wealth creation mechanism of government, as well as providing employment opportunities for many Tongan people. Some of the largest public investments, including telecommunications, water services, and broadcasting services employed hundreds of people, while smaller departments provided reasonable employment opportunities for both indigenous Tongans and foreign expatriates.

The concern of the Tongan government over the performance of some public enterprises is well articulated by the experience of the failure of the Royal Tongan Airlines (RTA) in 2004. The RTA was one of the largest investments by government, and it was the only national airline serving the country in both domestic (since the late 1980s), and later in international services in the late 1990s. As the sole shareholder of the RTA, the government continued to finance the operation of the company including the lease of two aircraft from New Zealand and Brunei at two different times to provide international services. A number of reports by KPMG, an independent accounting firm based in Fiji, and a Royal Commission of Inquiry (RCI) established by the Privy Council, raised serious concerns over the sustainability of this government investment (KPMG, 2002; Edwards, 2004). In addition, criticisms from politicians challenged the government’s continuation to provide financial assistance to the company. Although the government was concerned about the reports and criticisms, it continued to inject funds as required by the RTA.

However, the fate of this government investment came at the turn of the twenty first century. The RTA encountered financial difficulties that continued to affect the efficient and effective execution of its services, particularly the international services to New Zealand, Australia, Hawaii, Niue, and the Cook Islands. The company continued to seek financial assistance from the government to keep the company afloat, especially in meeting the cost of leasing of the Royal Brunei B757 aircraft. In early 2004, the Tongan government was no longer able to provide financial assistance, which resulted in the repossession of the B757 aircraft by the Royal Brunei Airline. RTA ceased international services on 22 April 2004. The domestic services were also ceased on 5 May 2004. All

international and domestic offices closed and all employees were laid off on the same date. In early June 2004, RTA was declared bankrupt and a liquidator was appointed to process the liquidation of the company. The liquidator estimated that RTA still owed the government fifteen million *Tongan pa'anga* of investment, landing fees and airport charges. Other customers and passengers associated with the company at the time of its collapse still await the refund of unused paid tickets and payment for services already rendered to the company.

It is in this respect that investigation of the various factors that have affected the performance of the company, and so led to its demise are conducted in this chapter. Investigation of these factors also provides some insights on the impact of the collapse of the RTA to the sustainable socio-economic development of Tonga (KPMG, 2002: Edwards, 2004).

6.1 Chapter Organisation

To put the case study into perspective, the content of this chapter is divided into various sections in two major parts. The first part of the chapter provides a background history of RTA, and a description of the general operation of the company. The second part investigates the phenomena that were responsible for the demise of the national airline, and its implications for the sustainability of the company's operation, as well as for the wider socio-economic development in Tonga. As such, *Section 6.2* provides a background history of the RTA. *Section 6.3* presents the management structure of the company, and the composition of the board of directors, and how the company was run and managed. *Section 6.4* will discuss the main strengths of the business, which will enable an explanation of the managerial decisions that led the company to move in to the international market

In *Section 6.5*, the chapter will investigate the extent of the existence of two most important features that were revealed to be responsible for the demise of the RTA. These barriers include 'weak governance' and 'market deficiencies'. *Section 6.6* presents the various responses by management to counter the factors that may have affected the operation of the company. *Section 6.7* provides a discussion of the implications of the failure of the company for the sustainability of socio-economic development in Tonga.

Section 6.8 will offer a summary of the finding of this chapter and its contribution to the whole thesis.

6.2 Background History of Royal Tongan Airlines

The history of the company goes back to late 1985, when the Tongan government took over the operation of air services from a local entrepreneur who gave up the operation of this service (Edwards, 2004). At this time the airline was known as Tonga Air. The government took over and renamed the company as the Friendly Islands Airways (FIA). The company was given the name of Royal Tongan Airlines (RTA) in the early 1990s, and remained with that name until its operation ceased in 2004. At the date of the cessation of services, the company had opened up regional offices in New Zealand, Australia and representatives in the Cook Islands, Niue Islands and Hawaii. The company owned two eighteen seater twin otters, and a hangar, and employed up to two hundred and twenty four employees, as pilots, cabin crew, ground staff and the management team of different nationalities, although the majority were local employees (KPMG, 2002; Edwards, 2004).

The RTA was the only national airline of the Kingdom of Tonga and was exclusively owned by the government. The national airline was registered as a corporate company and was operated under a board of directors appointed by the Prime Minister (PM) of Tonga in cabinet. The board consisted of both government and non-government officials. The initial setting of the board of directors for the RTA consisted of three Cabinet members, two representatives from the private sector, the RTA Chief Executive Officer (CEO), and a company secretary. The board of directors made almost all of the decisions relating to the operation of the airline including the appointment of the CEO and other senior officials of the company. The board of directors also endorsed and confirmed the appointment of staff members on the recommendation of the CEO and line managers.

The company was fully financed by the government at the initial set up and funds were injected whenever necessary. The reports by the Royal Commission of Inquiry (RCI) and KPMG found that the Government had stepped in several times to financially support the RTA, as monthly cash flows were insufficient to cover the cost of operations (Edwards, 2004 and KPMG, 2002). Its main business was focussed upon domestic services between the outer islands, which were essential for Tongan population residing in those islands,

given the distances and the infrequency of sea services. After eleven years of operation as the sole operator of domestic services, the company underwent a reshuffle in 1997 and made their first move to the international arena. The company chartered a 767 airliner from New Zealand and commenced the operation of daily services to Auckland and twice weekly services to Sydney.²⁵ A series of problematic decisions and some omissions in management oversight then led the airline into great difficulties and significant losses for the government.

After three years of international operation, the government auditor revealed that the international service was operating at a serious loss and recommended that international services be ceased immediately. The boards of directors agreed and the 767 aircraft was returned to New Zealand in October 2000, while RTA concentrated on providing domestic services. The board of directors also decided to terminate the appointment of the CEO, despite two more years remaining on his contract. Shortly after his release, the CEO filed a lawsuit against RTA for early termination of his contract, and sought damages to his reputation that involved an undisclosed amount of money. The board of directors had a dispute over this case and while awaiting legal advice on the matter the PM intervened. He ordered the dissolution of the old board of directors in 2002, and appointed himself as the chairman of a new board of directors. The new board of directors decided to settle the lawsuit out of court and approved the reinstatement of the plaintiff to the CEO position. This action was taken and the plaintiff withdrew the lawsuit and resumed duty as CEO on January 2002 (Edwards, 2004).

Upon his return from Brunei after discussing the possibility of leasing an aircraft from the Royal Brunei Airline, the PM recommended to the government in Privy Council that that RTA lease a Boeing 757-200 from Brunei. Despite the Privy Council's decision to delay the lease of the aircraft, the PM ordered the processing of the lease, and the aircraft arrived in Tonga on November 2002 (Edwards, 2004). The daily services to Auckland resumed, as was a weekly service to Sydney. A weekly service to Honolulu was also planned but the management was still in the process of seeking the approval of American authorities. The aircraft was still operated by pilots and cabin crew of the Royal Brunei

²⁵ Noted in the Board Minutes of August 07, 2002, as presented in Royal Commission of Inquiry Report 2004.

Airlines until such time that Tongan employees were fully trained and could take over (Edwards, 2004).

The company entered the international arena competing with Air New Zealand, Air Pacific, and Polynesian Airlines. The company continued to encounter marketing problems, as the other airlines were already well established so it took a while for RTA to start gaining market shares. However, the government ceased its financial support to the company, which resulted in the repossession of the aircraft by the Royal Brunei Airlines on April 2004.

As is shown much more extensively in later sections of the chapter, the events which led to difficulties in running of RTA demonstrate the nature and significant impact of 'weak governance' on the decision making process. This was despite the fact that government owned enterprises, may be seen to have more flexibility in some respects than purely private sector organisations. Despite being corporatised and operating as a private airline company, the government still had an influential role in this operation, as will be observed in later parts of this chapter.

6.3 The Management Setting

The PM in cabinet, appointed himself to be the Chairman of the new board of directors in place of the ousted Minister of Finance in 2002. Other members were the new Hon. Minister of Finance, and the Governor of Vava'u. Additional members included the Managing Director of the Tonga Development Bank, the CEO of RTA and the Company Secretary (Edwards, 2004). The composition of the board of directors is what McMaster revealed to be typical in public enterprises of most PICs, since he had noted that government ministers and members of parliaments are often selected as board members (McMaster, 2004). Such appointments are an additional role to their already crowded responsibilities in their fulltime jobs.

According to the Company's Corporate Plan 2002-2005, the primary role of the RTA's board of directors was to protect and enhance the Government's investment through strategic supervision of the company's operation. As trustees for the Government investment, board members were mandated to ensure that the company had clear goals in ensuring the sustainability of the company and maintaining good value for the Government, as the sole shareholder. The board members were also required to set strategic goals and

seek accountability. They were also required to provide direction, and exercise control to ensure that the company was managed in a manner that fulfilled the government's aspirations as primary stakeholder, as well as citizens' expectations that the operations would be of indirect benefit to the people as a whole.²⁶ Interviews with a number of Tongan politicians who closely followed the operation of the RTA, revealed their views that none of these roles were properly fulfilled, and that these shortcomings were alleged to be central to the decision making process of the board of directors (Moala, 2004; Edwards, 2004; Saulala, 2004; Fonua, 2004). This allegation is further investigated later.

The diagram in Figure 6.1 presents the organisational structure of the RTA in 2002. Like any other corporate setting, the board of the directors is at the top of the structure and is the supreme power in the operation of the company. The CEO directly answered to the board of directors. The company recruited a marketing consultant to work with the CEO and marketing staff in the quest for gaining more market shares by the company. There were six line managers, each responsible to their line of operation and reporting directly to the CEO. All sections have line supervisors who report directly to line managers. However, in a later reconfiguration of the company, the engineering section was merged with administration division and all works were outsourced to a private company owned by the former manager of the engineering division.

Figure 6.1 is the initial setting of the company but what is important here is to examine how the line of communication existed and whether any break in the lines of communication influenced any problems in the operation of the company. Similarly, it is important that an examination of the company structure will provide understanding of how much influence the boards of directors and in particular certain directors had on the operation. Drawing on the findings of the fieldwork and the results of the two reports into the operation of RTA, it will be argued in *section 6.7* that some decisions by the chairman of the board may have negatively influenced the success of the company. This meant that the chairman made decisions on matters that he personally wanted to be carried out by the board members on *ad hoc* basis and the company as a whole. Those individual decisions

²⁶ Mandate of the Board of Directors vested under the Royal Tongan Airlines Corporate Plans 2002 – 2005 was viewed together with the report of the Royal Commission of Inquiry into RTA on 14 December 2004.

will be examined to demonstrate how they may have endangered the operation of the company.

Figure 6.1: Organisational Chart of Royal Tongan Airlines

Source: RTA Corporate Plan 2002 – 2005, and Royal Commission of Inquiry Report 2004

6.4 Business Strength of RTA

The RTA long continued to be successful in providing domestic services, where they had the advantage of being the monopoly. As revealed in the background history, RTA was been the sole provider of this service since 1985. The service provided by RTA in the local market was seen to be of great importance for the promotion of the tourism industry in Tonga, especially in the islands of Vava'u and Ha'apai in the northern side of Tonga.

Tourism prime facilities, especially in the water sports and marine activities in these two islands were increasingly important and very attractive to many tourists around the world, as he asserted:

The domestic services provided by RTA were of specific importance to the tourist industries in the islands of Vava'u and Ha'apai. This coincided with the greater access of tourists all over the world to internet information in the second half of the 1990s, as almost every tourist industry got access to internet facilities for advertisement and direct booking. It was very convenient for tourists to arrive at the Fua'amotu airport and connect to a domestic flight to the islands of their preference. The move to international services was a good idea but I think the timing was not right, and the management was not ready to face the challenges (FE-01, pers. comm., 2003).

A report by an independent audit firm revealed that although the company incurred financial loss in its domestic services, the trend showed great improvement and there was potential to recover as the tourist industry picked up (KPMG, 2002). The manager of the domestic services also commented on the importance of the domestic services to the development of the company.

The strength of the company rests in its domestic services as we were the sole provider of the air service as well as the tourist industry which was at its peak after the millennium celebration in the year 2000. We did incur losses in our operation but there were mainly due to the high costs of servicing of the two Twin Otters, as we had to hire engineers from New Zealand to conduct the required services. Also funds were diverted to training local pilots and engineers and they successfully replaced the foreign workers that we had to hire from time to time. If we were given the chance to continue to operate, I am quite sure that we would have managed to cut down the loss and start to gain some profit within the next two years (FE-02, pers. comm., 2004).

These two statements indicate that the strength of the company was in the provision of domestic services. At the same time, the company engaged in code shares with other international airlines while concentrating on domestic services. This section has shown how important the domestic services were to the company. It also suggests that decision making process was lacking in anticipating the long-term survival of the company, which is a governance issue that will be discussed in *section 6.5* of this chapter.

6.4.1 *The Motives and Benefits of International Move*

Although the strength of the company rests on the domestic services, there were also benefits generated for the economy by the international move. The objective of this sub-

section is to discuss the international move by the RTA. As discussed above the strength of the company had rested on the provision of domestic services. However, this section investigates the motives that pushed the company to engage in international services, and what sorts of benefits were generated by the international move. This will allow the presentation of views and opinions of employees, and bureaucracy, as well as others associated with the company.

The Motives

Shortly after the new CEO was appointed, he put forward a proposal to the board of directors to expand the service of the company to include international flights, despite no apparent evidence of demand. The board of directors was convinced, and the company chartered a 767 airliner from New Zealand. The company commenced the operation of daily services to Auckland and twice weekly services to Sydney.²⁷ Edwards (2004) and KPMG (2002) revealed that the international operation never achieved the load factor that the CEO had proposed, and that it was operating at a loss from day one of commencement of service. Given the size of the market and the fact that other airlines including Air New Zealand, Air Pacific and Polynesian Airlines were already in full operation in the same markets, RTA was seen to be the underdog in terms of competition.

In a short visit to Brunei to discuss his proposal with the Sultan, the PM, in his capacity as chairman of the board of directors of RTA was given the approval for lease of one aircraft from Royal Brunei Airlines about, which he wrote:

The only way RTA could provide a standalone international service was in association with a recognised airline. Upon my return to Tonga, I restructured RTA at board level, appointed a new CEO, and gave clear instructions to develop RTA as an international carrier, as well as regional ('Ulukalala Lavaka Ata, 2005:1).

The chairman discussed the basis of his decision to move internationally in a public document claiming that the move to international services was his own idea, as he had always looked at the role of the national airline as important for the socio-economic development in Tonga. He also suggested that the motive to engage in international services was fuelled by the close ties of the Sultan of Brunei with the Tongan Crown

²⁷ Noted in the Board Minutes of August 07, 2002, as presented in Royal Commission of Inquiry Report 2004.

Prince. Based on these close ties and the willingness of the chairman and the CEO to resume international services, they decided to lease a Boeing 757-200 from Royal Brunei Airlines. As further elaborated by the chairman:

It started with promises of money from ministers and members of Parliament. I initially said yes to TOP\$18 million for the first five years, but later on the numbers were revised, downwards ('Ulukalala Lavaka Ata, 2005:1).

The strong desire of the PM, as chairman of the RTA is seen in his decision to go ahead with the lease of the aircraft from the Royal Brunei Airlines despite being advised by the Privy Council (PC) to defer the process until sufficient funds for the project were secured. In Tonga, a decision by the PC is final and to overturn such decision is a matter to be dealt with by the King as Head of the PC. However, some critics have referred to this as disrespect to the PC and a manifestation of weak governance (Pohiva, 2004).²⁸ It has been made clear from the above discussion that the motive to engage in international services was led by the chairman of the boards of directors. In addition, it appeared that he used his status as the country's head of government to influence the decision making and make sure his ambition was fulfilled. This is seen in his comments: "From the beginning there was a school of thought that my vision and aspirations were unachievable by Tonga: politicians grabbed onto this at their first opportunity" ('Ulukalala Lavaka Ata, 2005:3).

The Benefits

The international move by RTA has always been considered to be controversial from the very beginning in 1997 and again when it resumed international services in late 2002, as revealed by KPMG and RCI reports (KPMG, 2001; Edwards, 2004). Despite these controversies, the flying public were quite satisfied with the services of the RTA. A number of frequent flyers were interviewed and asked for their opinions. One of them said:

I personally think the expansion of the RTA to international services was a great move for frequent flyers like me. We were given benefits that we never get from other airlines. Passengers' luggage allowances increased from 20 to 30 kilograms and it just felt good flying with your own airline (FC-01, pers. Comm., 2004).

²⁸ Raised by MP 'Akilisi Pohiva during the proceedings of the Legislative Assembly when the chartered aircraft was repossessed by the Royal Brunei Airline.

Moreover, another frequent flyer also voiced his personal opinions on the benefits that the national airline brings about to the flying public in Tonga.

The RTA brought a lot of benefits to the people of Tonga. The most obvious benefit is the low fare that we have to pay. Without the service of RTA, Tongan people will still have to pay for the high fares with other airlines. The idea was great but I think what had happened is a matter of financial management (FC-02, pers, comm., 2005).

One well known businessman in Tonga was also interviewed with regard to the benefits of having a national airline for international services and he suggested:

One of the best things about the international service of RTA apart from the low fare is the availability of seats at all times. You just go to the airport and pay your ticket and go. There has not been a time that I go there on emergencies and I could not get a seat. Now I have to go back to the waiting list of other airlines when it comes to emergencies (FC-03, pers. Comm., 2005).

Similarly, the international services of RTA was a great opportunity for the exporting of Tongan products, especially agriculture and marine products to niche markets in New Zealand, Australia and potentially Hawaii. It was understood from the board of directors that the selection of the aircraft was in part based on the capacity of the aircraft to carry more cargo between destinations, as one board member explained:

The capacity of the aircraft to carry more cargo between destinations was one of the reasons that we opted to lease this carrier. We have secured reasonable market shares for our fish in Hawaii and fish exporters always complain on the lack of space offered to them by other airliners. This aircraft will provide our fish exporters with sufficient space and a consistent timetable for exporting of fish ('Akau'ola, 2004:2).

A marine exporter to the Hawaiian market also discusses the benefit that his company get from the international service of the RTA. He suggested:

The service provided by RTA assisted my company as well as my fellow exporters to the Hawaii and US markets. Our biggest problem is inconsistency of transportation of our products as other exporters in Samoa get the advantage of having their own airline that consistently service them. The daily services to Auckland allowed more of our product to be connected to other airlines and to get to our markets in Hawaii and America on time (FC-04, pers. comm., 2003).

The tourism industry in Tonga is also argued to have benefited from the international service of the RTA, as it brought more tourists to the country. Given that the tourist industry is one area of potential contribution to the economy, the service of national airline was very much welcomed by tourist operators and others who work in the industry. As a former employee described:

There is no doubt that the tourism industry in Tonga benefited from the international services of the RTA. Having more airlines to bring in tourists and take them back according to their schedule is what many tourists preferred. They do not want to go to tourist destinations that they might get stuck in there due to insufficient flights and so forth. Any problem that may have happened to RTA or any other airline would definitely have an adverse effect on the tourist industry (FE-03, pers. comm., 2003).

In this context, it appeared that services of the RTA were appreciated by visitors and locals, and the country as a whole. These statements exemplify how the international services could bring about various benefits to the various economic activities and could contribute to the socio-economic development of people engaging in those activities, as well as the economy of the country.

6.5 Factors Responsible for the Demise of RTA

Having discussed the nature and history of the company it is timely to turn the attention to an investigation of the two factors that were found to have been responsible for the demise of the RTA. These factors were ‘weak governance’ in board and management levels, and ‘market deficiencies’. There may have been other contributing factors, but it appears from the KPMG and Royal Commission of Inquiry reports that these two factors were core to the problems. However, the investigation will focus on the management of the company by the board of directors, the CEO and line managers, and how they each took governance issues into account in their decision-making processes, as well as their various actions in the company’s operation. Moreover, the small market base and the highly competitive airline market will also be investigated in order to provide a clear picture of how RTA operated.

6.5.1 Weak Governance in the Management Level

The occurrence of ‘weak governance’ in the operation of the RTA is demonstrated by some of the decisions made by the Prime Minister in his capacity as chairman of the board of

directors. The use of ‘weak governance’ is based on the discussion of ‘governance’ in Chapters Two, Three and Four. Two intensive reports on the operation of the company revealed that the chairman of the board of directors made most of the vital decisions in the company without much consultation with other board members. These report also noted that there were no feasibility studies prior to making vital decisions (KPMG, 2002; Edwards, 2004). Some of these decisions included the sacking of old board members and the decision to lease the B757 from Brunei, despite the decision by the Privy Council to delay the lease arrangement. Other management issues which demonstrate the ‘weak governance’ in the management of RTA include the lack of accountability which led to the failure of the management to monitor the abuse of travel privileges by board members and employees. The lack of transparency was also a problem. Lack of accountability and transparency are also seen in the failure of the management to provide realistic reports to government on the operation of the company as and when required by government and parliamentarians. These issues will be discussed in detail to show how they could have contributed to the collapse of the company.

‘One Man’ Decision Making – A Sign of ‘Weak Governance’?

A number of important sole decisions by the PM on the operation of the RTA with little influence from the other RTA board members and the government is one indication of ‘weak governance’. These decisions were also found to be partly responsible to the collapse of the company (KPMG, 2002; Edwards, 2004). The PM’s decision in 2002 to dissolve the board of directors and to appoint himself as chairman of the new board of directors also indicated ‘weak governance’. The PM wrote how he felt about the status of the economy after the loss of the Tonga Trust Fund amounting to TOP\$50 millions in the United States (see Chapter Two), and his desire to revive the economy through the development of the national airline.

National leaders tend to have larger world views, it was not personal; it was business. The feeling at the time was that cabinet and members of the House understood that importance of aviation in the development of the economy. The airline was being run by others who put their motives first, ahead of the national needs (‘Ulukalala Lavaka Ata, 2005:2).

The statement of the PM shows his commitment and responsibility as the head of the government to promote the economic development of the country.

However, the process of his decision making has been a cause for concern and hence for investigation here. As already mentioned, the CEO of RTA filed a lawsuit against the company for early termination of his employment contract in October 2000. In response, the PM intervened and took action although he was not a member of the board. It appeared he intervened in the matter as head of government, since RTA was a government investment. The rightfulness of his intervention remained unclear, as the board of directors has the ultimate power to make decisions relating to the operation of the RTA. However, as noted earlier the PM dissolved the board of directors, appointed himself as new chairman of a new board of directors, and ordered the reinstatement of the ousted CEO in an out of court settlement in early 2002. The reinstated CEO was given a salary package of TOP\$250,000 per annum with extra privileges, such as travel concessions, housing and location allowances (Edwards, *et al*, 2004). It was revealed that this CEO had the highest salary package out of all CEOs of the thirty two public enterprises in the entire country (Saulala, 2004; Pohiva, 2002; Pulu, 2002).²⁹ The Royal Commission of Inquiry found that these decisions were made by the chairman and the CEO, and only submitted to the board meetings for confirmation (Edwards, *et al*, 2004).

Another ‘one man’ decision by the chairman of the RTA board of directors was seen in his decision to go ahead with the lease of the aircraft from the Royal Brunei Airline. On resumption of duty the CEO convinced the chairman and board of directors to reinstate international services, despite being advised by the PC to delay the process until sufficient funds for the project were secured (Pohiva, 2004).³⁰ However, the chairman, after meeting the Sultan of Brunei, approved the resumption of the international services in which a Boeing 757-200 was leased from Royal Brunei Airlines. The ‘one man’ decision for the lease of the aircraft is apparent in the chairman’s statement in *section 6.4*.

Nonetheless, the decision to lease the aircraft saw the daily service to Auckland resumed, as was the weekly service to Sydney. At the same time, staffing was increased to

²⁹ MP ‘Akilisi Pohiva and MP ‘Isileli Pulu strongly debated the issue during the Legislative Assembly debate on 22 July, 2002. Noted in the LA Minutes of 22 July 2002 and was viewed on 14 December 2004.

³⁰ Raised by MP ‘Akilisi Pohiva during the proceedings of the Legislative Assembly when the chartered aircraft was repossessed by the Royal Brunei Airline.

meet the needs of the Boeing 757-200, the leased aircraft from the Royal Brunei Airlines, hence, the costs of providing both domestic and international services increased. This was demonstrated by the allocation of a senior manager to take care of international services and another manager to look after domestic services, despite being located in the same service office. In-flight staff and pilots were sent to Brunei for three to six months training at the cost of the company.³¹

The decision making process of the board was supposed to be a collective action, as in any other board of directors. However, the reports by Royal Commission of Inquiry into the operation of RTA demonstrate the domination of the chairman of the RTA board in decision making (Edwards, 2004). The domination of the chairman of the RTA board of directors is also manifested in his statement presented in *section 6.4*, where he admitted that he intervened and dissolved the board of directors without providing any reason or indicating any apparent shortfalls in old board of directors. According to a former senior employee of RTA, the board of directors' decisions were largely based on what the PM wanted to do. He noted:

The chairman used his status as Prime Minister to influence the decision making process in the board level. Whatever he wanted to do was approved by the board. At other times he made his decision and only advised the board for confirmation. I am not impressed with what happened to the company at this point of time (FE-04, pers. comm., 2003).

From this statement, it appears that the board of directors were not able to challenge the decisions made by the chairman. For whatever reason, the failure of the company indicated the danger of having a 'one man' decision-making process in such a large investment. The statement provided by the chairman of the boards of directors stood out as evidence for his willingness to implement his decision and to follow his desire to build the national airline, without due consideration of the consequences. This is seen in his decision to go ahead with the lease of the aircraft from Brunei and to ignore the advice by PC to defer the proposed lease. In addition, his decision to go ahead with the lease arrangement without first obtaining the necessary funds was an indication of weak governance in the decision making processes of the company.

³¹ Royal Tongan Airline corporate structure 2002 - 2005 and Royal Commission of Inquiry Report 2004.

Lack of Accountability on Staff Privileges

The lack of accountability of employees for their actions, and the concomitant failure of management to strictly monitor staff travel privileges was also found to be an indication of ‘weak governance’ in the operation of RTA. According to the reports of the KPMG (2002) and the Royal Commission of Inquiry (2004), excessive abuse of staff privileges was a detrimental factor in the efficient and effective operation of the company. The reports also indicated that a lack of accountability in the management of the company left the government and the public to speculate and make accusations that corruption had occurred in the operation of the company. Larmour (2005) described such actions as revealing a lack of accountability that will lead the general public to make accusations and counteraccusations on the occurrence of corruption in the organisation.

According to the RTA operations policy, the authority to grant a free-of-charge (FOC) ticket is at the prerogative of the CEO or a person being authorised by the board of directors and the CEO. In addition, the policy directed that FOC tickets are only valid for board members, employees and their immediate family members. Such privileges were mainly for FOCs for travelling between destinations within the company’s service routes, while other routes would be at the approval of the concerned airline. However, there were allegations by politicians, the general public and former employees of the company, that the management of RTA had excessive privilege, that were not in line with the company’s policy. A number of former employees were interviewed during the course of the fieldwork and three of those comments reinforce these assertions. For example:

The boards of directors and management did not take account of their utilisation of the privileges offered by the company. Some of them used the privileges as if they owned the company. They offered privileges to people who were not eligible under the company policy. It cost a lot of money for such actions but they were never held accountable for their actions (FE-05, pers. comm., 2005).

Another former employee also presented his view on the extent of the privileges given to the boards of directors and the CEO and their families. He wrote:

The boards of directors and the CEO had excessive privileges and they seemed not to be accountable for their actions. Some of them sent unlimited cargoes to New Zealand and Australia almost every week. They also sent some of their friends and relatives cargo without paying, which they said to put under their privileges. It is a pity that we had to follow their orders and respect their decisions in order to remain in our jobs but I know for sure that

it was wrong to do so. When it comes to accountability they are not there and we were the ones that were held accountable for their actions (FE-06, pers. comm., 2005).

A former senior employee also raised his concern on the lack of accountability in the operation of almost every section, especially board members, senior managers and senior officers.

Lack of accountability in almost every section dealing with money led to financial loss by the company. Some of the company's senior accounting employees were dismissed from work for fraud and the inability of the line managers to make their workers accountable for their action was a major weakness in the operation. I think they were putting a blind eye on this matter as some board members and senior officers were among those employees abusing travel privileges. I believed that the company was poorly managed and lack of accountability by managers led to the demise of the company (FE-07, pers. comm., 2005).

The above statements imply that there was a lack of accountability in the operation of the company. This does not mean that the collapse of the company was solely caused by the lack of accountability by the board of directors, CEO and the managers. Rather, it is argued from analysing the data from the fieldwork that lack of accountability played a role in the demise of the airline. The lack in this area shows the importance of having each party within the company to be accountable for their actions and to make sure that what they do will not create problems in the operation of the company.

In addition, the above statements have indicated that the governing body of the RTA failed to closely monitor how staff privileges were utilised, and the likely effect on the operation of the company. Although offering employee privileges may be a normal practice in every airline in the world, it appears that failure of management to closely monitor the utilisation of these privileges is revealed in above statements to have had detrimental effect on the operation of RTA.

Lack of Transparency in RTA Operations

A third item of evidence for the occurrence of 'weak governance' in the management processes of the RTA was the lack of transparency. The Royal Commission of Inquiry found that one of the weaknesses of the company was the lack of appropriate and realistic information being released to the government and the general public. Edwards (2004)

suggested that they found out during their inquiry that the government and members of parliaments were not given the right information with regards to the operation of the company. This shows a lack of transparency in the operation of the company. During the course of the fieldwork, a former senior employee suggested that lack of transparent information was mainly due to internal policy on confidentiality of information. He wrote:

The lack of information transparency was one difficult task that we encountered in the account division. It was very hard to control funds when there is no clear management lines of communication. One manager called that “this is an order being approved by the board” or “this is an order from the CEO or a line manager”, without any appropriate written decision or direction (FE-08, pers. comm., 2005).

It has been realised from the series of minutes of the proceeding of the Legislative Assembly that Members of Parliament frequently requested reports on the operation of the company but the PM, as chairman of the board continue to refuse submitting the requested information. Such refusal led the People’s Representatives in the parliament and other critics of RTA, as well as the general public to speculate that corruption existed in the operation of the company. As noted by one parliamentarian during an interview:

It is very simple to tell that there is corruption in the operation of the company. This is a public enterprise and the people have a right to know how their tax money is being spent but the lack of appropriate information will make us to speculate that there is something wrong with the operation (MP1-Hp, pers. comm., 2004).

A country report to the Pacific Regional Transport on the status of transportation in Tonga also expressed considerable concern over the lack of transparency and accountability in the operation of the RTA. The report noted:

There has also been a reluctance within the senior management of the Royal Tongan Airlines (RTA) to convey unpalatable information to the Government. This affects transparency and the ability of the Government to respond quickly and effectively to difficult issues (PDP, 2004:1).

In a similar account, seven out of nine People’s Representatives to the Parliament made a collective statement which disagreed with the establishment of the Royal Commission of Inquiry by the government. These MPs believed that the government as the lone shareholder has the authority to appoint the board members and is entitled to get the necessary information required from the company. They argued that it would avoid having

to waste money on a separate commission to look at the matter and get the needed information (Pohiva, 2004). The cost of the work done by the Royal Commission of Inquiry was not released. The author contacted the RTA office a number of times and in different avenues, but to no avail.

The statement by the Pacific Regional Transport indicated that lack of transparency disabled the lines of communication within the organisation, and with the government, which led to the lack of responsiveness. This meant that the lack of information flowing from RTA to government on the status of their operation made it hard for the government to make an exact allocation for what was needed by the company. The same omission led to the inability of most members of parliament to vote in favour of the request from the company for more funding from the government. However, it is clear from the statement of the chairman that his reluctance to provide information to the Parliament was based on his concern at having the politicians politically twist the RTA issue, which he thought would make things worse. He wrote:

People wanted too much, or it was the wrong people maybe – people contrary to RTA’s interests. Two of them were interested in operating international and domestic airlines themselves. The Royal Commission heightened RTA’s political profile and indeed did not serve as a vehicle for financial assistance, but rather as a vehicle for political discouragement (‘Ulukalala Lavaka Aka, 2004:3).

It is in this context that the lack of transparency is evident as having contributed to ‘weak governance’ in the management of the operation of RTA. It also appeared to have contributed to the failure of the government to respond to financial issues of the company in a timely manner. Similarly, the evidence also indicated the lack of transparency to have endangered the internal operations of the company, through a lack of communication between board members, CEO, the line managers and their staff. Moreover, the evidence had indicated that the lack of transparency led to the complications of financial management within the organisation, as noted by one former senior officer as shown earlier.

The statements provided have indicated that the occurrence of ‘weak governance’ in the management of the RTA was a combination of ‘one-man’ decision making by the chairman of the boards of directors; the failure of the management to realise the excessive abuse of employees privileges; and the lack of accountability and transparency. Although

the prevalence of ‘weak governance’ contributed to the failure of the company, reports on the operation of the company noted that the problems were not insoluble. The implications of weak governance for the sustainable socio-economic development in Tonga are presented in later section of this chapter.

6.5.2 Market Deficiencies - Too Many Competitors

A second factor that contributed to the difficulties encountered by the RTA was one of insufficient markets and intensive competition from other competitors. As discussed in the background history, the RTA entered the international arena and competed for market share with three other companies that had provided the Tongan people with airline services. These airlines were the Air New Zealand, Air Pacific and Polynesian Airlines. These companies had served the country for quite a while and had established good relationships with the flying public in Tonga. As one member of the board of directors noted:

Certainly, we entered the international arena as the underdog and are still striving to gain market share. It is very hard to divert customers from other airlines that they have used for so many years in a short time. However, we have undertaken every possible measure to ensure customers’ satisfaction in the quest for attracting more customers. This is done through low fares and good services (‘Akau’ola, pers. comm., 2004).

However, a statement issued by the chairman of the board of directors of RTA suggested that the company would operate at a loss, and market share was expected to improve over time. The chairman elaborated:

Figures shown to me indicated that RTA at first would be operating at a loss and eventually break even, was proven in the first year to be on schedule; and, that the market was slowly being dominated by the RTA international presence (‘Ulukalala Lavaka Ata, 2004).

In an attempt to gain market share and to attract customers, the chairman of the board of directors issued a decision to the management of the company that the initial operation of the B757-200 would only to recover costs with no profit margin. He also emphasised to management the importance of ensuring returning financial surpluses in the form of better services and lower fares (‘Ulukalala Lavaka Ata, 2004). This strategy did not work as expected, because other competitors, especially Air New Zealand, dropped their airfares between Tonga and Auckland by 50 per cent, Tonga and Sydney by 28 per cent, and other PICs by 50 per cent during the low season (Poulton, pers. comm., 2004).

The marketing problem of the RTA was exacerbated by the inability of the company to resume service on the Tonga-Honolulu route. One reason for leasing the B757-200 in 2002 was to assist the export of Tongan products, especially marine resources to the Hawaiian markets. The Tonga-Honolulu route was serviced by Polynesian Airlines and the chairman expected the RTA to attract Tongan exporters. However, the inability of the company to service the route was due to increased security measures imposed by the United States on foreign aircraft ('Ulukalala Lavaka Ata, 2004). In this respect, the RTA was never able to service that route in which 'Ulukalala Lavaka Ata noted: "If the RTA had been kept running, I think it was possible to fly the route and earn a profit: we needed it" ('Ulukalala Lavaka Ata, 2004:3).

In a public campaign, the Governor of Vava'u who was also a member of the board of directors appealed to Tongan people in Tonga and those residing in New Zealand and New Zealand to utilise the services of the national airline. He urged Tongan people to take the same action as the Samoans and Fijians did for their respective national airlines. He emphasised that "...the RTA still survived at the mercy of the Tongan public" ('Akau'ola, pers. comm., 2004). A former employee of the RTA noted that the capacity of the aircraft was never filled, and there were times that the aircraft flew to New Zealand and Australia at less than a quarter of its full passenger capacity. He added:

The full capacity of the aircraft was never utilised. Some times, the aircraft carried less than twenty passengers to New Zealand and Australia. I believed that the aircraft was too costly and our market shares were insufficient to continue to financially support its operation (FE-09, pers. comm., 2005).

It is in this respect that the insufficiency of market shares of RTA appeared to be a contributing factor to the demise of the company. It is evident from the above statements that RTA was at competitive disadvantage as a new comer to the international services from the start. However, the discussion shows a link between the weak governance in decision making and the marketing problems. It meant, for example, that there was no feasibility study on the viability of gaining market shares by the RTA prior to the decision to lease the aircraft. Some of the management responses to counter the problem are considered in the next section.

6.6 Management Response to Market Insufficiency

In attempting to counter the problem of market insufficiency, the board of directors and the management team established international offices in Auckland and Sydney. Each international branch office had its own manager and staff. The board of directors also recruited an independent Marketing Consultant to the company to guide the marketing team in response to intense competition with other airlines such as Air New Zealand, Air Pacific, and Polynesian Airline. The competition was very tough because the other airlines were established and had served the market for years, while the RTA was just beginning to enter ('Akau'ola, 2004).

Moreover, the board of directors also sent one of the board members, and the management team on an overseas mission during October 2003 to appeal for Tongan people to utilise the services of the country's airline. The foreign mission team met with Tongan communities in New Zealand and Australia and appealed for their support in utilising the services of the RTA, as national airline. As part of this initiative, a number of marketing agents were appointed from Tongan communities in these countries. There were six individual agents in Australia and ten in New Zealand. These marketing agents were mainly Tongan community leaders as well as Church leaders. They worked independently and were not part of the regional office establishment (Edwards, 2004). Their main tasks were to appeal and convince Tongan people to utilise the services of the RTA. These marketing agents were not paid in salaries but they were given the same privileges as other employees and their families in terms of free travel and the like.

However, the Royal Commission of Inquiry revealed that although the idea of appointing these marketing agents in New Zealand and Australia were important, the move was too late (Edwards, 2004). It was evident from the report of the Royal Commission of Inquiry that the market share of the RTA picked up well, as many Tongans in New Zealand and Australia started to travel with RTA. Nonetheless, the report noted that funds generated from the increase in market share were not sufficient to keep the airline afloat (Edwards, 2004).

6.7 Implications for Sustainable Socio-Economic Development in Tonga

The existence of ‘weak governance’ in the operation of the RTA has been evident to have contributed to the collapse of the national airline. This section will consider how the weak governance in the board of directors and management levels led to the demise of the RTA. Consequently, weak governance has negatively affected the process of sustainable the socio-economic development in Tonga. There are four main arguments that presented here as implications for sustainable socio-economic development in Tonga. Firstly, the loss of investment had a detrimental effect on the overall public funds being monitored by the government. Secondly, the demise of the national airline created mass unemployment of more than two hundred employees who were forced out of their jobs, and were left with no means of income. Thirdly, the demise of the airline seriously affected the export of Tongan products, as well as the development of the tourist industries; and fourthly, the side effect of the collapse of the national airline had serious effects on stranded passengers as well as other service providers. Moreover, RTA still owes these customers and suppliers.

6.7.1 Loss of Investment by Government

The collapse of the RTA posed the government financial problems, as it lost a lot of money that was invested in the company. As noted by the reports into the operation of the RTA, the government had invested up to twenty million Tongan *pa’anga* (AUS\$15 million) in the company. The collapse of the RTA saw the loss of government funds that were meant to be generated for greater return (Edwards, 2004; KPMG, 2002). As the money comes from the general revenue of the government, which is to be used for execution of government services and other development projects in the country, the collapse of the airline meant a lot to the country’s budget. The important point to make here is that the weak governance in public enterprises resulted in the loss of government funds that would have been put to better use in other essential services such as schools and health. It is in this context that the collapse of the RTA appears to have a negative knock-on effect on for the socio-economic development in Tonga.

6.7.2 Mass Unemployment of RTA Employees

Another obvious implication of the collapse on the RTA for the socio-economic development in Tonga is evident by the mass unemployment of the two hundred and twenty four employees who they were employed by the company at the time. As noted in the previous sections, the decision to close down all operations of the company was very sudden causing major socio-economic problems. Most workers did not expect their employment careers to end that way. It was understood from those former employees interviewed that they all had loans at the bank and other financial obligations to fulfil. Hence, such short notice of termination of employment caused a lot of personal and local problems.

Moreover, it was understood from these employees that they did not get a full redundancy package. They were told that they will get the full compensation on the completion of the work of the liquidator, but this yet to be completed. The problem intensified, as most workers had to remain unemployed for sometime while looking for a job in other airlines. Others have undergone some retraining to increase their chances of securing another form of employment. It was revealed during the follow up fieldwork that some former employees of RTA were employed in other airlines. The rest were either employed in other sectors or had migrated overseas especially the pilots, in-flight crews and mechanical engineers. In fact, the collapse of the airline had negative implications on the processes of sustainable socio-economic development in Tonga, in terms of causing mass unemployment of former employees. Similarly, the out drain of human resources has hampered the potential contribution of these people to the Tongan economy.

6.7.3 Impact on Export and Tourism Industries

The existence of ‘weak governance’ by the management team and the board of directors that led to the collapse of the national airlines also affected the export of Tongan products, as well as the development of the tourist industry. As noted in previous sections the international services provided by the RTA allowed airlifting of more marine products for export to the Hawaii and American markets, as well as exporting of agricultural products to the New Zealand and Australian markets. The evidence provided manifest the problem

encountered by Tongan exporters, especially to the US market, due to lack of room given to them by other airlines.

By the same token, the tourist industry also felt the collapse of the national airline. Not only had the international services brought in more tourists but the domestic services had provided reliable services to the outer islands where most of the tourist facilities are located. In fact, the collapse of the airline was a major setback to the sustainability of the socio-economic development in the tourist industries in the islands of Vava'u and Ha'apai where the potential of eco-tourism appears promising.

6.7.4 *Loss of Money by Stranded Passengers and Service Providers*

The demise of the RTA caused severe financial loss to some stranded passengers who held travel tickets but could not complete their travel to their final destinations. It was noted in early sections that more than seven hundred stranded passengers were still awaiting a refund of their money still owed by the company. As described by one of those stranded passengers, “we were told to wait until the work of the liquidator was completed and they will refund our money” (SL, pers. comm., 2005). It was revealed during the follow up fieldwork in the first half of 2006 that the work by the liquidator was yet to be completed and passengers were advised from time to time on the progress of the work, but whether they would get their money back was not known.

Moreover, some of the service providers associated with RTA were still waiting for full payment of RTA's outstanding arrears. Some service providers noted during the fieldwork that they were still awaiting the completion of the work of the liquidator and from there they would know when to get their money. These reasons indicated that sustainability of services of respective service providers associated with RTA were affected by the inability of the company to pay their arrears.

6.8 Chapter Summary

The case study of the demise of RTA demonstrates how the existence of ‘weak governance’ at almost every level of the company affected its performance. The discussion exemplified how irresponsibility and relatively small mistakes can lead to big problems in any form of business. The Government entrusted the board of directors and management to look after

the investment in the most appropriate ways, and to generate sufficient return for continuation of operations. The goal had been to reduce reliance of the company on the government annual budgets.

The chapter investigated how the ‘one-man’ decision-making by the Prime Minister in his capacity as the head of government and chairman of the board of directors had affected the governance processes of the company. It was not that personal gain was the objective, rather the decisions made by the PM were based on his ambition and willingness to build the national economy by having a national airline. The ideas behind the PM’s decisions were challenged by some in the decision to commence international operations, but others saw the idea of international operations as potentially good for the country. However, the ways that those decisions were executed without feasibility studies and availability of funds were alleged reveal ‘weak governance’ in the management of RTA.

Moreover, it was demonstrated that the lack of transparency of information and unclear lines of communication, as well as failure of the management team to hold accountability for their actions had contributed to the collapse of the company. The lack of transparency was evident in the failure of the board of directors and the Management to submit realistic reports on the financial position of the company to the government. The failure of the RTA to provide such reports did not help the government in estimating the funds needed by the company. In addition, the management team also failed to report the status of operation to the Parliament when requested.

The lack of accountability of the management team and employees was evident in the seeming abusive utilisation of travel privileges by board members and senior management employees. The suggestion was evident by offering of FOC tickets to some people who were not entitled to get the travel privileges from the company. In addition, the overuse of cargo services by some employees as part of their privileges appeared to be further evidence of weak governance in the RTA. Thus lack of transparency and accountability in one way or another adversely affected the performance of the company and contributed to its demise.

The other barrier revealed to have affected the operation of the RTA was the insufficiency of markets and too many competitors. The Tongan routes were already served by three other airlines namely the Air New Zealand, Air Pacific and the Polynesian

Airlines. However, as some of the board members noted, RTA entered the market as the underdog. Although it started in a very weak position, its market share did improve over time. The board of directors and the management team attempted every marketing strategy that they could have done, but they were found to be insufficient to save the company from bankruptcy.

Indeed, the occurrence of ‘weak governance’ in the management levels of the company and the ‘insufficiency of markets’ have been argued to be barriers to the successful operation of RTA, as a state owned enterprise. The point to make here is the existence of barriers in the operation of RTA not only failed the government, as the sole investor, but it also affected the Tongan economy. This is demonstrated by the amount of money borrowed from other government sources, such as the Tonga Telecommunication, Commission, as well as the substantial amount of money owed by the company to the stranded passengers and service providers associated with the RTA. The government finally realised the danger of the continuing operation of RTA to the socio-economic development in Tonga and decided to put an end to the controversial project by forcing it to close down. However, it was argued that it was an action that, given the losses, was taken too late. It is in this respect that the two barriers that hampered the progress of RTA were investigated and discussed, and as a consequence the government and citizens of Tonga, paid the price for the failure of the national airline.

Chapter Seven

Barriers to Decent Work: A Tongan Labour Market Perspective

Preamble

Decent work must be the goal and the means of development. It is suitable for bestowing appreciation on the working person, for securing material livelihood and for fostering participation in society. It must also be an integrated element of national and international development policy. To date, the latter is not really sufficiently the case (Sengenberger, 2001:42).

7.0 Introduction

The International Labour Organisation (ILO) has emphasised the importance of workers' rights to earn a living from the type of work they are doing. The emphasis is based on the notion that workers should have the opportunities to engage in "...productive activities, in conditions of freedom, equity, security and human dignity" (Somavia, 1999:3). The ILO also emphasised the need to eliminate the inequalities in accessing jobs and skills so that all people including vulnerable groups such as women, disabled workers, and indigenous people may access employment opportunities (ILO, 1999). During the 87th ILO Conference in 1999, the Director-General suggested that workers of the world should all have access to decent work, regardless of race, gender and creed. This was when the term 'decent work' was born.

At the initial inception of the term 'decent work' the Director-General of the ILO expressed what is known as the goal of decent work. In his address to the 87th ILO Conference, he emphasised:

Decent work is best expressed through the eyes of people. It is about your job and future prospects; about your working conditions; about balancing work and family life, putting your kids through school or getting them out of child labour. It is about gender equality, equal recognition, and enabling women to make choices and take control of their lives. In the most extreme situations it is about moving from subsistence to existence. For many, it is the primary route out of poverty...and everywhere and for everybody, decent work is about securing human dignity (Somavia, 1999:3).

It is in the above statement that the importance of the notion of 'decent work' has been emphasised, time and again. The concept of 'decent work' has also been linked to sustainable socio-economic development. This is seen in the light of the preamble statement for this chapter, in which he suggested that decent work is important to the

process of development and should be integrated in development policies of any country. In addition, Mwamadzingo (2006) also asserted that ‘decent work’ is a central element of sustainable development, especially in eradicating poverty.

In the context of the Pacific Island Countries (PICs), promoting ‘decent work’ has been a major challenge. The ILO regional office based in Suva has revealed that most countries in the twenty two PICs do not uphold the four core elements of the ‘decent work’ agenda. These are promoted by ILO as global objectives for decent work. The global objectives include: (1). Promote and realise standards and fundamental principles and rights at work; (2). Create greater opportunities for women and men to secure decent employment income; (3). Enhance the coverage and effectiveness of social protection for all; and (4). Strengthened tripartism and social dialogue (ILO, 2006). The ILO found that the challenges to decent work include insufficient labour legislation; limited employment opportunities in the formal sector and more people engaged in informal employment; lack of social protection (social insurance, social security, and health care); and lack of social dialogue.

The Pacific Islands Forum Secretariat (PIFS) has also realised the importance of labour in the process of socio-economic development and called for development of labour resources in all PICs. This is particularly important in member countries of the PICs that do not have any material natural resources to rely on, but rather count on their people as the most important resource. The PIFS emphasised the development of people in the labour market of PICs by stating:

Policy should focus on the direct link between the harnessing of labour resources and economic and social development. This should include recognition that Forum Island Countries (FICs) can build their human resources as perhaps the most important driver of growth (PIFS, 2006:6).

The divergent features of individual countries also played crucial roles in their development processes. This means that some countries may be blessed with rich natural resources, while others have no natural resources other than the land and sea. Others may have a very strong culture that may affect their socio-economic decisions, while others do not value their culture as an essential attribute in the development processes. This is particularly relevant to the Tongan context, as it has no natural resources other than its fertile land and rich marine resources. However, human resources are essential for the socio-economic development of the islands. The uniqueness of human resources and their contribution to

the development processes in Tonga can be seen in many aspects. The local population cultivates arable lands as well as exploiting marine resources for subsistence consumption and commercial purposes. Also while many Tongan males and females have explored the possibility of utilising their knowledge as entrepreneurs, the largest portion of the population have nothing much to offer to the country's development other than selling their labour. Martin and Maskus (2001) suggested that typically poor workers have nothing to offer other than labour. Decent work is thus central to the alleviation of their status of poverty.

The vulnerability of Tongan workers is clearly evident in the performance of the Tongan labour market, which has been shown in research to have remained unstable and weak for some years (Imbun, 2006; Chand, 2004; Prasad and Hince, 2001; Fisi'iahi, 2000). The instability of the labour market has been fuelled by increasing unemployment, which was recorded to be at a high of 12 per cent in 2003, with youth the largest component of unemployment (Tonga Statistics Department, 2003). Increasing unemployment in the Tongan labour market is aggravated by three main factors. First is the unavailability of formal employment opportunities for people with a lack of skills and experience, who are thus unemployed or underemployed. Second, is the annual influx of school leavers, which is about 2,000 students every year (MLCI, 2003 & 2004; Chand, 2004); and third, the structural unemployment of those who have been put back in the unemployment pool at the discretion of employers. The first and second reasons appear to be common in almost every economy regardless of size and wealth. The third reason has triggered this study to further explore the vulnerability of the Tongan people to exploitation by employers and to provide the very reasons for its prolonged existence.

However, the purpose of this chapter is to investigate the barriers to the development of decent work from a Tongan labour market perspective. In this respect, 'decent work' in Tonga could be described in terms of the ability of both male and female to access to equal employment opportunities, a respect of workers' rights in the workplace through standardised employment policies and legislation, fair a pay for fair amount of work, and the capacity of workers to participate in social dialogue in matters relevant to their employment. An attempt to achieve 'decent work' in Tonga was demonstrated by the Tonga National Youth Congress (TNYC) ongoing entrepreneurship training, as discussed

in Chapter Four. Because youth unemployment in Tonga was recorded to be increasing every year, the TNYC embarked on entrepreneurship training to enable youth activities that would not only provide decent self-employment but they could also create decent employment opportunities to their members. Hence, the investigation of factors affecting decent work is believed to be central to the socio-economic wellbeing of Tongan workers and the sustainable socio-economic development of the country as a whole.

One of the important factors that may affect the development of ‘decent work’ in the Tongan labour market is the lack of appropriate labour legislation, which is a matter of concern in the ILO ‘decent work’ agenda. What is needed then is to establish a correlation between labour standards and sustainable socio-economic development in Tonga, which is to determine how labour legislation may contribute to productivity and profitability of workers in any organisation, or vice versa.

By contrast, some researchers have argued that labour legislation is inappropriate and may not work in small countries like Tonga. Busse (2002) and Harris (2002) have suggested that the imposition of labour legislation may cause disputes between employers and employees in the workplace. Such disputes they say may affect the performance of the economy in terms of competitive advantage, competitiveness and trade, especially in small firms. In addition, Welch and Leighton (1996) questioned the appropriateness of labour legislation in the workplace, while the world is moving toward individual workplace agreements between employers and employees.

Taking a counter view, Imbun (2006), PIFS (2006), Martin and Maskus (2001), Hess (1998 & 1992) Hirsch, (1997), have revealed the dynamic relationship between organised labour and economic development in developing countries. They further asserted that well-organised labour is more likely to commit to their job, as fair employment contracts and arrangements will ensure their commitment. In addition, Hess (1998 & 1992), Chand (2004), and PIFS (2006) have found how workers’ dissatisfaction and disputes in an unregulated environment could affect the productivity of firms in PICs. In this sense, data from the fieldwork interviews presented here will show how the problem of labour exploitation affected productivity in some workplaces in Tonga. A case study of the recent civil servants’ strike will demonstrate the detrimental effect of a lack of labour legislation

can have on productivity in the workplace, as well as on the process of sustainable socio-economic development of the country.

The objective of this chapter is threefold. Firstly, it will investigate why Tonga has not been able to adopt labour legislation over many years. Secondly, I will investigate and evaluate how the absence of labour legislation can affect ‘decent work’ *vis-à-vis* the welfare and livelihood of the working population of Tonga. Thirdly, I will try to establish the relationship between the importance of labour legislation and the sustainability of socio-economic development in Tonga. In achieving these objectives, the findings could provide policy makers in Tonga with some insight into how labour exploitation is a major threat to sustainable socio-economic development and how the introduction of appropriate labour legislation may alleviate the severity of poverty and other factors affecting socio-economic development in the country.

It should be noted that human resources development and labour market programmes are also essential for achieving decent work in Tonga, but this is beyond the scope of this study. This is because, despite having a well [educated](#) workforce the Tongan, [there is a mismatch of skills in the Tongan labour market, and only limited employment opportunities](#). However, the need for human resources development in Tonga will be recommended in the policy recommendation chapter as an area of major interest for future research. [The focus of this chapter then is on the vulnerability of Tongan workers in an environment where there is no labour legislation.](#)

7.1 Organisation of Chapter

This chapter is organised into various sections in the following order. *Section 7.2* presents an overview of the Tongan labour market with the intention of clarifying the nature of the labour market and the challenges it encounters. Various responses to these challenges will also be discussed as evidence of the importance of employment relations in the socio-economic development process in Tonga. *Section 7.3* will highlight the prolonged absence of labour legislation in the Tongan and the role of government in attempting to enact appropriate labour legislation. *Section 7.4* investigates how the absence of appropriate labour legislation affected decent work based on past experiences and revealed during the fieldwork. Based on analysis of data from the fieldwork, a demonstration of the vulnerable

status of Tongan workers in various workplaces, will be presented. *Section 7.5* is a case study to demonstrate the seriousness of the absence of labour legislation, which did not allow compulsory dialogue that would have avoided the occurrence of fruitless industrial action. *Section 7.6* presents the negative implications of the absence of labour legislation in the process of socio-economic development in Tonga, as well as likely positive implications of having labour legislation in place. *Section 7.7* draws conclusion from the findings of previous sections of the chapter.

7.2 Tongan Labour Market: Performance and Challenges Overview

The Tongan labour market performed variably during the period 1983 to 2003. Annual reports from the Ministry of Labour, Commerce and Industries recorded that the labour market was close to full employment during the period 1983 – 1993.³² These reports suggested that the good performance of the labour market in this period was mainly due to positive performance in the economy, especially within the then emergent manufacturing sector. In addition, the Statistics Department (1993) suggested that low internal migration and increasing international emigration contributed to the good performance of the labour market. These factors eased the pressure on the labour market, as the numbers of jobs available in the labour market were just enough to provide for the working population of the various districts (MLCI, 1993). Not surprisingly then the rate of employment was floating between six and eight per cent during these years, an unusually low rate for a developing country.

The turning point came in the second half of the 1990s when Tonga became increasingly exposed to the forces of globalisation (MLCI, 1997; Fisi'iahi; 2000). Three reasons account for the labour market distortion during this period. First, some multinational enterprises (MNEs), especially in the manufacturing sector shifted their operations out of Tonga, albeit for different reasons. Regardless of the reasons, such shifts resulted in major unemployment (Fisi'iahi, 2000; MLCI, 1996 & 1997). Secondly, the internal migration of people from the outer islands of Vava'u, Ha'apai, and the two Niuas to the main island of Tongatapu soared. Third, the immigration policies of New Zealand,

³² Ministry of Labour, Commerce and Industries Annual Reports for the periods 1986 – 1993 were frequently sighted during the course of the fieldwork.

Australia and the United States of America, all of which had been the major receiving countries for Tongan migrants, became much tighter, resulting in a decline in international migration (Edwards, 2004; Pohiva, 2004; Fisi’iahi, 2000; Pohiva, 2000). These three factors increased the pressure on the labour market and led to the consequent rise in unemployment rates.

Moreover, the increasing pressure on the Tongan labour market was aggravated by structural and seasonal unemployment. This is evident for example, in employment patterns in the squash industry. Large commercial growers employed mainly male workers during the initial squash planting and maintenance periods, which is normally for a period of three months. In the harvest season, farmers and exporters recruit more workers including females to meet the timeframe for harvesting and the preparation processes prior to export. Most farmers and exporters paid their part time workers at a daily wage rate ranging between TOP\$10³³ and TOP\$20 per day (Chand, 2004, ‘Uta’atu, 2000). Senior and permanent employees were paid hourly rates ranging from TOP\$2.50 to TOP\$5.50 per hour. These salary and wage rates were revealed to be similar across the five squash exporters surveyed. These exporters include the Ha’amo Growers, Squash Export Limited, TOP Export Limited, FIMCO Export, and Touliki Export Limited. This is because available workers were very selective and would only work for whichever company/farmer had the best wage offer. This type of employment normally runs from July to November each year. After these periods, commercial farmers and exporters only retain their permanent employees and the majority were laid off until the next season. Although unemployment is high in Tonga, many unemployed people, especially youth, are resistant to working in the squash industry, as they regarded these type of employment a ‘low and dirty jobs’ (MLCI, 2003).

In terms of the nature of employment, the majority of the working population in Tonga is engaged in unskilled and semi-skilled jobs, which consists of about seventy eight per cent of total jobs (MLCI, 2003). These jobs include shop assistants, telephone operators, construction workers, factory workers, cleaning and landscaping jobs, caretakers, and delivery services among others. The 2003 labour market information survey conducted by the Labour Division of the Ministry of Labour, Commerce and Industries revealed that

³³ In October 2006 TOP\$1.00 = Aus\$0.74

eighty per cent of private sector workers were employed in precarious conditions, that is either on casual or part-time basis and remunerated on a daily basis rate (MLCI, 2003). It was also revealed that these workers do not have employment contracts or agreements, and the status of their employment rests wholly as prerogative of employers. It is in this context that the majority of Tongan workers in the labour market are vulnerable to exploitation and ill treatment in the workplace because of the absence of an appropriate legal framework to enforce harmony in the employment relationships.

A study by Chand (2004) on labour market and industrial relations revealed that Tonga is the only country in the South Pacific region that does not have labour legislation in place for the purpose of governing the interests of various parties in the labour market. This lack largely affected the private sector only because until 1986 an establishment code (ESTACODE)³⁴ defined the terms and conditions of the employment of public servants. By 2006 a new draft employment framework had been proposed but it is yet to be enacted. Although the Trade Union Act *Cap 138* of 1964 was enacted way back in 1964, it is yet to be implemented due to the reluctance of the government to draft regulations that would enable the effect of the Act as law, and to legalise the formation of employees' associations (see below for further discussion). Despite this deficiency, a number of employees' associations have been formed and registered under the Incorporate Societies Act. These organisations include the Friendly Islands Teachers' Association (FITA), Tonga Nurses' Association (TNA), Tonga Medical Doctors' Association (TMDA), and recently the Tonga Public Servants' Association (TPSA). Although they are legally registered, these organisations do not have any mandatory power to engage in compulsory dialogue with employers on behalf of their employees. Any opportunity to have an open dialogue is at the sole consent of the employer, which has continued to remain a problematic process. Hence, the Tongan labour market, particularly in the private sector, is still operating in a precarious environment, an issue, which will be discussed in the next section of this chapter.

7.3 Prolonged Absence of Labour Legislation: A Reality Check of the Role of Government in Promoting Decent Work

Given the prolonged absence of appropriate labour legislation to protect the interests of the employers and employees in the workplaces, it is of great interest and importance to

³⁴ The ESTACODE 1986 was repealed in 2002 and replaced with the Public Service Commission Act 2002.

explore and discuss the very reasons an appropriate legal framework in the labour market has not been achieved. The purpose of this section is to present and discuss the role of government in attempting to put in place some sort of legal framework that would provide employers and employees with mandatory obligations in the workplace.

7.3.1 The Trade Union Act 1964

The first industrial relations legislation in Tonga was the *Trade Union Act Cap 138 of 1964* which dates back to the construction of the Queen Salote Wharf, the largest international wharf in the Kingdom of Tonga. According to the Tongan Ministry of Works,³⁵ the construction of the wharf was funded by the British Government, under a British Commonwealth Fund, to countries under its protection. One of the conditions of the aid program required that some sort of trade union legislation was put in place to protect workers during the construction. The legislation was drafted and compiled in the United Kingdom, at the time while Tonga was still a protectorate of the British Government and largely adhered to the Laws of the United Kingdom (Prasad and Hince, 2001; MLCI, 2000).

It has been argued by the Human Rights and Pro-Democracy movement advocates that the Trade Union Act has never been activated since for reasons that the government had never revealed to the public. The issue was discussed in a television program by Mr Finau Tutone, President of Friendly Islands Teacher's Association (FITA), MP 'Akilisi Pohiva, Human Rights and Democracy Movement Advocate and people's Number One representative to parliament, and the author of this thesis.³⁶ The main argument proposed by this live televised panel, was that the Trade Union Act was only enacted for the purposes of obtaining the aid and fulfilling the terms and conditions set by the British Government. Other researchers into the Tongan labour market confirmed this argument including Prasad and Hince who quoted:

In the Tongan situation the government passed the legislation through parliament as the *quid pro quo* for a cash grant from the UK government to enable the construction of the Queen Salote Wharf (Prasad and Hince, 2001:45).

³⁵ The government arm that looked after all government construction and development of infrastructures in Tonga.

³⁶ The panel was televised live through the Television Tonga on 14 December, 2000.

Investigation later revealed that no regulations had ever been put in place to implement the Trade Union Act 1964. Despite the call from various advocates to revive the Trade Union Act of 1964, which is very much needed as industrial disputes and exploitation of labour have become a norm in most workplaces, there has been very little success in these efforts. As a result, the Tongan labour market still remains without a legal framework that will give workers the right to collectively defend their rights and to enforce compulsory consultation and negotiation with employers. For these reasons, it is argued that employees will remain victims of the labour market until the Trade Union Act 1964 is made operative or a new legal employment relations framework is introduced, as has been attempted several times.

7.3.2 The Employment Relations Bill

First Draft - 1982

The initial draft of labour legislation in Tonga dates back to 1982. The Ministry of Labour, Commerce and Industries was given the mandate of drafting a Terms of Employment Bill as a priority of its key function. A draft of Terms of Employment Bill 1982 was prepared and submitted for the perusal and cabinet members but was never approved for tabling in parliament (MLCI, 1982 & 1983). The reports indicated that further direction from government to redraft the piece of legislation but there was no record of any attempt by government to table the draft in parliament or discuss it.

Second Draft - 1993

The attempt to revive the issue of drafting labour legislation came about in the early half of 1990s under the mandate of a new Minister of Labour. In response to a directive from the government, the Ministry of Labour, Commerce and Industries requested the assistance of the International Labour Organisation (ILO) for a legal framework to be put in place (MLCI, 1993). The ILO provided a consultant under a project known as the Employment Promotions and Labour Administration (EMPLA Project) to conduct the work 1993, and a new Bill called the Terms and Conditions of Employment Bill was put in place for public consultation. This Bill was specifically applicable to the private sector, as the Establishment Code (ESTACODE) covered the public service and its employees at the time.

After several consultations with the public, and in the private sector, the ILO Consultant and his Tongan counterpart recommended the tabling of the Bill to the legislative assembly during its 1995 session. The Terms and Conditions of Employment Bill 1995 was submitted to Cabinet and approval for tabling in parliament in its 1995 seating was granted. Preparation for tabling included bilingual translation of the Bill, binding, and distribution to Members of Parliament. Despite these efforts, the Minister for Labour, Commerce and Industries withdrew the Bill on the date that was set for deliberation in parliament (MLCI, 1995). The MLCI report does not record any reason for the last minute withdrawal of the Bill.

However, I investigated the matter further during the fieldwork, and found that the reason for the last minute withdrawal of the Bill from parliament was provided by the Tongatapu longest surviving People's Representative to parliament. He suggested that in informal consultation by Government representatives and some members of the Legislative Assembly before Parliament resumed, concerns were raised relating to the likely impact of the legislation on the economy. As he put it:

The Bill came at the wrong time, as most of the elected members as well as nobles and a number of ministers were engaged in business undertaking. They strongly opposed the Bill during informal discussion in the parliament common room. They were very concerned at the likely impact of the Bill in the economy, in terms of labour instability. Their positions were very weak and were of personal interest. However, the Minister was not strong enough to defend his Bill and as a result he called for the withdrawal of the Bill as soon as the House resumed that morning (MP-Tt01, pers. comm., 2002).

It was revealed that two members of the Tongatapu electorate, two from the Vava'u electorate, one each from the Ha'apai and 'Eua islands electorates were all business owners. In addition, five of the nobles' representatives and two government ministers engaged in business partnerships.³⁷ However, whatever other reasons for the last minute withdrawal of the Bill by the Minister of Labour may exist, it is arguable that the business interests of Members of Parliaments played a large part in the prolonged absence of a labour legislation in the Tongan labour market.

³⁷ This was revealed from the record of the company registration division 1993-1995 frequently sighted during the course of the fieldwork.

Third Draft - 2002

The Bill was re-drafted after wide-ranging consultation with the private sector and the general public between the years 2000 – 2002, under a new Minister but it has never been tabled for debate in Parliament. The Bill was renamed the Employment Bill 2002 and was reviewed to cover all employees in both public and private sectors. Despite the high government expenditure in public consultations and preparation of the Bill, the process of submitting to parliament stalled the implementation of this piece of legislation.

It was further argued by politicians, members of the Friendly Island Teachers' Association, and interested members of the public that the Bill is unlikely to be enacted in the near future for two reasons. First, the Bill is considered to be the most controversial legal framework ever proposed for Tonga. This was revealed during the private sector and public consultations led by the author. Many employers were reluctant to accept the enactment of the proposed Bill, despite comprehensive assurance that the Bill would offer benefits for both employers and employees. For example, the Bill directed that compulsory employment contracts that would spell out not only responsibilities of employers to employees, but also vice versa. Secondly, as revealed during consultation with members of Parliament, some members of the legislative assembly are involved in business and therefore have a conflict of interest between their responsibilities to the citizens of Tonga and their business concerns (Chand, 2004).³⁸ In the preparation for the 2005 parliamentary elections, some members of the public called for the elimination of candidates with business interests, as these interests were likely to conflict with their parliamentary roles. Despite these efforts and the Bill is yet to be submitted to Parliament.

Fourth Draft - 2005

In the effort to put labour legislation in place and in quick response by government to the Civil Servants' Strike of 2005, the Labour Division was directed by the new minister who is also the Prime Minister to revive working on the Employment Relations Bill 2005. In this effort, the Prime Minister, in his capacity as the Minister responsible for Labour, Commerce and Industries, travelled to the Fiji Islands to explore the possibilities of

³⁸ Public and Government consultations on the proposed Employment Bill was conducted by a team from the Ministry of Labour, Commerce and Industries led by the author during 2000-2002. The results of the various consultations are confirmed by the findings of Chand (2004).

adopting their Employment Bill to be used in Tonga (MLCI, 2005). In a public statement, the Minister elaborated:

The proposed Bill is important for the future development of the Tongan economy, as it will avoid any further industrial disputes in both public and private sectors. This Bill is aimed at harmonising employment relationships in Tongan workplaces, as it will allow compulsory dialogue of parties to the employment relationship (Sevele, 2005:1).

During the follow up fieldwork at the beginning of 2006, it was revealed that the labour division was preparing for further public consultations. However, the recent restructure of the Tongan government, in which government ministries and departments are being streamlined and reduced from thirty two ministries to fourteen, put a hold in the process of public consultations. In a recent public document, the head of the labour division and officer-in-charge of the public consultations process noted that the consultation and implementation processes would resume in the last quarter of 2006. He also noted:

We are expecting to table the Bill into Cabinet by end of September 2006 before submission to parliament for deliberations and approval for enactment. We are hoping to get the Act operative as early as January 2007 if everything goes smoothly and according to our plan of action (GO-01, pers. comm, 2006:1).

However, the evidence provided so far indicates that the difficulties in the process of enacting the labour legislation in the Tongan labour market so far are still largely extant. In addition, the evidence suggested that the four different ministers who were responsible, and who have different views on the nature of the Bill also contributed to the prolonged absence of a legal framework in the labour market. The prolonged process of approving the Employment Bill and Tonga's failure to warrant its enactment poses a serious threat to the employment relationship in Tonga.

7.4 Lack of Appropriate Labour Legislation: A Barrier to Decent Work in the Tongan Labour Market?

The absence of appropriate labour legislation in the Tongan labour market has had a detrimental effect on the welfare and livelihood of Tongan workers, and the economy as a whole. To confirm this suggestion, the purpose of this section is to investigate whether the absence of appropriate labour legislation is a barrier to the development of decent work in

the Tongan labour market. Given the importance of investigating the factors that may affect decent work in Tonga, this section is divided into two major parts. Part one (sub-section 7.4.1) presents and discusses the precarious status of workers in the labour market by demonstrating real workplace experiences found during the fieldwork. Part two (sub-section 7.4.2) will investigate and demonstrate how the absence of appropriate labour legislation is considered a barrier to promoting decent work in Tongan workplaces. It is central to this investigation to establish a link between the labour legislation and decent work, and how these can contribute to the socio-economic wellbeing and livelihood of Tongan workers.

7.4.1 Precarious Status of Workers in Tongan Workplaces

There has been sufficient evidence to argue that the forces generated by globalisation are already felt by the working population in the Tongan labour market. This argument stems from a number of material issues that have occurred in the Tongan labour market. Firstly, employees are subject to structural unemployment; secondly, many employees are underemployed; thirdly, many workers in the Tongan labour market are ‘wage takers’- they are not involved in deciding their wage levels and do not represent themselves through collective bargaining; and fourthly, the Chinese-Tongan businesses are dominant and this has affected the status of employing Tongan workers, as ill-treatment of workers has been common in their workplaces, as demonstrated later in this section.

The first proposition suggested that many workers in Tonga are vulnerable to structural unemployment. Increasing globalisation of trade and business activities, coupled with the involvement of Tonga in free trade agreements has allowed the mobility of foreign investments from Tonga to other countries where opportunities appear possible (Mosley and Uno, 2004). It is worth noting that most multinational enterprises (MNEs) came to Tonga and other small islands in order to maximise profits at least cost. Multinational enterprises (MNEs) have generally left Tonga when the investment incentives offered to them had expired (as discussed in Chapter Two). Along with a number of other consequences, the withdrawal of MNEs from Tonga resulted in many workers being returned to the increasingly crowded unemployment pool (MLCI, 1989).

These experiences are exemplified clearly in a brief examination of the history of the then largest garment manufacturing industry, known as the South Pacific Knitwear and Garment Manufacturing Limited. The company operated for fifteen consecutive years, established three different operations in the country and employed more than three hundred and fifty employees. The New Zealand owner and his son, as the managing director, left the country in 1990 without prior notice and are yet to fully pay employees with the salaries and entitlements owed to them. A former employee who had been one of the five supervisors in the company reflected:

It is a very sad story to remember. There was no indication at all that this could ever happen. As far as I know the company was in full gear in production, as we always had to catch up with orders from Canada and other international markets. However, what happened put all of us in unemployment, and to make things worse our skills were not needed in the labour market at the time. In addition, the company still owes overtime money and other entitlements, which we did not manage to recover. Almost all of us encountered a lot of socio-economic hardship particularly with loan repayments and other family obligations that were dependent on our employment (PS-01, pers. comm., 2005).

It was later revealed from the record of the Industries Division of the Ministry of Labour, Commerce and Industries that the company's development licence was due to expire in two weeks. They would then have been required to resume payment of duties and taxes to the government. That none of the employees were bound to any employment contract or agreement exemplifies how the lack of labour legislation contributed to the fate of these employees. In this context, it is suggested that the unemployment status of most workers is structural rather than voluntary, which is a manifestation of workers' vulnerabilities to forces outside their control.

The second issue to be examined in this section is the suggestion that many workers are underemployed in some workplaces in Tonga. It was found during the fieldwork for this thesis that a large proportion of workers are employed on a casual or on-call basis. This is a new trend that is found in almost every large corporation and large family-run enterprise in Tonga. This means that employees are only called in when there is demand for workers in a particular enterprise. When the work is done, workers are released until demand rises again. Pohiva (2003) and Pulu (2003) have argued that this is a trend has been introduced to

Tonga by foreign companies with branches in the country, and then adopted by other employers in Tonga.

For example, International Metrople Company, a Chinese Tobacco Manufacturing employs around seventy-five foreign and local workers (Chand, 2004; SIC, 2003; MLCI, 2003).³⁹ Their main business is packing ready-made cigarettes into small packets for exporting and local sales. Some local workers only work three days a week, while the majority of workers are only called in when the packaging process is in need. Some of these workers were not happy with the way they were employed, as noted by one employee:

The managing director told us during the interview that we would sign an employment contract after probation periods of three months, but that never happens. At this state of employment, most of our wages go toward bus fares and fuel for vehicles. What is left is not enough to meet other family needs and wants. To make things worse, some of us have bank loans that were to be paid from wages, which is a big problem that we encountered (PS-02, pers. comm., 2005).

With appropriate labour legislation these employees would be rather less vulnerable. Strikingly, while indigenous workers were employed in precarious conditions, the company employed Chinese workers holding working permits to do the same jobs as those performed by locals. This is against the immigration law thus also highlighting poor governance and the lack of policy enforcement by the government. As stated by another employee of the same company:

I am among other Tongan employees who are not happy with this type of employment arrangement. The company employed Chinese people coming to Tonga under employment visas to do exactly the same work that we do. We have lodged secret complaints to the Ministry of Labour, but nothing has been done. We are afraid of raising the issue because if the boss find out we will be in trouble and may lose our jobs (PS-03, pers. comm., 2005).

This shows the tardiness of the Government in limiting the engagement of foreign workers in employment that could be performed by local workers. It should be noted that immigration regulations state clearly that foreign workers are only issued with working permits to perform work which requires skills that are not available locally.

³⁹ International Metrople (Tonga) Company Limited imported ready-made cigarette from China and packed in Tonga before re-exporting as well as selling in the local market.

The third issue to be investigated is the suggestion that most Tongan workers are ‘wage takers’ and they have no involvement in deciding their wages. The majority of daily paid workers in the labour market either have little educational qualifications and skills, or are employed in jobs that do not match their skills and experiences. It should be noted that most of these workers are early drop outs from intermediate and high schools (Tatafu, 1997; MLCI, 2003). Given the size of the labour market, unskilled citizens are more likely to take up any type of job available in order to provide what they can for their personal needs and those of their families. Furthermore, since their labour is the only commodity they have to offer, many Tongan workers are more likely to fall into low quality types of employment. The Deputy Secretary of the labour division of the Ministry of Labour, Commerce and Industries, summarises the finding of the Labour Market Survey of 2003:

Our survey shows that most school leavers and youths are employed in jobs that do not match their qualifications and skills. The scarcity of employment opportunities in the labour market gave job seekers little options, thus taking up whatever employment available. The wages are not as good as they may have got in the right job but they have very little influence in deciding their wages and there are no proper representatives to negotiate for them (GO-02, pers. comm., 2004).

One school leaver who was employed by the Janful International Dateline Hotel as a driver/messenger also described his employment status:

I left high school in 2002 and was desperately looking for a job to help my family. This is the only job that was available for me and I am employed on a daily basis and earn TOP\$60.00 a week. I have been working here for three years and my wages have remained the same, and I cannot argue with the boss, as I may lose my job. I am still looking for a better job and hoping to get one soon (JS-01, pers. comm., 2005).

These two statements suggest that the scarcity of employment opportunities available in the Tongan labour market forced workers with low human capital to engage in whatever job was available for them. It is in this context that these type of workers took the employment opportunity without much consideration of the terms and conditions. The lack of proper representation has also contributed to the fate of these types of employees. In addition, the evidence indicated that these workers will continue to move from one job to the other until the right circumstances arises.

Fourthly, the increasing dominance of Chinese-Tongan businesses and the type of employment they offer exemplifies the precarious status of workers in the Tongan labour market. As discussed in Chapter 6, the influx of Chinese-Tongans under the government's Cash-for-Passports Scheme has brought new entrepreneurs to almost every business sector in the Tongan economy. In this respect they have been sources of wealth and employment creation. However, the dark side of the multi-influx of Chinese-Tongans have had some negatives effects on the potential for decent work in the labour market. The labour division of the Ministry of Labour, Commerce and Industries have recorded numerous complaints from Tongan employees, especially women for the unfair and ill treatment in Chinese-Tongan workplaces, as elaborated by an officer of this division:

We have received several complaints from both male and female employees for being mistreated in the workplaces of Chinese-Tongans. These mistreatment actions including overwork for the same pay, dirty workplaces and sexual harassment. They were forced to comply or they would be fired. We cannot do much because there is no labour legislation that would allow us to take mediation action and to settle disputes and grievances between employers and employees at the workplace level. If you closely observe most Chinese-Tongan workplaces, you will find new employees almost every week (GO-03, pers. comm., 2006).

However, some employees have been in such businesses in the longer term, albeit not always happily. A woman who has been working for almost six years in a Chinese-Tongan owned manufacturing business in the small industries centre was interviewed and she confirmed the statement of the labour officer in the quote above. She wrote:

I have been employed in this company for almost six years now and have seen different ways of how these people treated workers in our factory, as well as other Chinese businesses that I know. They treat them like slaves and sometime I looked down from the office and feel very angry at the ways they treated employees to their advantage, especially females. All of our workers have no employment contract and Chinese use that vulnerable status to force their compliance, otherwise they sack them. It is a pity that the government does not have a law to protect workers from such ill treatment in the workplaces, and make our people to be slaves in our own country. Labour turnover in this company is very high, as we have new employees almost every month (PS-04, pers. comm., 2005).

The evidence had suggested that the lack of labour legislation in the country contributes to the precarious status of female workers in these workplaces. Although job seekers looked at the business establishment of Chinese-Tongans as creation of employment opportunities, the ill-treatment of female workers by employers is well-known in the country. Such

experiences have discouraged Tongan females from seeking employment in Chinese-Tongan businesses, and they preferred to remain unemployed.

Employers on the other hand, have been aware of the desperate situation of low skilled workers and have used it as an avenue to strengthen their commitment. Tongan workers in the Janful International Hotel, a Chinese owned hotel, revealed that they hesitated to ask for better employment conditions for female employees for fear of losing their jobs. These workers also said that some of their co-workers have had their jobs terminated, as a result of their request to discuss their employment status. They stated that these workers were all indigenous Tongans who were replaced by foreign workers, such as Chinese and Indians, in Tonga on working visas.⁴⁰ Indeed, these workers have very little opportunity to improve their socio-economic situation with the remuneration they are given. It is in this way that the precarious situation of workers emphasised how the lack of decent work in the Tongan labour market, affected the overall socio-economic development in Tonga. A thorough investigation of how the lack of labour legislation is considered a barrier to decent work is presented in the next sub-section.

7.4.2 How the Lack of Labour Legislation is a Barrier to Decent Work

Much had been said in the above discussion that shows the precarious status of workers in the Tongan labour market. Given the small size of the labour market and the lack of available employment opportunities, the status of employment is largely based on whatever employment opportunities are available to them. A reasonable number of Tongan workers do not have appropriate skills and qualifications that would allow them to bargain for better employment conditions (MLCI, 2003). Instead, they have had to accept whatever is provided for them by their respective employers. However, this section will provide some key employment issues found in the Tongan labour market to demonstrate how the lack of labour legislation is considered a barrier to development of decent work.

⁴⁰ Workers in the biggest hotel in Tonga, the Janful International Hotel were interviewed during fieldwork on 23-24 March 2004.

Poor Wages for Vulnerable Working Groups

The most obvious impact of the absence of appropriate labour relations in the Tongan labour market is exemplified by poor wages and salaries of a majority of Tongan workers. This is particularly applicable to workers with very few skills, experiences and qualifications that would influence any appeal for improvements in wages, salaries, and conditions. These vulnerable groups are mostly indigenous Tongans. Their vulnerable status is demonstrated by often undertaking long hours of work for insufficient pay. The problem is worsened by the absence of a minimum wage policy, so that workers in the private sector are often paid very low wages ('Uta'atu, 2000; MLCI, 2003; Tonga Statistics Department, 2003).

For example, in the fieldwork research, it was revealed that some employees in the private sector are paid at a daily rate of TOP\$7.00 or TOP\$42.00 a week. Ten indigenous employees selected from shopkeepers, waitress and caretakers were interviewed in 2005 on their level of wages, and the extent to which they could influence the setting of their wage rates. Five informants (50%) of the sample confirmed that they were paid at the daily rate of TOP\$7.00, one employee (10%) noted that he was paid in a daily rate of TOP\$8.50 and the other four informants (40%) noted that they were paid daily rates ranging from TOP\$9.00 to TOP\$11.00. In addition, seven informants (70%) noted that they have had the same wage rates for the past two years, while the other three employees (30%) had had a pay increase in the last three years. Out of this sample, nine employees (90%) had bank loans directly deducted from their wages, while one employee (10%) has no loan to pay. Eight employees (80%) have other family and social obligations that are dependent on their wages, while the other two employees (20%) have no obligation to fulfil with the left over of their wages. All of these employees (100%) stated they had no influence in deciding their wages rate, as every decision was made by their employers without any consultation with them. They all suggested that performance is not a factor ever considered in terms of pay levels.

Despite the small size of the sample, it is evident that the long delay in enactment of the Employment Bill 2005 has contributed to the inability of these employees to negotiate their wage rate or to engage in employment agreements. As such, it appears that many Tongan workers to fall within the category of the 'working poor'. Moreover, the fulfilment

of family and social obligations was an extra burden on these employees that further exacerbated their daily lives. Hence, the lack of appropriate labour legislation has severely limited the ability of employees to seek fairer wages from employers in search of an improvement of their socio-economic wellbeing. Lack of improvement in their individual welfare appeared to be a serious threat to decent work, which in turn limits sustainable socio-economic development in Tonga.

Exposure to Occupational Health and Safety Hazards

The delay in enactment of labour legislation in the Tongan labour market has also aggravated serious concerns over the occupational health and safety standards and practices in many workplaces in Tonga. At present, in many construction companies in Tonga, employees work in bare feet, while others walk around danger areas without helmets, and are thus exposed to serious health risks. In the manufacturing sector, there are numbers of industries whose main businesses are manufacturing products using toxic chemicals. I visited two companies during the fieldwork and observed employees producing paints and related products in one factory, and other employees producing laundry powders in the other factory. One company is the Asian Paints Limited, a multinational enterprise which manufactures paints, while the other company manufactures laundry powder and detergent is owned by a Chinese-Tongan entrepreneur. The two companies are located facing each other within the Small Industries Centre.

During both observations, employees did not wear facemasks, hand gloves or safety boots. Employees were not interviewed during their working hours, as the respective managers were reluctant to allow the interviews to take place. However, four employees (two from each company) were interviewed in other times. Both employees from the paint company were asked why they did not use safety equipment during the production processes and one of them represented their views:

We know that it is very dangerous but we cannot do much. We have asked the manager many times but he kept on saying 'yes' but it never happened. This is our second week in this job and we only realised why many people leave this company almost every month. We do not know whether there is any law to force the company to provide protection equipment, as this is very risky job for our

health. I do not know how long we can work in this factory (PS-05, pers. comm., 2005).

The other two employees from the laundry powder factory were also asked the same question and one of them replied on behalf of the others:

Most employees asked the Chinese supervisor many times but he pretended not to understand what we are saying. He sometimes said that he will tell the boss. However, the manager came in one day and one of our senior colleagues asked him for safety equipment. The manager said that if we want safety equipment he can buy them but that will be deducted from our weekly wages. That is why we still work without safety equipment. We know the danger of the chemicals, but where else can we go for a job? (PS-06, pers. comm., 2005).

In order to get a balance of the views, I managed to get to interview one of the managers concerned and he suggested:

Those items of equipment are very costly and to buy them will increase our cost of production. I have told my workers, if you want safety equipment I can buy it but will be deducted from wages. Many Tongan workers steal from the factory. If they do not want to work they can go home, as many people wanted to come and work (EM-01, pers. comm., 2005).

Again prolonged delay in enactment of a labour legislation to enforce compulsory occupational health and safety issues poses serious health threats on the most vulnerable workers in the Tongan labour market. Given that the contents of the Bill are mainly concerned with the welfare of employees and occupational health and safety issues, workers will remain subject to precarious and dangerous working conditions until the enactment of appropriate legal frameworks. For example, the Bill provides for proper protective clothing in areas of work that may endanger employees' health such as construction and related heavy-duty jobs as evident in above example. It is in this way that greater exposure of workers to health hazards has denied them the right to achieve decent work.

Poor Working Conditions Aggravated Poor Performances

An analysis of different firms in countries of the OECD has revealed the link between labour standards and performances of businesses in the long run (OECD, 1996). In this subsection I also argue that poor working conditions will lead to poor performance of workers and that would negatively affect the productivity of the workplace as a whole. Martin and Maskus (2001) argued that exploited workers are likely to perform below their maximum performance capabilities. Not only that, I also argue that workers will, by all means, find ways to supplement their poor wages and compensate for poor working conditions. These two arguments are based on the experiences of unskilled indigenous workers who are employed in precarious working conditions, such as daily paid labourers, employed either part-time or on a casual basis.

Firstly, poor working conditions will lead to poor performance of employees and which has a negative effect on the performance of the business. As evident in previous sections, most employees do not understand whether their performance were considered as a factor for deciding their wages. In the manufacturing sector, greater exposure to health hazards led to higher labour turnover, as a result. In these contexts, workers are unsure whether their performances will contribute to increased wages and because of that uncertainty, they will only work just enough to complete their working hours without much commitment. In addition, their uncertainty is fuelled by the fact that the employer can lay them off at any time and their future in the company is assured. As a consequence there is a clear logic that a lack of commitment of employees will lead to poor performance and so may affect the ability of the firm to fulfil its production volume.

Secondly, I argue here that poor working conditions may cause workers to find other ways of supplementing their wages. This argument stems from the experiences of the evidence presented in previous sections. Because of their low wages and poor working conditions, it is possible that workers may commit offences such as stealing from the factory, breaking machinery and equipment, and not following the proper production procedures that may lead to waste of resources. It was revealed during the fieldwork that this is typical in many workplaces. As is evident from the comment of the manager/owner of the laundry powder factory, many indigenous employees steal from his factory, which is why he is reluctant to provide safety equipment for his employees. Ritterbush (1986) revealed that thieving by employees is a common problem encountered by almost every

business sector in Tonga, and a barrier to successful businesses. It is in this context that a lack of labour legislation to enforce harmonious working relationships between employers and employees appeared to not only affect decent work but also hurt the productivity of employers.

Workers Dissatisfaction Causes Industrial Disputes

In this sub-section I will argue that the delay in enacting labour legislation that would enforce and harmonise the relationship between employers and employees could cause industrial disputes. This argument stems from the experiences of indigenous Tongans, especially unskilled workers, who have little time to discuss their grievances and can walk out of the job anytime. It was revealed during the fieldwork that this is particularly common in multinational enterprises, foreign-owned companies, and local companies managed by foreigners. One may argue that this argument has the element of discrimination against foreign businesses and foreign managers in Tonga. This is not to discriminate against foreigners, but rather is an evident reality in the Tongan labour market. Many foreign-owned businesses have encountered production disruptions caused by indigenous employees, which have been recorded by the Ministry (MLCI, 2003). Organised industrial disputes have been very rare but the occurrence of *ad hoc* or ‘wildcat’ disputes in the workplace has a long history in the Tongan labour market. Consequently, the effect of industrial disputes has been severe on some companies which resulted in downsizing of operations and imposition of strict company policies. Some businesses closed down and had relocated elsewhere out of Tonga (MLCI, 2003). Yet with legislation and regulation, the affect of such disputes could have been avoided.

The severity of industrial disputes is exemplified by the experience of the workplace dispute in the Fung Shing Company Limited, which is a Chinese-Tongan owned business located in the Small Industries Centre. The company operated a number of manufacturing business operations, including manufacturing of biscuits, noodles, ice blocks, toilet paper and laundry powder. The dispute occurred in May 2004, as a result of failure of the company to pay its fifty five workers (forty females and fifteen males) their two weeks wages, which were long overdue. According to one of the employees involved the company owed all employees two weeks pay. They were told that it was a company policy to

enhance commitment and every employee would be paid accordingly when they cease employment. She elaborated:

We argue that they have no right to withhold the two week wages, as we have no written contract and any arrangement on paper. We only realised that they were lying when four of our colleagues were sacked and two others left to work in another company. They claimed these unpaid wages but were not given them. We decided to act now or it will be too late (PS-07, pers. comm., 2004).

Asked why they did not try to negotiate with the manager and why they decided to boycott production for one whole week, another senior employee who organised the dispute suggested:

We tried everything but they seemed to use their language status as an excuse for not understanding what we are trying to get. We get all the girls and secretly discuss what to do, and decided to boycott the production of all branches. We choose May, as we knew from our production that demand is usually high because of Church conferences and important family days such as the white Sunday for children as well as Fathers' and Mothers' days. We did it and the company encountered serious problems. We will continue to take industrial action whenever appropriate (PS-08, pers. comm., 2004).

The manager was asked about the industrial action and he noted that they had lost a lot of business as a result of employees' industrial action. It was understood that the dispute went on for eight working days until both sides came to a settlement. The manager agreed to pay them all their dues within two weeks, with no punishment for employees who participated in the industrial action. It was also revealed that the male workers also supported their female colleagues, although they joined in two days later.

This experience shows how unlawful industrial action could harm the performance of labour intensive businesses in Tonga. This type of dispute could have been avoided by robust but peaceful dialogue specified in the labour legislation and spelled out in Part Four of the ILO decent work agenda (ILO, 1999). It is through social dialogue that employers and employees could find a way to solve the problem without disrupting the production of the company. It is also in this context that I argue that the lack of appropriate labour legislation has not only affected the welfare and livelihood of unskilled workers, but it also has detrimental effect on the performance of businesses. Hence, this experience established the link between decent work and business performances. It is not only in the private sector

that the absence of labour legislation has weakened the opportunities for fairness in employment and advancement of development of decent work. A study of a major public sector dispute also shows this.

7.5 Case Study: Civil Servants Strike – A Cry for Decent Work

The purpose of this section is to present a case study of the Civil Servants' strike that took place in 2005 and lasted for forty three days. The case study will demonstrate three major issues that will demonstrate the effects of the absence of labour legislation on the Tongan labour market. First, the case study will show how the absence of labour legislation allows no room for compulsory dialogue between the government and its employees, which would have enabled a compromise to be reached and so avoid industrial action. Secondly, the case study will exemplify how the lack of dispute settlement procedures in government, as would have been specified in the labour legislation, led to the prolonged strike. Thirdly, the case study will consider the impact of the industrial action and show the link between labour standards and socio-economic development of the country.

Figure 7.1 - Thousands of Tongan Civil Servants on Strike assembled at the Pangai Si'i Public Park

Photo: Compliments of Semisi Sika of Kai Mai Production

7.5.1 Background of the Industrial Action ⁴¹

The civil servants' industrial action was sparked by a review of all civil servants' posts and salaries implemented in July 2005. Part of the public sector economic reform, the review was conducted by a consultant, in association with the Tonga Public Service Commission (TPSC). The review was based on job descriptions and schedules with revised pay and conditions to be implemented in three phases. At the conclusion of the revision, copies of revised salaries and wages with the percentage changes were distributed to all civil servants in mid-June 2005. Under this revision program, the percentage of revisions varied from one per cent to one hundred and twenty four per cent depending on job descriptions for each post.⁴² Salaries for some posts were not affected, while others looked like a demotion. Although the consultant and TPSC visited almost every ministry and department to explain and defend their model of revision, many employees were not happy at all.

In response, senior government officials called a meeting for all employees in the main island of Tongatapu and formed a committee to approach the government for dialogue in this matter. The matter was handled immediately and a letter was presented to the Prime Minister on the 15 June 2005. The letter requested an opportunity to discuss the matter with the government and to come up with a solution. The government was given two weeks to respond. However, the Prime Minister ignored the importance of the letter and left the country on the 16 June 2005 on an overseas vacation. The government replied that the decision was final and there was no room for collective dialogue. They directed that all grievances would have to come through the respective ministry and departments, and would be dealt with by TPSC in their own time, which was the second phase of the reform program.

Another meeting with all employees was called. They approved that a final letter be sent asking the government to delay the implementation of the salary revision and to conduct further consultation with all employees. The government was warned that employees would take serious action if they failed to comply with their demand. Rather than agreed to a dialogue, the government reply warned employees that disciplinary action

⁴¹ Sources for this case study come mainly from the experience of the author who played an active role in the dispute.

⁴² Calculated from salary review table distributed to each government ministry and department.

would be taken if they went on strike. However, two thousand five hundred and sixty two civil servants ignored the warning from government and went on strike on 22 July 2005. It ended on 5 September 2005. A Tongan figure by the name of Dr Sitiveni Halapua, working in the East-West Centre in Hawaii was later invited by the government to facilitate the dialogue between the parties, after which the government agreed to defer the implementation of the reform exercise and give a pay rise to all civil servants.

7.5.2 No Compulsory Dialogue Mandate

The civil servants' industrial action is argued to be an outcome of the absence of a compulsory dialogue procedure that would have allowed the civil servants interim committee and the government to discuss the matter. This is because there is no labour legislation that would have enforced the engagement of both parties in compulsory dialogue. Such compulsory dialogue would have allowed representatives of the civil servants to present their argument, as well as an opportunity for representatives of the government to defend their decision. As a result, the government largely ignored the demand from civil servants. It is worth noting, too, that because organised industrial action has been rare in Tonga, especially in the public service, it is suggested that the government took the matter very lightly.

Although that the Public Service Act 2002 has specified clauses for the procedure of handling grievances, the civil servants were reluctant to go through such procedures. As noted by a member of the striking civil servants' interim committee:

That is a very long and ineffective procedure to find a resolution for the grievances of about seventy per cent of the civil servants. They already told us that all grievances would be addressed in a period of one year and by July 2006 everything is back to normal. That is ridiculous, cabinet ministers already get their pay rise while the majority of us doing the work have to wait for one year before our actual pay rise is awarded. What sort of country is this? (GO-04, pers. comm., 2005).

It should be noted that the Public Service Commission Act 2002 does not provide for personal appearances by a civil servant to present his or her grievances, but it is rather a matter to be dealt with by the Tonga Public Service Commission. Furthermore, the decision by TPSC is usually final and employees have little influence or recourse to appeal. However, the content of the Employment Relations Bill 2002, which was to cover both

public and private sector contained clauses that directed the employer and employee to engage in compulsory dialogue in the workplace levels. As it has been demonstrated, the reluctance of the government to allow compulsory dialogue is largely fuelled by the lack of appropriate labour legislation, which, in turn has been hampered by government inaction.

7.5.3 Lack of Dispute Settlement Procedure

In this section I will argue that the absence of a proper labour legislation in Tonga has contributed to the lack of dispute settlement procedures that would have avoided the prolonged occurrence of the industrial action. Of itself, the considerable length of the dispute (forty three days) is a clear manifestation of government incapacity in adopting a workable dispute settlement procedure. It is arguable that the government was too slow in taking action to settle the dispute. Another member of the civil servants' interim committee explained why it took so long for the government to come up with a solution to settle the dispute.

First of all the Prime Minister was away on vacation and members of cabinet cannot do anything without the PM's decision. In addition, the government was very slack in scheduling meetings and slow to come up with proposals to solve the problem. This is because there is no law to force them to act immediately and try to come up with a solution to end the problem. They also ignored the damaging effect of the strike on the economy, despite warnings by our negotiation team to move the negotiation forward to avoid further damage to the economy and the country as a whole (GO-5, pers. comm., 2005).

The explanation presented above shows not only how the lack of labour legislation contributed to the prolonged nature of the strike. It also shows the motivation of the members of cabinet toward settling the dispute. It is evident that they were in agreement about avoiding meetings with the strikers' negotiation team. It is also arguable that the government was relying on their authority vested under the Public Service Commission Act 2002 to intimidate the strikers to go back to work. However, the government finally realised that intimidating workers did not work and they had to reach a solution that would satisfy both sides. A specified and workable dispute settlement procedure would have ended the civil servants' industrial dispute in the early stages. By the same token, having a proper dispute settlement procedure could have avoided any negative impact of the strike on the business sectors and the economy as a whole.

7.5.4 Impact of the Prolonged Industrial Action

This section will provide some evidence on how the civil servants' industrial strike has had a spillover effect on the Tongan economy, especially on the business sector. Like most developing countries, the Tongan economy is heavily dependent on the performances of its private sector. To this effect, any impact on the private sector performance will certainly have a distortion effect on the performance of the Tongan economy and the socio-economic development of the country as a whole. Moreover, the occurrence of the strike also affected social development in terms of disruption of school operations, as well as the operation of hospitals throughout the country. These two factors are observed in this section.

Firstly, the impact of the strike on the business sector is argued to have been very severe. The civil servants' strike paralysed the government services such as the customs department, the wharf and treasury services, thus slowing down the performance of many businesses in Tonga. The custom offices were closed as well as the wharf, which hampered the ability of wholesalers to clear their containers and other goods vital to keep their businesses going. In addition the wharf was closed and all ships bound for Tonga were redirected. The closure of the treasury service put pressure on many businesses in the private sector that provided services to the government. This is because the payment of their cheques and vouchers were withheld which also affected the cash flow of these businesses. Moreover, the strike workers clearly did not receive their normal salaries for the whole duration of the strike. In this sense, since the number of civil servants who participated in the industrial strike action was considerable, their inability to continue purchasing from businesses significantly affected the income of local businesses.

Secondly, I will argue that the prolonged strike affected the essential services in the country, in particular, the health services and education, as illustrated by the pictures in Figure 7.2 below. It was recorded that ninety per cent of the teachers from both high schools and primary schools participated in the industrial action. Similarly, eighty five per cent of hospital employees participated in the industrial action. The high participation rate of teachers and health staff in the strike was seen to have seriously affected these two essential services. Almost all schools were closed and senior students participated in the strike in support of their teachers. Some schools were vandalised and a number of

government vehicles were torched, which was revealed by police to have been done by high school students. Most patients were asked by doctors to go home where they would be continue to be treated. This was done to allow doctors to concentrate on critical patients, especially those in the intensive care ward. In this respect, the failure of the government to avoid the occurrence of the industrial dispute was a major threat to the socio-economic progress of the country.

Figure 7.2 – Health Workers participating in the Civil Servants Strike 2005

7.6 Implications for Sustainable Socio-Economic Development in Tonga

The absence of appropriate labour legislation in the Tongan labour market implied how a lack of decent work can affect the socio-economic performance of Tonga. In so doing I will argue that the absence of labour legislation to govern the employment relationship may continue to deny the development of decent work in Tonga. In turn, it will have a detrimental effect on the performance of most labour intensive businesses, an important factor since most businesses in Tonga are labour intensive. However, the implications of the absence of appropriate labour legislation as a barrier to decent work for sustainable socio-economic development are clearly evident in at least three forms. First, the absence of appropriate labour legislation contributes to worsening the poverty of low paid workers and vulnerable groups in the labour market, thus affecting their socio-economic wellbeing and livelihood. Second, the impact of the lack of labour legislation on decent work may discourage the commitment of employees, especially in labour intensive industries and may affect its productivity and overall performances. Third, leading from point one and two, the absence of labour legislation not only affects decent work for employees and the employer's performances but it may have detrimental effect on the ability of both parties to contribute to the socio-economic development of the country. All of these factors reflected the limited contribution of employers and employees to the national socio-economic development.

7.6.1 Limited Contribution to the National Socio-Economic Development

The prolonged absence of appropriate labour legislation in the Tongan market has had a detrimental effect on the sustainability of national socio-economic development. This means that the multiplier effect of the absence of labour legislation has caused disruption to the productivity and competitiveness of the labour intensive firms, as well as affecting the wellbeing and livelihood of workers. Thus the contribution of employers and employees to the national socio-economic development has been limited by what occurs in the workplace

as a result of the absence of appropriate employment and labour legislation to govern the employment relationship. This limitation of contribution is seen in two forms.

Firstly, the disruption to production in the workplace affects the contribution of the firm to the national economy. As evident from the experiences of the Fung Shing Development company, the boycotting of production by employees resulted in lost of business by the employer. Hence, losing business meant a lack of contribution by the company to government in the form of taxes, as well as minimal utilisation by the company of services provided by other businesses. The lack of contribution of the company also limited the ability of other companies associated with Fung Shing to create more wealth to the economy, as well as creating decent employment opportunities in the labour market.

Secondly, I argue that the absence of labour legislation in the Tongan labour market limits the ability of employees to engage in decent work and make notable contribution to the socio-economic development of the country. This argument stems from the fact that the lack of decent work is associated with low wages, insecurity of jobs for unskilled workers, and poor working conditions of vulnerable groups in the Tongan labour market. Poor wages weakened the ability of workers to maximise spending and so contributed to the wealth of the economy. By the same token, job insecurity and poor working conditions have the tendency of putting more people into the already crowded unemployment pool, so adding more constraints to the socio-economic development of Tonga. Finally, the exposure of unskilled and vulnerable workers to health risks in the workplaces may endanger their lives.

7.7 Chapter Summary

The discussion in this chapter established how the problem of prolonged absence of labour legislation has had negative effects on the development of decent work in the Tongan labour market. The argument stems from the fact that the Tongan labour market has for long operated without labour legislation and the employers' domination in the workplace has contributed to putting vulnerable workers into poverty. Some researchers (Busse, 2002; Harris, 2002) suggested that labour legislation will cause a distortion in the performances of small businesses in countries like Tonga. On the other hand if the emphasis is on development rather than on growth based on exploitation of labour, then, as researchers have argued, labour legislation could play a vital role in promoting decent work in the

Tongan labour market (Imbun, 2006; Martin and Maskus, 2001; Hess, 1998 & 1992; Hirsch, 1997). . Hence decent work would contribute to successful performances of workplaces, as well as the socio-economic development of the nation. The recent experience of the Tongan labour market performance provides a benchmark for further investigation, so that once apt employment relations legislation has been enacted, business performance pre- and post- legislation could be compared.

The various reasons for the prolonged absence of labour legislation in Tonga were also presented. It was revealed that the reasons for delay were mixed. The delay in submitting the Labour Bill to be passed by the parliament was caused by personal interests of some members of parliament and the reluctance of some elected members who owned businesses and who believed that legally enforceable labour standards, would affect their performance. It is also notable that the Labour Bill has been handled by four different Ministers but no material action has been done to date. It appears that the process of enacting the Employment Relations Bill is underway and some are hopeful it will be ready by early 2007.

The impact of the absence of labour legislation on decent work in most intensive industries were also observed and presented. The fate of some factory workers revealed during the fieldwork interviews was also presented. The outcomes of these exemplified the severe effect of the absence of labour legislation and how employees' welfare and livelihoods are being affected. In addition, a case study of the strike by Tonga's Civil Servants demonstrates the lack of appropriate mechanisms to promote decent work and social dialogue at the government level. Hence, the absence of appropriate and workable mechanisms to allow compulsory dialogue, and the failure of the government to establish a dispute settlement procedure to end the strike was shown to have serious impact on decent work and the socio-economic development in Tonga.

The implications of the prolonged absence of appropriate labour legislation on the socio-economic development in Tonga were also considered. I argued that that there was a vital correlation between labour standards and the sustainability of the process of socio-economic development in Tonga. The experiences of labour intensive businesses and workers included in this study indicated how the absence of appropriate labour legislation not only affected the livelihood of employees and their right to decent work, but also

distorted the performance of the businesses and their ability to create more decent employment opportunities. I argue that unskilled workers encountering socio-economic problems such as exposure to greater health risks continue to deny their ability to achieve decent work. At the same time, employers have suffered from poor labour productivity, higher labour turnover and overall loss of business. It is in this context that that labour legislation appeared to a barrier to decent work, thus constraining sustainable socio-economic development in Tonga.

CHAPTER EIGHT

CONCLUSION AND POLICY RECOMMENDATIONS

Preamble

The emphasis on sustainability suggests that what is needed is a policy effort aimed at making these developmental achievements last well into the future. By implication, some at least of past development efforts have achieved only short-lived gains (Pearce, 1999:9).

8.0 Introduction

The ability of the countries in the South Pacific region to make sustained progress in socio-economic development is hampered by a range of challenges. By the very nature of these islands and the levels of their development, they are most vulnerable to forces beyond their control. Yet, some countries in the South Pacific region have responded less effectively than others in meeting the various challenges. Although almost all countries in the South Pacific region face similar problems, their considerable differences in terms of natural resources, culture, political settings, and religious have also been important in the levels of socio-economic development achieved. As was discussed in Chapter One, at least one of these factors was revealed to have affected the levels of sustainable socio-economic development in countries in the region. For example, the commitment of the Tuvaluan people to their religious financial obligations ignored the need for managing family incomes and the sustainable livelihood of the family (Goldsmith, 2005). It was for these reasons that the socio-economic development processes in Pacific Island Countries (PICs) appeared to be lagging.

In the course of the research for this thesis, it was revealed that the process of sustainable socio-economic development in Tonga is no exception. Barriers to development in some areas of the Tongan economy were found to be considerable together with a lack of appropriate policies and ineffective implementation strategies.

It was shown that the membership of Tonga in international and regional organisations, and in association with larger economies has led to the recognition of the importance of sustainable socio-economic development across the country. The commitment of the Tongan government to environmental development in terms of financial commitments and policy formulations exemplifies the lack of commitment to other aspects of development.

It is in this context that Pearce (1999) suggested that policies and strategies adopted by many small developing countries emphasised for short-term gains only. What is very

much needed in these countries, he argued are appropriate policies and strategies to ensure long-term benefits for the socio-economic development in their respective economies (Pearce, 1999). The merit of this suggestion has been revealed during the course of this thesis. For example, in Tonga many of the responses to various challenges encountered by the economy were taken on an *ad hoc* basis that targeted specific problems but were not directed towards long-term benefit of the citizenry and economy. These arguments are further elaborated in the summary of the findings of the thesis in section 8.1.

The main objective of this thesis was to investigate, analyse and discuss the various challenges that were responsible for the lag in sustainable socio-economic development in Tonga. In this respect this thesis took a heuristic approach as its guiding framework to investigate the problems identified in this study and to develop appropriate and achievable policies. This was not to undermine the policies already formulated by the government and foreign organisations with interest in socio-economic development in Tonga. Rather it was shown in the problems of lagging socio-economic development and vulnerability to an array of development barriers, that a realistic policy framework was needed.

8.1 Summary of the Findings

Early in the thesis the notion of sustainable socio-economic development in Pacific Island Countries (PICs) was investigated and explored. The foundation definition of sustainable development from the United Nations was found to be important and appropriate. The United Nations had emphasised the importance of meeting the needs of the present generation without having to affect the ability of future generations to meet their own needs (Brundtland, 1987). Based on this definition, the chapter focussed on investigating how the major building blocks or ‘three pillars’ of sustainable development, namely ecological, economic, and socio-political issues can be handled.

An overview of the Tongan economy in Chapter One revealed how Tonga, among other small island economies in the PICs is characterised by several key features. These features include small population, limited resource base, open economy, trade-dependent economy, remoteness from major world markets, increasing trade deficit, and often dependent on migration, remittances, foreign aid and over-bureaucracy (which many researchers referred to as MIRAB effect) (Central Planning Department, 2006). All development aspects of the Tongan economy were reviewed in the attempt to understand

the extent of development in those aspects, and at the same time to highlight the various factors affecting the ability of the economy to grow and succeed.

The overview of development issues in Tonga revealed two important issues. The first was the lack of involvement of indigenous entrepreneurs in export oriented businesses, and the second was the increasing unemployment despite high literacy rates and a well developed educational system. However, these issues need further investigation.

It was this context that a review of the sustainable socio-economic development literature in Tonga and the PICs appeared to be the first important task of the researcher, which was the focus of Chapter Two. As such, the review of the literature suggested that what has been done in the name of sustainable development in Tonga has often been biased towards the ecological aspect only. While important, it must be balanced by the other pillars of sustainable development. Indeed given the breadth of the notion of sustainable socio-economic development and strength of the environmental literature, this thesis focussed on elements of sustainable socio-economic development other than ecological and environmental issues. It was in this respect that early discussion of the thesis emphasised the importance of addressing all issues underpinning development. That is, those of the environment, the development of the economy and the social and civil betterment of the people should all be equally addressed. It was also emphasised that political issues are an important element of the social pillars of sustainable development. While the political aspects are sometimes omitted, issues of government governance and the rights of citizens are inherent in social development. Failure to address such issues may have adverse effect on sustainable socio-economic development of PICs, Tonga in particular.

The imbalance of addressing the ‘three pillars’ of sustainable development in Tonga was demonstrated by the increasing urbanisation that aggravated unemployment and poverty, the out-flow of human resources, a lack of decent work, and the long preservation of traditional cultures by indigenous people. Evidence of poverty in Tonga demonstrated the lack of efforts in combating poverty in Tonga. Although government officials often denied that poverty was a problem in Tonga, the review of the literature revealed that poverty was a major concern and evidence indicated that the trend is likely to be upward in the future (Connell and Lea, 2002). This was demonstrated by the growing squatter

settlement at Pa Tangata beside the Tukutonga landfill, which I argued that was only the beginning.

In addition to other barriers to development, poor management and governance, as well as market deficiencies were revealed to be contributing factors to the continuing sluggish performance of the Tongan private sector, as well as in public enterprises and family-run businesses. Hence, the review of development issues in the Tongan economy revealed the importance of alleviating key barriers that hampered sustainable socio-economic development in Tonga.

The literature review further highlighted a number of key barriers that were primarily responsible for the lack of investment in Tonga. The issue of unfavourable investment environment was found to have been aggravated by the Tongan land tenure system, as well as excessive government policies. It was evident from the review of the literature that foreign investors were discouraged by their inability to secure land for investment. In addition, some investors raised their concerns over the severity of excessive government policies such as high excise duties and taxes. Consequently, investors looked elsewhere for potential investment opportunities.

Chapter Three provides a discussion on attempts to select the most appropriate research methodology that was adopted for investigating the range of challenges to sustainable socio-economic development in Tonga. Given the nature of the problem and the intention to yield the best possible results, an overview of types of research approaches in the literature was necessary. It was revealed from the review of methodology literature that researchers into Pacific affairs, although tending to favour qualitative approaches, some combined this with a quantitative method in the attempt to collect the needed data. After a review of both quantitative and qualitative research methodologies and weighing their advantage and disadvantages. It seemed evident that a qualitative multimethod approach would provide best insights.

In advocating a multimethod approach, Buchanan (1999:51) suggested three major benefits. First, the multimethod approach allows the corroborations of information or validating findings. Second, multimethod research enables appropriate information getting; and third, multimethod research can strengthen the quality of data being collected. In addition, Tashakkori and Teddlie (1998), asserted that a multimethod approach appears to

be a useful tool for researching a broad topic. It was in this respect that the qualitative multimethod appeared favourable for researching sustainable socio-economic development in Tonga. Case studies and ethnographic techniques were chosen as the central research approaches.

The discussion in Chapter Four set the field for the rest of the thesis. The chapter conducted a review of a study Deacon Ritterbush in the early 1980s and was published in 1986. Ritterbush's mandate was to identify the various factors that hampered the development of entrepreneurship in Tonga and to offer policy recommendations in the quest for overcoming those barriers. The selection of Ritterbush's study was based on the fact that it was the first intensive study that investigated the barriers for development in all economic sectors of the Tongan economy. Although there were other studies that focussed on one or two sectors, the Ritterbush study was sufficiently comprehensive. The outcome of her study suggested key factors that clearly affected the ability of entrepreneurs, particularly Tongan entrepreneurs, to grow. Some of these factors include:

- poor management;
- market deficiencies;
- lack of skilled labour
- lack of finance;
- lack of management and financial skills;
- excessive government policies; and
- land and rented building issues.

Ritterbush also recommended some policies that she considered appropriate in curbing these problems.

However, a twenty year review of the Ritterbush study revealed that almost all of the problems listed above still survived over those two decades. Although the government took action that was similar in some respects to the recommendations made by Ritterbush, the effect of those actions was revealed to be short-lived. This was seen for example in the establishment of Business Development and Advisory Services with the mandate of providing training and advisory services to business owners and potential entrepreneurs. However, the project ended as soon as the major donor, the Asian Development Bank, concluded their assignment, expecting the government would continue funding the project. Although all problems appeared to be equally important in studying sustainable socio-economic development in Tonga, three key problems stood out as appropriate for further

investigation. These problems were poor management, market deficiencies, and labour issues. In Chapter Four that 'poor management' was linked to the widely used term of 'poor governance' which was discussed from a Tongan perspective as 'weak governance'. The importance of switching discussion of 'management' to 'governance' coincides with the emphasis of Tonga's development in promoting good governance such as in SDP8. In so doing these problems were discussed in the next three chapters of the thesis.

Chapter Five presented a case study of a family-run business known as the Si'i-Kae-Ola (SKO) enterprise. The chapter sought understand the barriers that affected the operation of family-firm in Tonga. Drawing from the result of the Ritterbush findings, the problems of 'poor management' ('weak governance'), and market deficiencies were investigated to see how far they exist in the family-run businesses. The outcome of the investigation and analysis of fieldwork data indicated that 'weak governance' did occur in some aspects of the Si'i-Kae-Ola enterprise multi-operations. The occurrence of 'weak governance' in the family-run business was found in the failure of the management team of SKO to realise the dangers associated with over-reliance on their relatives employed in the business. Interviews with the managing director showed they had lost a lot of money and stock as a result of stealing and credit purchases of their employees. This raised the question on inheriting family cultural values when it comes to business.

The problem of market deficiencies was also investigated in the case study of SKO enterprise. As revealed by Ritterbush (1986) in her study, the limited domestic market has been a major factor that had affected the ability of some entrepreneurs to succeed in their field of business. However, it was revealed from the experience of the SKO enterprise that the existing marketing problems have been aggravated by the influx of Chinese-Tongan entrepreneurs who gained Tongan business rights through the government's Cash-for-Passports Scheme in the 1980s. The outcome of the fieldwork revealed that Chinese-Tongan entrepreneurs were heavily involved in the areas of business where SKO enterprise concentrated.

Chapter Six also presented a case study, which focussed on the demise of Royal Tongan Airlines (RTA), which was one of the government public enterprises. As in the case study of SKO, the problems of 'weak governance' and 'market deficiencies' were investigated to understand how they contributed to the collapse of the national airline. The

discussion observed the issue of ‘weak governance’ by investigating the various decision making processes by the chairman of the boards of the directors, as well as the management team of the company. Consequently, it was revealed that some of the critical decisions made by the chairman and the management team were central to the failure of the operation. The occurrence of ‘weak governance’ was evident in the decision to extend the company’s operations to international services, while the strength of the company rested on providing domestic services. It was also revealed that some of the critical decisions were largely made by the chairman of the board of directors, which was suggested in the discussion to be a ‘one man decision making’.

Moreover, the lack of transparency and accountability in the company also aggravated ‘weak governance’. A number of independent reports on the operation of the RTA revealed that the board of directors failed to prepare and submit annual reports that were required by the Public Enterprise Act. In addition, the board of directors and management were reluctant to release information on the operation of the company demanded by the government and parliamentarians. The investigation also revealed that the boards of directors, management employees overused and abused travel privileges associated with their employments. The data from the interviews of former employees and those associated with company indicated that there were problems of accountability in this respect.

The marketing problems of the company as investigated and revealed that the strength of the RTA operation was in the domestic market, as it was the sole provider of air services in the Kingdom. However, the move to the international market added more marketing pressures to the operation of the company, as there were three other airlines serving the same international routes. Although the potential for success was apparent and the company started to pick up market share, ‘weak governance’ in terms of poor decision making affected the ability of the company to continue gaining a share of the markets. The inability of the company to service the Hawaiian market exemplified how ‘weak governance’ affected the marketing potential of the company. Despite problems encountered by the company, there were the benefits generated by the services of the airlines, which were appreciated by the flying public and the country as a whole were apparent. However, evidence indicated how poor decision making processes in the public

enterprises in Tonga such as in RTA, could affect the ability of the country and its people to achieve sustainable socio-economic development.

The discussion in Chapter Seven presented the outcome of an investigation to the barriers that affected the development of ‘decent work’ in the Tongan labour market. In so doing, one major barrier to ‘decent work’ revealed in Tonga during the fieldwork was the prolonged absence of appropriate labour legislation to govern the employment relationship between employers and employees. The investigation revealed that Tonga is the only country in the PICs where the labour market operates without labour legislation.

Data analysis found that labour exploitation is a common phenomenon of the Tongan labour market. The evidence collected indicated that the occurrence of labour exploitation is aggravated by the lack of labour legislation that would govern the relationship. Thus the employers, on the one hand, were the most powerful party in the employment relationships, and on the other hand, the employees were highly vulnerable to exploitation. By the same token, the lack of appropriate labour legislation has limited the ability of many Tongan workers to enjoy decent work and to earn decent incomes that would suffice the livelihood of their families. The evidence of underemployment and poor working conditions exemplifies the lack of decent work in the Tongan labour market.

The implications of the continuing absence of labour legislation for sustainable socio-economic development in Tonga were not only seen in how it affected employees. Rather, the damage encountered by employers and the national economy as a result of organised industrial actions were also articulated. A number of cases in the manufacturing sector and Civil Servants’ Industrial Strike in 2005 exemplifies the danger of the absence of labour legislation, insofar as such actions could have been avoided. It was in this respect that the absence of appropriate labour legislation was argued to be a barrier to decent work and the overall sustainable socio-economic development in Tonga. The importance of labour legislation in providing decent work for decent income in the Tongan labour market is manifested by the endeavour of the government to enact the Employment Relations Bill of 2006. In attempting to at least alleviate these problems, I will offer some policy recommendations based on the outcome of my investigation.

8.2 Policy Recommendations for Sustainable Socio-Economic Development in Tonga

The discussion throughout this thesis has found that while Tonga has made some progress toward sustainable socio-economic development, it has not managed the barriers that have affected its ability to progress well. This has hampered a fair pace of development, which would benefit all its citizens without reducing opportunities for future generations.

The hindrances and problems found in this thesis have highlighted specific areas that stand out as needing a rethink on policy formulation in Tonga. The discussion in the thesis suggested that elimination or alleviation of ‘weak governance’, curbing of ‘marketing deficiencies, and attaining an effective ‘uniformed labour market policy framework’ are vital for achieving sustainable socio-economic development in Tonga. These are the areas that are the core of this thesis has shown to be important issues in Tonga’s endeavour to achieve sustainable socio-economic development. As a general issue also, new policies, legislation and programs which address these kinds of problems should have good monitoring and review processes to ensure that they are working properly. This would ensure their effectiveness and prevent them from becoming defunct like the Trade Union Act, as described in Chapter Seven.

Recommended policies to be discussed briefly below include:

- good governance in large and small public and private sector organisations;
- marketing development in large and small public and private sector organisations;
- development of decent work in the Tongan labour market

While all the areas were covered in this thesis, the implementation of policies will enable Tonga to overcome barriers that have challenged the development efforts, and improve chances of success in its pursuit of sustainable socio-economic development.

8.2.1 *Policy Recommendation 1:*

Promoting Good Governance in Large and Small Public and Private Sector Organisations

The process of addressing good governance or strong governance in all aspects of the development sphere in Tonga is a much needed action. What Tonga needs is profitable business, no matter what the size, which are well and do not overly exploit the workers of Tongan lands and peoples. This means understanding what might motivates businesses to embed good governance into their systems, processes and policies. This could perhaps be achieved through incentives to achieve ‘good governance’ that could be highlighted and disseminated to large and small businesses in every sector.

As well programs which offer management and business administration training for businesses of all sizes would be useful and important if good management practices, which are a subset of good governance, are to become normal practices. This would require the government to consider reviving of the Business Development and Advisory Services Unit (BDASU) previously established under the Ministry of Labour, Commerce and Industries. Because two previous BDASU projects have failed once the assistance from foreign donors expired, it is unlikely that these donors will replicate the experience. As such, the government should look seriously at allocating of fund in its ‘Annual Development Budget Estimates’ to enable the restoration of the BDASU. The re-established BDASU would develop certain training program that would also emphasise elements of social policy and research to understand how good management practices or good governance practices can be effectively developed while at the same time respecting the important elements of traditional Tongan culture, such as family and religious values.

The government should seek assistance for various forms of programs to inform the public and educate children about the principles of good governance. These could be integrated with programs, which develop entrepreneurship in Tonga. It is in this respect that future generations will benefit from having grown up in an environment of good governance.

The effectiveness of these policies and allied initiatives could be monitored via an annual report system. The extent of awareness and the number of people taking courses could be measured, as could second order measures through the number of companies with apt policies and the number of companies failing.

8.2.2 *Policy Recommendations 2:*

Promoting Good Governance in Public Enterprises

The government should again look at worst case scenarios in the public sector and identify what must be avoided and then at best case scenarios to see what should be included.

Some further understanding could also be achieved by looking at worst case scenarios such as the case study of the RTA to identify how problems could be avoided through new regulations and processes for transparency, accountability, and risk management. This meant that boards of directors and management of public enterprises should be well monitored by government to insure they are undertaking the investment in the interest of the government and the citizens, as tax payers. Hence, regulation to monitor the performance of boards of directors and management will ensure that government and the general public are advised from time to time on the status of the investment or service. Similarly, any new regulations should ensure that boards of directors and management of public enterprises should be held accountable for their actions. Histories of the demise of public enterprises in other cases have shown that accountability of boards of directors and management was lagging. The case of the RTA is a prime example as the former boards of directors and management maintained their claims that the demise of the airline was a fault of the government, in terms of lack of financial support even though Parliament had no formal information of the airline's needs.

A review of the laws and regulations pertaining to corporate governance should be undertaken to enforce the adherence of boards of directors and management of public enterprises to government laws and regulations. The failure of the boards of directors to follow even basic company policies or to adhere to the Public Enterprise Act was a major weakness of governance in the operation of RTA. The review would need to recognise there is a fine line between over-regulation, which could deter investment, and under-regulation which puts Tongan citizens and economy at risk. This area should also be reviewed in order to find ways of continuing with the traditional practices, but ensuring that weak governance is avoided. In this respect more consultation of communities and

experts from international organisations would be useful and assist in developing patterns of transparency. A survey of the ways in which other countries ensure board of directors meet all their financial and fiduciary responsibilities may offer indications of other courses of action.

8.2.3 *Policy Recommendation 3:*

Development of Marketing Skills and Techniques

Although competition in the local market is unavoidable, some policy recommendation aimed at harnessing the need to improve market share are offered. The government should embark on provision of training that would improve the marketing skills and techniques of family-run businesses and well as public enterprises. The Tonga Trade Unit (TTU) in collaboration with the Business Development and Advisory Services Unit (BDASU) should consider ongoing marketing training and advisory services. Tongan entrepreneurs should undertake basic skills training such as good customer services, good public relations, understanding customer's needs, and adopting of competitive marketing strategies. They may be simple training but they recommended to be important in ensuring that those entrepreneurs undertaken these training programs are well equipped to survive any level of competition.

In addition, government should continue to promote Trade Fairs and Exhibitions in the local and international levels. The continuation of Trade Fairs and Exhibitions would allow all type of businesses to involve, which is an opportunity to make the general public aware of their products or the services they are providing. In addition, foreign suppliers should also be encouraged to continue to participate in local Trade fairs and Exhibitions. That will allow Tongan businesses to negotiate with suppliers and manufacturers and engage in business arrangements that may result in special prices for import goods. The government should also provide funding to enable sending of local products to Trade Fairs and Exhibitions in neighbouring countries and other major markets. That would allow the exposure of local products to international markets and the opportunities of exploring new markets.

However, while these initiatives appear to have worked elsewhere it is important that these programs are monitored. Review processes of all the initiatives should be

established in order to identify which programs or initiatives work best. In the past there have useful and interesting programs to improve marketing or other aspects of business (such as local entrepreneurship training) but no monitoring processes to identify what worked.

8.2.4 *Policy Recommendation 4*

Promoting Decent Work in the Tongan Labour Market

In attempting to overcome the barrier to ‘decent work’ in the Tongan labour market, two major policy recommendations are made. Firstly, the government should enact the Employment Relations Bill 2006 as soon as practicable. As discussed in Chapter Seven of the thesis, public consultations and preparation have been completed and what is left in the process is the tabling in the Legislative Assembly. As it was shown in Chapter Seven, the impact of lack of appropriate labour legislation has had serious impact on the wellbeing of many workers in terms of exploitations. In addition, the cost of industrial actions on the output of businesses and the economy as a whole has been severe. Hence, a replication of these experiences poses a serious threat to sustainable socio-economic development in Tonga.

Secondly, the government is also urged to consider activating the Trade Union Act of 1964. As discussed in Chapter Seven, all that is needed to get the Trade Union Act of 1964 functioning is a regulation and endorsement by the Legislative Assembly. In fact ‘decent work’ could be achieved by having workers to join a trade union or any employees’ organisation that would represent them in any negotiation with employers. Although there is a number of employees’ organisations, their roles are still minimal as there is no Trade Union Act to allow compulsory negotiation with employers. Thus, activation of Trade Union Act would enable social dialogue and would create harmony in the workplace. Consequently, each party is obligated to provide the services required of them, which would in turn benefit employers in terms of productivity, while employees yield the benefits of good remunerations and reasonable working conditions. It is in this way that sustainable socio-economic well being of employers and employees could be achieved.

It would also be useful to provide apt and wide-ranging training to employers, employees and trade union leaders, so that they could fulfil their roles effectively. Moreover, given the wide-ranging debates among scholars about the effects of trade unions and an institutional framework for employment relations, it would be valuable to develop a set of agreed benchmarks so the effect on business and employees could be measured, and the impact on sustainable socio-economic development seen.

8.3 Contribution of the Thesis

This thesis as a whole and especially the policy recommendations of the previous section demonstrate the breadth of issues covered, and the contributions that have been made. The general contribution of the thesis has been to focus on areas that have been less widely studied in under the rubric of sustainable socio-economic development, in particular governance, marketing, and decent work as barriers that challenge sustainable socio-economic development in Tonga. These are important because they are fundamental to achieving a good pace of development across a whole society. The main specific contributions of this thesis are threefold.

Firstly it has identified the various barriers that challenge sustainable socio-economic development in Tonga. While it is always important to seek out good practice, understanding what are the barriers and worst case scenarios strengthen the capacity of developing nations. For example, the thesis identified ‘weak governance’ to be a major factor that contributes to the inability of family-run and public enterprises to sustain their operations, thus challenging the process of sustainable socio-economic development in Tonga. Often governance is seen as an issue for consideration in developed economies or just large firms. However this thesis has demonstrated it is also central for small family-run firms in island economies. As well the occurrence of weak governance in the business sector in Tonga - in both large enterprises and small family-run enterprises was shown to have hampered the ability of employees to contribute to sustainable socio-economic development in Tonga. This was demonstrated by the mass unemployment of employees of the RTA, thus affecting their socio-economic wellbeing, as well as their respective families. The second contribution of the thesis was the identification of ‘market deficiencies’ in the Tongan economy. These hampered the abilities of both family-run and public enterprises to

achieve sustainable growth. A number of reasons were provided to have been responsible for market deficiencies in Tonga. These include the involvement of Chinese-Tongan entrepreneurs in areas of business that most family-run businesses engaged. Given that Chinese-Tongans were legalised by the Cash-for-Passports Scheme, they were considered new entry to the market already crowded market. Their dominations in some areas of business in Tonga were articulated in the thesis, as a contribution to the literature.

The third important area highlighted was the absence of appropriate legal framework to govern the employment relationship in the workplaces, which was also seen as a major barrier to decent work that has challenged sustainable socio-economic development in Tonga. Particularly, striving for ‘decent work’ should be augmented by decent training and related activities. However, the thesis contributed to the literature by arguing that appropriate labour legal framework is a core foundation which could assist the nature and pace of decent work, thus enabling workers to sustain their socio-economic wellbeing, as well as contributing to sustainable socio-economic development in Tonga.

8.4 Direction for Further Study

Although the findings of this thesis covered a range of areas of sustainable socio-economic development, there were other barriers to sustainable socio-economic development which deserve further investigation and analysis. From this research that two major areas would certainly reward closer investigation in this literature.

The first issue is the need for further research into employment training and human resources development in Tonga. It would be interesting to look at what sort of employee training private sector firms offer, and to do a study of employers’ perceptions of labour skills. This is an important aspect that is directly relevant to the process of sustainable socio-economic development in Tonga, as mismatch of skills and the kind of jobs available in the labour market appears to be a problem.

As a corollary to this first issue is a study of the role of foreign aid in socio-economic development in Tonga. Although that these issues were slightly touched on in this thesis to demonstrate some of the weaknesses in the process of sustainable socio-economic development, it is suggested these issues would reward further intensive studies. Such studies could highlight the extent to which education in Tonga is appropriate for

school leavers, both as employees and as participatory citizens. Certainly present indications are that current education in Tonga does not provide sufficient employment skills for 2000 school leavers every year, thus causing mass unemployment of youths.

The third issue is the need for further investigation into the impact of over-commitment of Tongan people, both in Tonga and abroad, to religious obligations. The issue was touched frequently in the thesis as a major concern for small family-run businesses committing their funds to church offerings, while the business encountered financial problems. By the same token, over-commitment of employees and their families to church obligations may affect their abilities to sustain their socio-economic wellbeing and overcome hardship. Understanding why this is important, and the extent to which people are aware of the consequences of these actions would be useful in identifying priorities of Tongan people.

8.5 Final Remarks

At the conclusion of this thesis, the author took the advantage of being a Tongan citizen as well as a policy maker with the Government of Tonga and a researcher in the field of development economics, to set out to understand how Tonga could achieve sustainable socio-economic development. It was in this context that this thesis sought to find ways, which assist family-run businesses, public enterprises, and workers in Tonga to reach their potential. It was in this process that the author came to understand that although it is an immense and complex task, it pointed to the fact that these policies would enable Tongan people, the business sectors, and the government to achieve socio-economic development in sustainable levels with long-term benefits.

BIBLIOGRAPHY

- Ahlburg, D.A., (1991), *Remittances and the Impact: A Study of Tonga and Samoa*, National Centre for Development Studies, Australian National University, Canberra.
- _____, Brown, R.C., (1998), Migrants Intention to Return Home and Capital Transfers: A Study of Tongan and Samoans in Australia', *The Journal of Development Studies*, Vol.35, No.2, pp.125-151.
- Ahmed, A. and McQuaid, R.M., (2005), 'Entrepreneurship, Management, and Sustainable Development', *World Review of Entrepreneurship, Management and Sustainable Development*, Vol.1, No.1, 2005, pp.6-30.
- 'Akau'ola, H. (2004), *Royal Tongan Airlines Still Survive at the Mercy of Tongan People*, Taimi 'o Tonga, Vol.15, 21 April, 2004, Auckland.
- 'Akolo, L.A. (1997), *Improving the Environment for Private Sector Development in Tonga*, Final Report on Private Sector Performance, Nuku'alofa.
- _____, (1991), *Tonga Commodities Board Annual Report*, Government of Tonga, Nuku'alofa.
- Asian Development Bank, (2003), *Millennium Development Goals in the Pacific: Relevance and Progress*, ADB, Manila.
- _____, (2005), *Tonga: Preparing the Integrated Urban Development Project*, September 2005, ADB, Manila.
- Balsley, H.L. (1970), *Quantitative Research Methods for Business and Economics*, Random House, New York.
- Barbier, E., (1987), *The Concept of Sustainable Economic Development*, Environmental Conservation, Vol.14(2), pp.101-110.
- Bass, S, and Dalal-Clayton, (1995), *Small Island States and Sustainable Development: Strategic Issues and Experience*, International Institute for Environment and Development, London.
- Beaver, G. and Jennings, P., (2005), Competitive Advantage and Entrepreneurial Power: The Dark Side of Entrepreneurship, *Journal of Small Business and Enterprise Development*, Vol.12, No.1, pp.9-23, UK.
- Bigg, T. (2004), *The World Summit on Sustainable Development: Was it Worthwhile?, Survival for Small Planet: The Sustainable Development Agenda*, Earthscan, London.

- Bogdan, R. and Taylor, S.J., (1975), *Introduction to Qualitative Research Methods*, John Wiley, New York.
- Bollard, E.E., (1974), *The Impact of Modernization in Tonga*, Unpublished PhD Thesis, University of Auckland.
- Bosworth, M., (2006), 'Tonga's Industrial Incentives in the Light of WTO Accession: WTO Compliance and Policy Implications', Preliminary Report, Commonwealth Secretariat.
- Brewer, J. and Hunter, A. (1989), *Multimethod Research: A Synthesis of Styles*, Sage, Newbury Park.
- Brown, J., (1996), What is Sustainable Development?, Centre for Latin American Studies, San Diego State University, Fall.
- Brown, R.P.C. (1994), Migrants' Remittances, Savings and Investment in the South Pacific. " *International Labour Review*, Vol.133, No.3: p.347.
- _____, (1995), *Estimating Recorded and Unrecorded Remittances to Tonga and Western Samoa*, Department of Economic Discussion Papers, University of Queensland, Australia.
- _____, (1993b), *Entrepreneurs in the Emergent Economy: Migration, Remittances and Informal Markets in the Kingdom of Tonga*, Economic Division Working Paper No.93/3, Research School of Pacific Studies, Australian National University, Canberra.
- _____ and Connell, J., (1993a), The Global Flea Market: Migration, Remittances and the Informal Economy in Tonga, *Development and Change*, Vol.24, No.4, pp.611-47.
- Bryman, A., (1988), *Quantity and Quality in Social Research*, Routledge, London
- Burns, N. and Grove, S.K., (1987), *The Research of Nursing Research: Conduct, Critique and Utilization*, W.B. Saunders, Philadelphia.
- Buchanan, J., (1999), 'The Multi-Method Approach: Benefits and Challenges', in D. Kelly (Ed), *Researching Industrial Relations*, 2nd Edition, Federal Press, Sydney, 1999, pp.151-163.
- Busse, M., 'Do Labour Standard Affect Comparative Advantage in Developing Countries?', (2002), *World Development*, Vol.30, No.11, pp.1921-1932, UK.
- Cadbury, A., 'Family Firms and Their Governance: Creating Tomorrow's Company from Today's', Egon Zehnder International, Pentagram, UK.

- Camargo, J.C. (2000), *A Conceptual Model to Operationalise the Triple Bottom Line of Sustainability in SMEs*, International Institute for Industrial Environmental Economics, Lund University.
- Central Planning Department (CPD), (2006), *Strategic Development Plan 2006/07-2008/09: Looking to the Future Building on the Past*, Government of Tonga, Nuku'alofa.
- _____, (2002), *Strategic Development Plan Seven*, Government of Tonga, Nuku'alofa.
- Chand, A. (2004), *Employment, The Labour Market and Industrial Relations in Tonga*, Pacific Institute of Advanced Studies in Development and Governance, Employment and Labour Market Studies, Suva.
- Chavez, H., (2002), 'What Did Government Sign Up To in Johannesburg?', *Personal Address*, Venezuela.
- Cocker, J.C., (2002), *Tonga Country Report*, Paper Presented to the World Summit for Sustainable Development, Johannesburg.
- _____ and Lea, J., (1995), *Pacific 2010: Urbanisation in Polynesia*, National Centre for Development Studies, Research School of Pacific and Asian Studies, The Australian National University.
- _____ and Lea, J. (2002), *Urbanisation in the island Pacific: Toward Sustainable Development*, Routledge, London.
- Cocklin, C. and Keen, M., (2000), 'Urbanisation in the Pacific: Environmental Change, Vulnerability and Human Security', *Environmental Conservation*, Vol.27, No.4, pp.392-403, Foundation for Environmental Conservation.
- Connell, J., (2004), The Migration of Skilled Health Workers; from the Pacific Islands to the World, *Asian and the Pacific Migration Journal*, Vol.13 (2), pp.155-177.
- _____, (1987), *Migration, Employment and Development in the South Pacific*, South Pacific Commission, Noumea.
- _____ and Conway, D., (2000), "Migration and Remittances in Island Microstates: A Comparative Perspective on the South Pacific and the Caribbean.", *International Journal of Urban and Regional Research*, Vol.24, No.1: pp.52 – 78.
- _____ and Walker, A., Migrants' Remittances, Savings and Investment in the South Pacific, *International Labour Review*, May-June 1994, Vol. 133, pp.347-67.

- Carr, L.T., (1994), 'The Strengths and Weaknesses of Quantitative and Qualitative Research: what Method for Nursing?', *Journal of Advanced Nursing*, Vol.20, pp.716-721.
- Cassell, C. and Symon, G., (1994), 'Qualitative Research in Work Contexts'. In C. Cassell and G. Symon (Eds), *Qualitative Methods in Organisational Research*, pp.1-13, Sage Publications, Thousand Oaks, CA.
- Cormack, D.F.S. (1991), (ed), *The Research Process in Nursing*, 2nd Edition, Blackwell Scientific, Oxford.
- Creswell, J.W., (1998), *Qualitative Inquiry and Research Design: Choose Among Five Traditions*, SAGE Publications, London.
- Crocombe, R., (2005), 'The growing Chinese Presence in the Region', *Island Business International*, Suva., pp.1-7.
- Davis, J.A. and Tagiuri, R., (1982), *Bivalent Attributes of the Family Firm*, Owner Managed Business Institute, Santa Barbara, CA.
- Department of Environment, (2004), *Annual Report 2004*, Government of Tonga, Nuku'alofa.
- Denzin, N.K. (1989), *The Research Act: A Theoretical Introduction to Sociological Methods*, AWIRS Series Paper No.1, July.
- _____, (1971), "The Logic of Naturalistic Inquiry", *Social Forces*, Vol.50, pp.166-182.
- Douglas, B., (2005), Christian Custom and the Church as Structure in 'Weak States' in Melanesia, *Conference paper on Civil Society, Religion and Global Governance: Paradigms of Power and Persuasion*, 1-2 September, Canberra.
- _____, (2000), Weak States and Old Nationalisms: Emerging Melanesian Paradigms?, *State, Society and Governance in Melanesia Discussion paper No.3*, Research School of Pacific and Asian Studies, The Australian National University, Canberra.
- Duffy, M.E., (1986), 'Quantitative and Qualitative Research: Antagonistic or Complimentary?', *Nursing and Health Care*, Vol.8, No.6, pp.356-357.
- _____, (1985), 'Designing Nursing Research: The Qualitative-Quantitative Debate', *Journal of Advanced Nursing*, Vol.10, No.3, pp.225-232.
- Dunne, P., (2005), *Inquiry into New Zealand's Relationship with the Kingdom of Tonga*, Report to the Foreign Affairs, Defence and Trade Committee, New Zealand Government, Wellington.

- Edwards, C., (2004), "Corruption in the Government" – *Personal Comments on Privatisation of Tonga Electric Power Board*, Oceania Broadcasting Network, Nuku'alofa.
- _____, (2004), "Tonga should do something about tough migration laws", *Personal Comments on Migration and Remittances*, Oceania Broadcasting Network, Nuku'alofa.
- _____, (2004), Report of the Royal Inquiry Commission on the operation of the Royal Tongan Airlines, Government of Tonga, Nuku'alofa.
- _____, (2004), Personal Address on Youth Unemployment, Tonga National Youth Council Seminar, 12 October 2004, Nuku'alofa.
- Eneroth. B., (1984), *How Do You Measure Beautiful: A Basic Course in Qualitative Method*, Nature och Kultur, Stockholm.
- Evans, M., (1999), *Is Tonga's MIRAB Economy Sustainable?: A View from the Village and a View Without It*, Pacific Studies, Vol.22 (3/4), Sept./Dec.1999, pp.137-166.
- _____, Sinclair, R.C., Fusimalohi, C. and Liava'a, V., (2001), 'Globalisation, Diet, and Health: An Example from Tonga', *Bulletin of the World Health Organisation*, Vol.79, No.9, pp.1-15.
- Fairbairn, T.I., (1992), *The Tongan Economy: Setting the Stage for Accelerate Growth*, Unisearch Limited, Commonwealth Government Printer, Canberra.
- Felemi, M., (2001), Constraints, Challenges and Prospects for Development of the Squash Export Industry in Tonga,
- Fetterman, D.M., (1998), *Ethnography: Step by Step*, 2nd Ed., SAGE Publications, Thousand Oaks, CA.
- Field, M., (2001), 'Fiji's Parliament Opens as President Iloilo Slams Critics and Neighbours', *Agence France-Presse*, Honolulu.
- _____, (2002), 'It's No Jest: Tonga's Money Disappears', *Pacific Magazine*, January 2002, Suva.
- Fiji Island Trade and Investment Board (FITID), (2002), *Annual Report*, Suva.
- Finau, S., Finau, E. and 'Ofanoa, M., (2000), 'Research Imperialism in Pacific Health: The Case of Tonga (1966-1997)', *Pacific Health Dialog*, Vol.7, No.2, 2000, pp.109-114.

- Finney, V., *Keeping it all in the Family: An Overview of Family Run Businesses*, DIGEST No. 99-5, December 15, 1999, CELCEE Publications, Kansas City.
- Fisi'iahi, F.K.V., (2001), "Labour, Migration from Tonga – Of More Benefit Than Harm?," in Naidu, V., Vasta, E. and Hawksly, C (eds), *Current Trends in South Pacific Migration*, Asia Pacific Migration Research Network (CAPSTRANS), University of Wollongong, Australia.
- _____, (2000), *The Impact of International Economic Pressures on Labour Market Development in Tonga*, Unpublished Master of Commerce Thesis, University of Wollongong, Australia.
- Fraenkel, J., (2006), 'Beyond MIRAB: Do Aid and Remittances Crowd Out Export Growth in Pacific Microeconomics?', *Asia Pacific Viewpoint*, Vol.47, No.1, April 2006, pp.15-30.
- Frankfort-Nachmias, C. and Nachmias. D., (1992), *Research Methods in the Social Sciences*, (4th ed), St. Martin's Press, New York.
- Frazier, G.J. (1997), "Sustainable Development: Modern Elixir or Sack Dress", *Environmental Conservation*, Vol.24, No.2: pp.182 – 193.
- Fry, G., (2005), 'Pooled Regional Governance in the Island Pacific? Lessons from History', *Pacific Economic Bulletin*, Vol.20, No.3, 2005, pp.119.
- Fryer, D., (1991), "Qualitative Methods in Occupational Psychology: Reflections upon why they are so useful but so little used", *The Occupational Psychologist*, Vol.14, pp.3-6.
- Fusimalohi, T.C., (2006), *Country Report*, Workshop on National Sustainable Development Strategies (NSDS), New York, 4-5 May, 2006.
- _____, (2002), 'Tonga Country Profile', *Country Paper to World Summit on Sustainable Development*, Johannesburg.
- Gabriel, C. (1990), "The Validity of Qualitative Market Research", *Journal of the Market Research Society*, Vol. 32 (4), pp.507-519.
- Gallo, M.A. (1994), *Global Perspective on Family Business*, *Family Business Centre Working Paper*, Loyola University, Chicago.
- Gioia, D.A. and Pitre, E., (1990), Multi-Paradigm Perspective in Theory Building, *Academy of Management Review*, Vol.15, No. 4, pp.584-602.
- Goldsmith, M., (2005), 'Theories of Governance and Pacific Microstates: The Cautionary Tale of Tuvalu', *Asia Pacific Viewpoint*, Vol.46, No.2, August, pp.105-114.

- Halatuituia, S.N.K. (2002), *Tonga's Contemporary Land Tenure System: Reality and Rhetoric*, Unpublished PhD Thesis, University of Sydney.
- Hammersley, M. and Atkinson, P., (1995), *Ethnography: Principles in Practice*, Routledge, London.
- Hau'ofa, 'E., (1979), *Corned Beef and Tapioca: A Report on Food Distribution Systems in Tonga*, Development Studies Centre, Australian National University.
- _____, (1978), 'The Pangs of Transition: Kinship and Economy in Tonga', *Australian and New Zealand Journal of Sociology*, Vol.14, No.2, pp.160-5.
- Harris, M., Wise, A.T., Gallagher, P.K., Goodwin, R.N. and Sen, S.M., (2001), *A Survey of Sustainable Development: Social and Economic Dimensions*, Island Press, Washington D.C.
- Harris, M and Johnson, O., (2000), *Cultural Anthropology*, (5th edition), Allyn and Bacon, Needham Heights, MA.
- Hooper, A., (2000, (eds), *Culture an sustainable Development in the Pacific*, Paragon Printers, Canberra.
- Helu, I.F., (1997), Tradition and Good Governance, *State, Society and Governance in Melanesia Discussion Paper No. 97/3*, Research School of Pacific and Asian Studies, The Australian National University, Canberra.
- Herda, P., Terrel, J. and Gunson, N., (1990), *Tongan Culture and History*, ANU Printing and Publishing Services, Canberra.
- Hess, M., (1998), *Development: Work, Management and Culture*, National Centre for Development Study, ANU, Canberra.
- _____, (1992), *Unions Under Economic Development: Private Sector Union in Papua New Guinea*, Oxford University Press, Melbourne.
- Hines, T., (2000), 'An Evaluation of Two Qualitative Methods for Conducive Research into Entrepreneurial Decision Making', *Qualitative Market Research: An International Journal*, Vol.3, No.1, 2000, pp.7-16.
- Hirsch, B.T., (1997), 'Unionisation and Economic Performance: Evidence on Productivity, Profits, Investment, and Growth', in Mihlar, F.,(ed), *Unions and Right-to-Work Laws*, Vancouver, The Fraser Institute, Vancouver, B.C.
- Huffer, E., (2005), 'Governance, Corruption, and Ethics in the Pacific', *The Contemporary Pacific*, Vol.17, No.1, 2005, pp.118-140.

- _____ and So'o, A., (2005), 'Beyond Governance in Samoa: Understanding Samoan Political Thought', *The Contemporary Pacific*, Vol.17, No.2, pp.311-333.
- Imbun, Y.B., (2006), 'Labour Markets, Economic Development and Regional Economic Integration: A Benchmark Study and Way Forward', School of Management, University of Western Sydney, Australia.
- International Labour Organisation (ILO), (2006), *Decent Work in the South Pacific, ILO Publication*, Suva.
- International Monetary Fund (IMF), (2006), *Tonga 2006 Article Consultation*, IMF Country Report No.06/241, June.
- _____, (2004), *Tonga 2004 Article Consultation*, IMF Country Report.
- James, K., (2003), Is There a Tongan Middle Class?: Hierarchy and Protest in Contemporary Tonga, *The Contemporary Pacific*, Vol.15, Issue 2: p.309-38.
- _____, (2000), Local Hierarchies of Authority and Development, in A. Hooper, *Culture and Sustainable Development in the Pacific*, pp.131-141, Paragon Printers, Canberra
- _____, (1993), Cutting the Ground from under Them? Commercialisation, Cultivation, and Conservation in Tonga, *The Contemporary Pacific*, Volume 5 (2), Fall 1993, 215-242, University of Hawaii.
- Kami, S., (1995), *Investing in Pacific Island Countries: Trends and Special Links*, Working Papers, East West Centre, Honolulu.
- Kaplan, D. and Manners, R.A., (1972), *Culture Theory*, Prentice-Hall, Englewood Cliffs, NJ.
- Kavaliku, L. (2000), "Culture and Sustainable Development in the Pacific". In A. Hooper (ed), Paragon Printers, Canberra, pp.22-31.
- Kealey, D.J. and Protheroe, D.R., (1996), 'The Effectiveness of Cross-Cultural Training for Expatriates: An Assessment of the Literature on the Issue', *International Journal of Intercultural Relations*, Vol.20, No.2, pp.141-165.
- Keith-Reid, (2001), 'Tongan Questions About The Lost Millions Huge Blow', *Pacific Magazine*, October 2001, Suva.
- Kelly, D., (1999), *Researching Industrial Relations*, 2nd Ed, The Federation Press, Sydney.

- Kerse, L. and Ron, A., (2002), Migration of Skilled Professionals in the Pacific, Presentation to the Plenary Session of the Symposium on 'Brain Drain, Brain Gain or Brain Transfer?', 24 May, 2002, Brussels.
- Kirk, J. and Miller, M.L., (1986), "Reliability and Validity in Qualitative Research", *Qualitative Research Methods Series*, Vol.1, Sage Publications, Beverly Hills, CA.
- Kirkpatrick, C., George, C. and Scriecu, S.S., (2004), *The Implications of Trade and Investment Liberalisation for Sustainable Development: Review of Literature: Final Report*, Institute for Development Policy and Management, University of Manchester, UK.
- Klauer, B., (1999), "Defining and Achieving Sustainable Development", *International Journal of Sustainable Development and World Ecology*, Vol.6, pp.114-121.
- KPMG, (2002), Independent Report on the Operation of the Royal Tongan Airlines, Government of Tonga, Nuku'alofa.
- Kuhndt, M. and Geibler, Jv. (2002), *How Small and Not-so-Small Businesses Can Be Assisted In Improving Their Triple Bottom Line Performance*, UNEP's 7th International High Level Seminar on Cleaner Production, Prague, Czech Republic.
- Lamour, P., (2005), *Corruption and Accountability in the Pacific Islands*, Discussion Papers on Policy and Governance, Asia Pacific School of Economics and Government, Australian National University, Canberra.
- _____, (1998), (ed), Governance and Reform in the South Pacific, *Research School of Pacific and Asian Studies*, NCDS, Australian National University, Canberra.
- _____, (1997), Corruption and Governance in the South Pacific, *State, Society and Governance in Melanesia Discussion Paper No.97/5*, Research School of Pacific and Asian Studies, The Australian National University, Canberra.
- _____, (1994a), 'Political Institutions', in K.R.Howe, Robert C. Kiste and Brij V. Lal (eds), *Tides of History: The Pacific Islands in the Twentieth Century*, Allen and Unwin, Sydney: 381-121.
- Lawson, S., (1997), Cultural Traditions and Identity Politics: Some Implications for Democratic Governance in Asia and the Pacific, *State, Society and Governance in Melanesia Discussion paper No. 97/4*, Research School of Pacific and Asian Studies, The Australia National University, Canberra.
- Lea, J., 'Want Family Business to Success?: Run it Like a Business, Personal Column, March, 2006, University of North Carolina, USA.

- Liebscher, P., (1998), 'Quantity with Quality Teaching Quantity and Quality Methods in Library Science Masters Program, *Library Trends*, vol.46, No.4, pp.668-680.
- Lincoln, Y.S. and Guba, E.G., (1985), *Naturalistic Inquiry*, Sage Publications, Beverly Hills, CA.
- Lutui, V. (2001), *Waste Management Practices, Perceptions and Attitudes in Tonga*, Unpublished MSc (Hons.) Thesis, Faculty of Arts, University of Wollongong.
- Macdonald, B., (1998), 'Good' Governance and Pacific Island States, in Lamour (1998) (eds), *Governance in the South Pacific*, Research School of Pacific and Asian Studies, NCDS, Australian National University, Canberra.
- Manuofetoa, M. (2004), 'Ta 'oku 'iai pe Fiekaia 'i Tonga: There are Hungers in Tonga', *Taimi 'o Tonga Online*, Nuku'alofa
- Manstetten, R., (1996), *Philosophical Remarks on the Concept of sustainable Development*, GAIA, Vol.6(96), pp.291-298.
- Marshall, C. and Rossman, G.B., (1989), *Designing Qualitative Research*, Sage Publications, Newbury Park, CA.
- Martin, W. and Maskus, K.E., (2001), Core Labour Standards and Competitiveness: Implications for Global Trade Policy, *Review of International Economics*, Vol.9(2), 317-328.
- Mason, J., (2002), *Qualitative Researching*, 2nd Ed., SAGE Publications, London.
- Maude, A. and Sevele, F. (1987), Tonga: Equality Overtaking Privilege, in Crocombe, R. ed., *Land Tenure in the Pacific*, 3rd edition, The University of the South Pacific, Suva.
- McGregor, A., Sturton, M. and Halapua, S., (1992), *Private Sector Development: Policies and Programs for the Pacific Islands*, Pacific Islands Development Program, East-West Centre, Honolulu.
- McMaster, J., (2004), "Governance of Public Enterprises in the Pacific Islands" paper presented to the Pacific Islands Political Science Association conference on "Governance and Stability in the Pacific, University of New Caledonia, Noumea," December 3-5.
- Mellor, T. and Jabes, J., (2004), Governance in the Pacific: Focus for Action 2005-2009, *Report on Governance in Tonga*, Asian Development Bank, Manila.

- Mikesell, R. F., (1992), 'Economic Development and the Environment: A Comparison of Sustainable Development with Conventional Development Economics', Mansell, London.
- Ministry of Agriculture, Forestry and Fisheries (MAFF), (1990), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (1989), *Annual Report*, Government of Tonga, Nuku'alofa.
- Ministry of Education, (2004), *Scholarship Division Annual Report*, Government of Tonga, Nuku'alofa.
- Ministry of Finance, (2005), Civil Servants Salary Structure 2005, Government of Tonga, Nuku'alofa.
- _____, (2005), *Progress Report on the Tapuhia Landfill* Government of Tonga, Nuku'alofa.
- _____, (2004), *Annual Report 2004*, Government of Tonga, Nuku'alofa.
- _____, (1987), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (1979), *Annual Report*, Government of Tonga, Nuku'alofa.
- Ministry of Labour, Commerce and Industries, (2006), Trade and Commerce Division March Quarterly Report, Government of Tonga, Nuku'alofa.
- _____, (2005), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (2004), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (2004), *Labour Division Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (2003), *Annual Report*, Government Printing, Nuku'alofa.
- _____, (2003), *Labour Market Information Survey*, Labour and Employment Service Division, Government of Tonga, Nuku'alofa.
- _____, (2002), *Annual Report*, Government Printing, Nuku'alofa.
- _____, (2000), *Report on Public Consultation on Proposed Employment Bill*, Labour Division, Government of Tonga, Nuku'alofa.
- _____, (1997), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (1996), *Annual Report*, Government of Tonga, Nuku'alofa.

- _____. (1990), *Annual Report*, Government Printing, Nuku'alofa.
- _____. (1986), 'Progress Report on Labour Scheme', Labour Administration Division, Government of Tonga, Nuku'alofa.
- _____. (1981), *Annual Report*, Government Printing, Nuku'alofa.
- _____. (1980), *Annual Report*, Government Printing, Nuku'alofa.
- _____. (1974), *Annual Report*, Government Printing, Nuku'alofa.
- Ministry of Land, Survey and Natural Resources (MLSNR), (2005), *Annual Report*, Government of Tonga, Nuku'alofa.
- Moala, K. (2004), The King Must Take Responsibility, Editorial Comments, *Taimi 'o Tonga*, Vol. 22, 28 April, 2004, Auckland.
- Morgan, G., (1980), 'Paradigms, Metaphors, and Puzzle Solving in Organisation Communications', *Administrative Science Quarterly*, No.25, Vol.608-621.
- Mosley, L. and Uno, S., (2004), 'Racing to the Bottom or Climbing to the Top?: Foreign Direct Investment and Labour Rights Violations', Department of Political Science, University of Notre Dame.
- Mowforth, M. and Munt, I. (2003), *Tourism and Sustainability: Development and New Tourism in the Third World*, Routledge, London.
- Mwamadzingo, M., (2006), The Role of Decent Work in Poverty Eradication and Environmental Protection, Paper Presented at Trade Union Regional Conference on Labour and Environment, ILO Area Office, Pretoria.
- Naidu, V., Vasta, E. and Hawksly, C (eds), *Current Trends in South Pacific Migration*, Working Paper No.7, Asia Pacific Migration and Multicultural Program, Centre for Asia Pacific Social Transformation Studies, University of Wollongong, Australia.
- Narayan, P.K. and Prasad, B.C., (2003), "Fiji's Sugar, Tourism and Garment Industries: A Survey of Performance, Problems and Potentials", *Fijian Studies*, Vol.1 No.1, Fiji Institute of Applied Studies.
- National Reserve Bank of Tonga, (2002), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____. (2000), *Annual Report*, Government of Tonga, Nuku'alofa.

- Northrup, F.S.C., (1947), *The Logic of the Science and the Humanities*, cited in Urbanowicz, C.F., (1972), *Tongan Culture: The Methodology of an Ethnographic Reconstruction*, UMI Dissertation Services, Michigan
- O'Brien, R. (1998), 'An Overview of the Methodological Approach of Action Research', Faculty of Information Studies, University of Toronto, Canada.
- Organisation for Economic Cooperation and Development, (1996), *Trade, Employment, and Labour Standards: A Study of Core Workers' Rights and International Trade*, Paris, OECD.
- Pacific Islands Forum Secretariat (PIFS), (2006), 'Labour Markets, Economic Development and Regional Economic Integration: A Benchmark Study and Way Forward', Forum Economic Ministers Meeting, 03-05 July, 2006, Honiara.
- _____, (2005), 'The Pacific Plan for Strengthening Regional Cooperation and Integration', Suva.
- _____, (2003), 'A Vision for Private Sector Development in the Forum Island Countries', *Policy Paper No.1*, November 2003, Suva.
- Patton, M.Q. (1990), *Qualitative Evaluation and Research Methods*, Newbury Park, CA, Sage Publications Inc.
- _____, (1980), *Qualitative Evaluation Methods*, Sage Publications Inc., Newbury Park, CA.
- Pearce, D., (1993), *Blueprint 3, Measuring Sustainable Development*, Earthscan, London.
- _____, Barbier, E. and Markandya, A., (1990), *Sustainable Development: Economics and Environment in the Third World*, Edward Publisher Limited, Aldershot, England.
- _____, Barbier, E.; Markandya, A., and Aldershot, H., ed. 1990. *Sustainable Development: Economics and Environment in the Third World*, Edward Elgar, Oxon, UK.
- Pelesikoti, N. (2003), *Policy Framework for Sustainable Development in Tonga*, Unpublished PhD Thesis, School of Environmental Science, University of Wollongong.
- Pohiva, A. (2004), Personal Presentation to Roundtable Meeting with Senior Australian Foreign Affairs Official, Canberra.
- _____, (2004), Parliament Paper on Changing Immigration Laws of Receiving Countries, *Tonga Legislative Assembly*, Nuku'alofa.

- _____, (2000), Paper Presenting to US Consul on Changing Immigration Laws, Nuku'alofa.
- Pohiva, L., Tonga Communication Commission Invest in the RTA, *Kele'a Weekly Magazine*, 21 January, 2004, Nuku'alofa.
- Policy Development and Planning, (2004), *Pacific Regional Transport Study Country Plan: Tonga*, Volume 2, June 2004, Sydney.
- Pourine, B. (1998), 'Should We Hate or Love MIRAB?', *The Contemporary Pacific*, Vol.10: p.65(41).
- Prasad, S. and Hince, K., (2001), *Industrial Relations in the South Pacific*, School of Social and Economic Development, University of the South Pacific, Suva.
- Prime Minister's Office, (2004), *Annual Report*, Government Printing, Nuku'alofa.
- _____, (2004), One Airline Policy Press Release - 23 August 2004, *Information Unit*, Nuku'alofa.
- Preston, L. E. and Post, J. E. (1975), *Private Management and Public Policy*, Englewood Cliffs, N.J: Prentice-Hall, Inc.
- Prodi, R., (2001), 'Commission Proposes Bold EU Strategy for Sustainable Development', *Press Release*, 16 May, 2001.
- Ray, B., (1999), Good Governance, Administrative Reform and Socio-Economic Realities, *International Journal of Social Economics*, Vol.26, No.123, pp.354-365, Bradford.
- Reddy, M., Naidu, V. and Mohanty, M., (2004), 'Economic Cost of Human Capital Loss from Fiji: Implications for Sustainable Development', *International Migration Review*, Vol.38, No.4, pp.1447-1461, 2004.
- Ritterbush, D.S., (1986), *Entrepreneurship and Business Venture Development in the Kingdom of Tonga*, *Pacific Island Development Program*, East-West Centre, Honolulu.
- _____, (1988), 'Entrepreneurship in an Ascribed Status Society: The Kingdom of Tonga', in Fairbairn, I. J. T., (Ed), *Island Entrepreneurs: Problems and Performances in the Pacific*, Pacific Islands Development Program, East West Centre, Honolulu, pp.137-164.
- Saffu, K., (2003), 'The Role and Impact of Culture on South Pacific Island Entrepreneurs', *International Journal of Entrepreneurial Behaviour and Research*, Vol.9, No.2, pp.55-73.

- Salih, T.M. (2003), "Sustainable Economic Development and the Environment." *International Journal of Social Economics*, Vol.30, No1/2:pp.153-162.
- Sathiendrakumar, R., (1996), 'Sustainable Development: Passing Fad or Potential Reality?', *International Journal of Social Economics*, Vol.23, No.4/5/6, pp.151-163.
- Saulala, S. (2004), The Government Must Take Account, *Tonga Star*, Vol.7, Issue No.1, 26 April 2004, Nuku'alofa
- Sevele, F., (2003), The Future of the Economy is Unclear, *Taimi 'o Tonga*, Vol.11, March, p.8, Nuku'alofa.
- Small. A.C. and Dixon. L.D., 'Tonga: Migration and the Homeland', Migration Information Source, February 2004.
- Small, C.A. and Dixon, D.L., (2004), Tonga: Migration and the Homeland, *Migration Policy Institute*, Washington DC.
- Small Industries Centre, (2003), *Quarterly Report – June Quarter*, Government of Tonga, Nuku'alofa.
- Smith, M.J., (1988), *Contemporary Communication Research Methods*, Wadsworth Inc., Belmont, CA.
- Somavia, J., (1999), Director General's report to the 87th International Labour Organisation Conference, ILO, Geneva.
- Stake, R., (1995), *The Art of Case Study Research*, Thousand Oaks, SAGE, CA.
- Stenbacka, C., 'Qualitative Research Requires Quality Concept of Its Own', *Management Decision Journal*, Vol.39 (7), 2001, 551-555.
- Strauss, A. and Corbin, J. (1990), *Basics of Qualitative Research: Grounded Theory Procedure and Techniques*, Newbury Park, Sage Publications.
- _____ (1994), 'Grounded Theory Methodology: An Overview'. In N. Denzin and Y. Lincoln (Eds.), *Handbook of Qualitative Research*, Sage, Thousand Oaks, CA, pp.273-285.
- South Pacific Tourism Organisation, (2001), *Annual Report*, Suva.
- Storey, D. and Murray, W.F. (2001), "Dilemmas of Development in Oceania: The Political Economy of the Tongan Agro-export Sector", *The Geographical Journal*, Vol.167, (Issue 4):291(14).

- _____. (2005), *State Society and Governance in Melanesia*, Research School of Pacific and Asian Studies Discussion Paper 2005/7, The Australian National University.
- _____. (1998), 'The Politics of Managing Urban Development in Pacific Island States: The Case of Tonga and Samoa', *The Journal of Pacific Studies*, Vol.22, 1998, pp.61-80.
- Tapueluelu, M., (2004), 'Pule'i 'e he Siaina e Pisinisi he Ngaahi 'Otu Motu Tahi' (Chinese Dominated Businesses in the Outer Islands), *Taimi 'o Tonga Magazine*, Issue 14, 3rd February, 2004, Nuku'alofa.
- Tashakkori, A. and Teddlie, C. (1998), *Mixed Methodology: Combining Qualitative and Quantitative Approaches*, Sage Publications, London.
- Tatafu, M., (1997), *Early School Leaving: A Crisis in Secondary Schooling in Tonga*, Unpublished PhD Thesis, University of Wollongong, Australia.
- Taufu'i, L.S., (1996), *The Role of Accounting in the Developing Economy of the Kingdom of Tonga*, Unpublished PhD Thesis, University of Wollongong, Australia.
- Thaman, K.H., Shifting Sights: The Cultural Challenge of Sustainability, *International Journal of Sustainability in Higher Education*, Vol.3, No.3, 2002, pp.233–242.
- Ting-Toomey, S., ((1984), 'Qualitative Research: An Overview'. In W.B. Gudykunst, and Y.Y. Kim (Eds)., *Methods for Intercultural Communication Research*, pp.169-184, Sage Publications, Beverly Hills, CA.
- Tisdell, C.A., (1993), *Environmental Economics*, Edward Elgar, Aldershot.
- Toatu, T., (2002), (2003), 'From Institutional to Governance: Getting the Governance Structure Right for Optimal Economic Development', *Asia Pacific School of Economic and Management Working Papers*, The Australian National University, Canberra.
- _____. (2002), 'Analysing the Growth Performance of the Pacific Island Countries – The Institutional Approach', Unpublished PhD Thesis, National Centre for Development Studies, The Australian National University, Canberra.
- Tongamoa, T. (1987), *Migration, Remittances and Development: A Tongan Perspective*, Unpublished MA Thesis, The University of Sydney.
- Tonga Family Health Association (TFHA), (2004), *Annual Report*, Nuku'alofa, Tonga.

- Tonga National Youth Congress (TNYC), (2005), *Annual Report*, Nuku'alofa, Tonga.
- Tonga Statistics Department (TSD), (2005), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (2003), *Labour Force Survey Report*, Government of Tonga, Nuku'alofa.
- _____, (2003), *Annual Report*, Government Printing, Nuku'alofa.
- _____, (2002), *Annual Report*, Government Printing, Nuku'alofa.
- _____, (1996), *Tonga National Census*, Government Printing, Nuku'alofa.
- Tonga Visitors Bureau, (2004), *Annual Report*, Government Printing, Nuku'alofa.
- _____, (2002), *Annual Report*, Government Printing, Nuku'alofa.
- _____, (2000), *Annual Report*, Government Printing, Nuku'alofa.
- Tu'i'onetoa, P., (2001), *Audit Report on the Status of the Tonga Trust Fund*, Government of Tonga, Nuku'alofa.
- Ulukalala Lavaka Ata., (2005), 'No Government Support Blamed for Airline Collapse: PM Prince 'Ulukalala on Royal Tongan's Demise', *Islands Business International*, Issue January, 2005, Suva.
- _____, (2001), Public Announcement on the Status of the Tonga Trust Fund, *Television Tonga*, 21 May 2001, Nuku'alofa.
- Urbanowicz, C.F., (1972), *Tongan Culture: The Methodology of an Ethnographic Reconstruction*, UMI Dissertation Services, Michigan.
- Urwin, G., Economic Development of Pacific Island economies and Regional Cooperation, *Discussion Paper Presented to University of the South Pacific*, 18 May, 2004.
- U. S. Department of States, (2005), Background Note: Tonga, *Bureau of East Asian and Pacific Affairs*, June. <http://www.state.gov/>
- 'Uta'atu, C., (2000), *Report on Salary and Wages Survey in the Tongan Labour Market*, 'Uta'atu and Associates, Nuku'alofa.
- 'Utoikamanu, S.T.T. (2006), Country Presentation to IMF Board of Governors, International Monetary Fund, Washington D.C.

- _____. (2005), Country Presentation to IMF Board of Governors, International Monetary Fund, Washington D.C.
- _____. (2002), Personal Statement to IMF Board of Governors Annual Meetings, International Monetary Fund, Washington D.C.
- _____. (2001), 'Personal Statement to IMF Board of Governors Annual Meetings', Washington DC.
- van der Grijp, P., (1997), 'Leaders in Squash Export: Entrepreneurship and the Introduction of a New Cash Crop in Tonga', *Pacific Studies*, Vol.20, No.1, March 1997, pp. 29-62.
- van Fossen, A., (1999), 'Globalisation, Stateless Capitalism, and the International Political Economy of Tonga's Satellite Venture', *Pacific Studies*, Vol.22, No.2, June 1999, pp.1-26.
- van Maanen, J., (1996), 'Ethnography'. In A. Kuper and J. Kuper (Eds), *The Social Science Encyclopedia*, 2nd Ed., pp.263-265, Routledge, London.
- Weinreich, N.K., (1996), Integrating Quantitative and Qualitative Methods in Social Marketing Research, *Social Marketing Quarterly*, Winter, pp. 1-7.
- Welch, R. and Leighton, P., (1996), Individualising Employee Relations: The Myth of the Personal Contract, *Personal Review*, Vol.25, No.5, pp.37-50, University Press.
- Wartick, S. and Cochran, P., (1985), The Evolution of the Corporate Social Performance Model, *Academy of Management Review*, Vol.4, pp.758-769.
-, and Mahon, J. F., 1994. Toward a Substantive Definition of the Corporate Issue Construct: A Review and Synthesis of the Literature, *Business and Society*, 33(3): 293-311.
- World Bank, 1992, *Governance and Development*, World Bank, Washington DC, in Lamour, P. (Ed), 1998, *Governance and Reform in the South Pacific*, National Centre for Development Studies, Australian National University, Canberra.
- World Commission on Environment and Development, (1987), *Brundtland Report: Our Common Future*, New York.
- Yin, R.K., (1994), *Case Study Research: Design and Methods*, 2nd Ed., Applied Social Research Methods Series, Vol.5, SAGE Publications, Thousand Oaks CA.

REVISION BIBLIOGRAPHY

INTRODUCTION

Connell, J., (2004), The Migration of Skilled Health Workers; from the Pacific Islands to the World, *Asian and the Pacific Migration Journal*, Vol.13, No.2, pp.155-177.

_____, (1987), *Migration, Employment and Development in the South Pacific*, South Pacific Commission, Noumea.

_____ and Conway, D., (2000), Migration and Remittances in Island Microstates: A Comparative Perspective on the South Pacific and the Caribbean, *International Journal of Urban and Regional Research*, Vol.24, No.1: pp.52 – 78.

_____ and Walker, A., Migrants' Remittances, Savings and Investment in the South Pacific, *International Labour Review*, May-June 1994, Vol. 133, pp.347-67.

Fiji Trade and Investment Board, (2002), *Annual Report*, Suva.

Ministry of Agriculture, Fisheries and Forestry, (2002), *Annual Report*, Government Printing, Nuku'alofa.

Moala, K., (2005), 'The Coming of a New Era', *Taimi 'o Tonga*, Lali Publication, Auckland.

Small Industries Centre, (1981), *Progress Report to Asian Development Bank*, Government of Tonga, Nuku'alofa.

South Pacific Tourism Organisation, (2001), *Annual Report*, Suva.

_____, (2005), *Health Youth Awareness Campaign Manual*, Nuku'alofa, Tonga.

CHAPTER TWO

Boxill, I. (1997), "Fiji: The Limits of Ethnic Political Mobilisation." *Race and Class*, Vol.39 (No.2): p.37.

Cocker, J.C. (2002), *Country Statement*, World Summit for Sustainable Development, Johannesburg.

Connell, J. and Brown, P.C., (2005), 'Remittances in the Pacific: An Overview', *Asian Development Bank*, March, Manila.

_____ and Brown, P.C., (2004), 'The Remittances of Migrants Tongan and Samoan Nurses in Australia', *Human Resources for Health*, Vol.2, No.2. (<http://www.human-resources-health.com/content/2/1/2>), Accessed 12 May 2006.

_____ and Conway, D., (2000), 'Migration and Remittances in Island Microstates: A Comparative Perspective on the South Pacific and the Caribbean', *International Journal of Urban and Regional Research*, Vol.24, No.1: pp.52 – 78.

Fonua, P., (2004), "Editorial Comment", *Matangi Tonga Monthly Magazine*, Vava'u Press, Nuku'alofa.

Havea, A. S., (1992), "Opening Address of the First Convention on Constitution and Democracy", *Human Rights and Democracy Movement Archive*, 24 Nov. 1992, Nuku'alofa.

House, J.W., (2000), *What Should be the Nature of Population Policies in the Pacific Island Countries?*, Discussion Paper No.18, USP Office, Suva.

_____, (2004), *Special Consultation on the Status of the Economy*, Ministry of Finance, Government of Tonga, Nuku'alofa.

James, K. (2000), 'Local Hierarchies of Authority and Development', in A. Hooper, *Culture and Sustainable Development in the Pacific*, Paragon Printers, Canberra, pp.131-141.

Keil, J. (2004), "Pacific Mired in Economic, Political Mismanagement: Samoa", *Space Daily*, Apia.

Moala, K. (2004), The King Must Take Responsibility, *Taimi 'o Tonga Weekly Magazine*, Vol.12, 22 June, pp.6, Auckland.

_____ and Prasad, B.C., (2006), 'The Long-Run Impact of Coups on Fiji's Economy: Evidence From A Computable General Equilibrium Model', *Journal of International Development*, Wiley InterScience Online, (www.interscience.wiley.com)

Prasad, S. (1998), 'Tensions Between Economic Reform and Good Governance in Fiji', *Fiji Citizens Constitutional Forum*, University of the South Pacific, Suva.

Prasad, S. and Hince, K., (2001), *Industrial Relations in the South Pacific*, School of Social and Economic Development, The University of the South Pacific, Suva.

Roughan, J. (2002), Mobilising Domestic resources for Better Life in Solomon Islands, World Wide Fund for Nature.

_____ (1997), Governance for Sustainable Human Development, a UNDP Policy Paper, pp.2-3.

_____, and Murray, W.F. (2001), "Dilemmas of Development in Oceania: The Political Economy of the Tongan Agro-export Sector", *The Geographical Journal*, Vol.167, (Issue 4), December 2001 pp.291 - 204.

United Nations Fund for Population Agency, (2002), *Annual Report*, New York.

‘
_____, S.T.T. (2002), Country Report to IMF Board of Governors' Annual Meetings, Washington D.C.

_____, (2003), Country Report to IMF Board of Governors Annual Meetings, Washington D.C.

_____, (2005), Country Report to Commonwealth Finance Ministers Meeting, Barbados, September 2005.

‘Utoikamanu, F. (2006), Country Statement to Senior Officials Meeting, ESCAP 62nd Commission Session, New York.

van der Grijp, P., (1997), ‘Leaders in Squash Export: Entrepreneurship and the Introduction of a New Cash Crop in Tonga’, *Pacific Studies*, Vol.20, No.1, March, pp.29-62.

Vea, S. (2003), “Good Governance is a Prerequisite to Economic Development in Tonga”, *Personal Address to Workshop on Good Governance*, Nuku’alofa.

CHAPTER THREE

Fetterman, D.M., (1998), *Ethnography: Step by Step*, 2nd Ed., SAGE Publications, Thousand Oaks, CA.

Gabriel, C. (1990), “The Validity of Qualitative Market Research”, *Journal of the Market Research Society*, Vol. 32 (4), pp.507-519.

Kuhn, T.S., (1970), *The Structure of Scientific Revolutions*, The University of Chicago Press, Chicago.

Mason, J., (2002), *Qualitative Researching*, 2nd Ed., SAGE Publications, London.

O’Brien, R. (1998), ‘An Overview of the Methodological Approach of Action Research’, Faculty of Information Studies, University of Toronto, Canada.

Small, C.A. and Dixon, D.L., (2004), Tonga: Migration and the Homeland, *Migration Policy Institute*, Washington DC.

Stake, R., (1995), *The Art of Case Study Research*, Thousand Oaks, SAGE, CA.

Stenbacka, C., ‘Qualitative Research Requires Quality Concept of Its Own’, *Management Decision Journal*, Vol.39 (7), 2001, 551-555.

Strauss, A. and Corbin, J. (1990), *Basics of Qualitative Research: Grounded Theory Procedure and Techniques*, Newbury Park, Sage Publications.

(1994), 'Grounded Theory Methodology: An Overview'. In N. Denzin and Y. Lincoln (Eds.), *Handbook of Qualitative Research*, Thousand Oaks, SaAGE, CA, pp.273-285.

CHAPTER FOUR

Ahmed, A. and McQuaid, R.M., (2005), 'Entrepreneurship, Management, and Sustainable Development', *World Review of Entrepreneurship, Management and Sustainable Development*, Vol.1, No.1, 2005, pp.6-30.

Asian Development Bank, (2003), Technical Assistance to the Kingdom of Tonga for Business Development Services: TAR:TON 36377, *Tonga Project Update Report*, May 2003, Manila.

Beaver, G. and Jennings, P., (2005), Competitive Advantage and Entrepreneurial Power: The Dark Side of Entrepreneurship, *Journal of Small Business and Enterprise Development*, Vol.12, No.1, pp.9-23, UK.

Besnier, N., (2004), 'Consumption and Cosmopolitanism: Practicing Modernity at the Second-Hand Marketplace in Nuku'alofa, Tonga', *Anthropological Quarterly*, Vol.77, No.1, 2004, pp.7-45.

Dalgety, R., (2005), *Tonga Electric Power Board Annual Report*, Government of Tonga, Nuku'alofa.

Fairbairn, T., (2006), 'Entrepreneurship and Small Business Development: A Pacific Perspective', *Unpublished Working Paper*, Centre for South Pacific Studies, University of New South Wales.

_____, (1988), *Island Entrepreneurs: Problems and Performances in the Pacific*, (Ed). Pacific Islands Development Program, East West Centre, Honolulu.

Felemi, M., (2001), *Constraints, Challenges and Prospects for Development of the Squash Export Industry in Tonga*, Paper Presented to Regional Workshop on the Constraints, Challenges, and Prospects for Commodity-Based Development, Diversification, and Trade in the Pacific Island Economies, Nadi, Fiji, 18-20 September, 2001.

James, K., (2000), 'Local Hierarchies of Authority and Development', in Hooper, A., (2000), *Culture and Sustainable Development in the Pacific*, pp.131-141, Paragon Printers, Canberra.

Ministry of Agriculture, Forestry and Fisheries (MAFF), (1990), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1989), *Annual Report*, Government of Tonga, Nuku'alofa.

Ministry of Labour, Commerce and Industries, (1990), *Memorandum of Understanding on Small Industries Centre Project*, Government of Tonga, Nuku'alofa.

_____, (1989), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1990), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1991), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1992), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1993), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1994), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1995), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1998), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (1999), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (2000), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (2001), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (2002), *Annual Report*, Government of Tonga, Nuku'alofa.

_____, (2003), *Annual Report*, Government of Tonga, Nuku'alofa.

Storey. D.and Murray, W. E., 'Dilemmas of development in Oceania: The Political Economy of the Tongan Agro-export Sector', *The Geographical Journal*, Vol.167, No.4, December 2001, pp.291-304.

Thaman, H.K., (2002), 'Shifting Sights: The Cultural Challenge of Sustainability', *International Journal of Sustainability in Higher Education*, Vol.3, No.3, pp.233-242.

Tonga National Youth Congress, (2005), *President Annual Report*, Nuku'alofa.

CHAPTER FIVE

- Addison, J.T., Siebert, w.S., Wagner, J. and Wei, X., (2000), "Worker Participation and Firm Performance: Evidence from Germany and Britain", *British Journal of Industrial Relations*, Vol.38, pp.7-48.
- Arnoff, C.E. and Ward, J.L., (1998), why Continue Your Family's Businesses?, *Nation's Business*, Vol.86, pp.72-73, Kansas City.
- Astrachan, J.H. and Allen, I.E., (2003), Mass Mutual, Raymond Institute American Family survey.
- Ayers, G.A., (1990), Rough Family Justice: Equity in Family Business Succession Planning, *Family Business Review*, 3(1), pp.3-22,
- Bradbury, J. "Accountability", *The Concise Dictionary of Politics*, ed. Iain McLean and Alistar McMillan, Oxford University Press, 2003. *Oxford Reference Online*, Oxford University Press.
- Cadbury, A., '*Family Firms and Their Governance: Creating Tomorrow's Company from Today's*', Egon Zehnder International, Pentagram, UK.
- Daily, M.C. and Dollinger, J.M., (1991), Family Firms are Different, *Review of Business*, Vol.3(1-2), Summer-Fall 1991, pp.3-7.
- Davis, J.A. and Tagiuri, R., (1982), Bivalent Attributes of the Family Firm, Owner Managed Business Institute, Santa Barbara, CA.
- Dyer, W.G.Jr., (1986), *Cultural Change in Family Firms: Anticipating and Managing Business and Family Transactions*, Jossey-Bass, San Francisco, CA.
- Firnsthahl, T.W., (1986), Letting Go, *Harvard Business Review*, Vol.64(5), pp.14-18.
- Finkelstein, S. and Hambrick, D., (1996), '*Strategic Leadership*', West, St Paul, MN.
- Finney, V., '*Keeping it all in the Family: An Overview of Family Run Businesses*', DIGEST No. 99-5, December 15, 1999, CELCEE Publications, Kansas City.
- Gallo, M.A. (1994), Global Perspective on Family Business, Family Business Centre, Loyola University, Chicago.
- Graham, J., Amos, B. and Plumptre, T., *Principles of Good Governance in the 21st Century*, Policy Brief No. 15, August 2003, Institute of Governance, Ottawa.
- Handler, W.C. and Kram, K.E., (1988), Succession in Family Firm: The Problem of Resistance, *Family Business Review*, 1(4), 361-381.

- James, K., (1993), Cutting the Ground from under Them? Commercialisation, Cultivation, and Conservation in Tonga, *The Contemporary Pacific*, Volume 5 (2), Fall 1993, 215-242, University of Hawaii.
- Lane, S.H., (1989), An Organisational Development: Team Building Approach to Consultation With Family Businesses, *Family Business Review*, Vol.2(1), pp.5-16.
- Lea, J., 'Want Family Business to Success?: Run it Like a Business, Personal Column, March, 2006, University of North Carolina, USA.
- Lee, J., (2006), 'Family Firm Performance: Further Evidence', *Family Business Review*, Vol.XIX, No.2, Family Firm Institute, Texas.
- Levinson, H., (1971), Conflicts That Plague Family Businesses, *Harvard Business Review*, Vol.49(2), pp.90-98.
- Longenecker, J., Moore, C. and Schoen, J., (1989), Consumer Perceptions of Family-Owned Service Industries: A Study of the "family" Cue in the Funeral Home Industry, Paper presented at the Annual Meeting of the International Council of Business, The Cornell University Business Research Institute, New York.
- Lyman, A., (1991), Customer Service: Does Family Ownership Make a Difference?, *Family Business Review*, Vol.4, pp.303-324.
- McCoy, F. (1998), Creating a Family Business, *Hispanic Business*, Vol. 20, No.52.
- Ministry of Labour, Commerce and Industries, *Company Registration Database* 2005
- Ng, J., (2004), *Evaluating Governance*, The Ebla Forum, Washington D.C.
- Oliver, R.W. (2004), *What is Transparency?*, McGraw-Hill, New York.
- Perrigo, A.E.B., (1975), Delegation and Succession in the Small Firms, *Personnel Management*, May, pp.35-37.
- Preston, L. E. and Post, J. E. (1975), *Private Management and Public Policy*, Englewood Cliffs, N.J: Prentice-Hall, Inc.
- Prokesch, S. (1986), Renewing Traditional Values When the Relatives Fall Out: Wrestling with Vulnerability, *New York Times*, June 10, **cited in** Bellet *et al* (1999), Family Business as a Field of Study, International Family Business Program Association, The Cornell University Family Business Research Institute, New York.
- Ritterbush, D., (1986), Entrepreneurship and Business Venture Development in the Kingdom of Tonga, *Pacific Islands Development Program*, East-West Centre, Honolulu.

- Upton, N. and Heck, R.K.Z. (1997), The Family Business Dimension of Entrepreneurship, in Sexton, D.L. and Smilor, R.W. (Eds.), *Entrepreneurship 2000*, (pp.193-213), Upstart Publishing, Chicago.
- Vittal, N. (2002), “Good Governance”, *Addressing Satyatma Convention*, Mumbai.
- Ward, J.L., (1987), *Keeping the Family Business Healthy: How to Plan for Continuing Growth, Profitability, and Family Leadership*, Jossey-Bass, San Francisco, CA.
- Wartick, S. and Cochran, P., (1985), The Evolution of the Corporate Social Performance Model, *Academy of Management Review*, Vol.4, pp.758-769.
-, and Mahon, J. F., 1994. Toward a Substantive Definition of the Corporate Issue Construct: A Review and Synthesis of the Literature, *Business and Society*, 33(3): 293–311.

Chapter 4 – Bibliography

- Addison, J.T., Siebert, w.S., Wagner, J. and Wei, X., (2000), “Worker Participation and Firm Performance: Evidence from Germany and Britain”, *British Journal of Industrial Relations*, Vol.38, pp.7-48.
- Arnoff, C.E. and Ward, J.L., (1998), why Continue Your Family’s Businesses?, *Nation’s Business*, Vol.86, pp.72-73, Kansas City.
- Astrachan, J.H. and Allen, I.E., (2003), *Mass Mutual*, Raymond Institute American Family survey.
- Ayers, G.A., (1990), Rough Family Justice: Equity in Family Business Succession Planning, *Family Business Review*, 3(1), pp.3-22,
- Bradbury, J., (2003), Accountability, *The Concise Dictionary of Politics*, ed. Iain McLean and Alistar McMillan, Oxford University Press, *Oxford Reference Online*, Oxford University Press.
- Cadbury, A., ‘*Family Firms and Their Governance: Creating Tomorrow’s Company from Today’s*’, Egon Zehnder International, Pentagram, UK.
- Daily, M.C. and Dollinger, J.M., (1991), Family Firms are Different, *Review of Business*, Vol.3(1-2), Summer-Fall 1991, pp.3-7.
- Davis, J.A. and Tagiuri, R., (1982), *Bivalent Attributes of the Family Firm*, Owner Managed Business Institute, Santa Barbara, CA.

- Dyer, W.G.Jr., (1986), *Cultural Change in Family Firms: Anticipating and Managing Business and Family Transactions*, Jossey-Bass, San Francisco, CA.
- Firnstahl, T.W., (1986), Letting Go, *Harvard Business Review*, Vol.64(5), pp.14-18.
- Finkelstein, S. and Hambrick, D., (1996), *Strategic Leadership*, West, St Paul, MN.
- Gallo, M.A. (1994), Global Perspective on Family Business, *Family Business Centre Working Paper*, Loyola University, Chicago.
- Graham, J., Amos, B. and Plumptre, T., *Principles of Good Governance in the 21st Century*, Policy Brief No. 15, August 2003, Institute of Governance, Ottawa.
- Handler, W.C. and Kram, K.E., (1988), Succession in Family Firm: The Problem of Resistance, *Family Business Review*, 1(4), 361-381.
- James, K., (1993), Cutting the Ground from under Them? Commercialisation, Cultivation, and Conservation in Tonga, *The Contemporary Pacific*, Volume 5 (2), Fall 1993, 215-242, University of Hawaii.
- Lane, S.H., (1989), An Organisational Development: Team Building Approach to Consultation With Family Businesses, *Family Business Review*, Vol.2(1), pp.5-16.
- Lea, J., 'Want Family Business to Success?: Run it Like a Business', Personal Column, March, 2006, University of North Carolina, USA.
- Lee, J., (2006), 'Family Firm Performance: Further Evidence', *Family Business Review*, Vol.XIX, No.2, Family Firm Institute, Texas.
- Levinson, H., (1971), Conflicts That Plague Family Businesses, *Harvard Business Review*, Vol.49(2), pp.90-98.
- Longenecker, J., Moore, C. and Schoen, J., (1989), Consumer Perceptions of Family-Owned Service Industries: A Study of the "family" Cue in the Funeral Home Industry, Paper presented at the Annual Meeting of the International Council of Business, The Cornell University Business Research Institute, New York.
- Lyman, A., (1991), Customer Service: Does Family Ownership Make a Difference?, *Family Business Review*, Vol.4, pp.303-324.
- McCoy, F. (1998), Creating a Family Business, *Hispanic Business*, Vol. 20, No.52.
- Ministry of Labour, Commerce and Industries, *Company Registration Database 2005*
- Ng, J., (2004), *Evaluating Governance*, The Ebla Forum, Washington D.C.

- Oliver, R.W. (2004), *What is Transparency?*, McGraw-Hill, New York.
- Perrigo, A.E.B., (1975), Delegation and Succession in the Small Firms, *Personnel Management*, May, pp.35-37.
- Preston, L. E. and Post, J. E. (1975), *Private Management and Public Policy*, Englewood Cliffs, N.J: Prentice-Hall, Inc.
- Prokesch, S. (1986), Renewing Traditional Values When the Relatives Fall Out: Wrestling with Vulnerability, New York Times, June 10, *cited in* Bellet *et al* (1999), Family Business as a Field of Study, International Family Business Program Association, The Cornell University Family Business Research Institute, New York.
- Ritterbush, D., (1986), Entrepreneurship and Business Venture Development in the Kingdom of Tonga, *Pacific Islands Development Program*, East-West Centre, Honolulu.
- Upton, N. and Heck, R.K.Z. (1997), The Family Business Dimension of Entrepreneurship, in Sexton, D.L. and Smilor, R.W. (Eds.), *Entrepreneurship 2000*, (pp.193-213), Upstart Publishing, Chicago.
- Vittal, N. (2002), “Good Governance”, *Addressing Satyatma Convention*, Mumbai.
- Ward, J.L., (1987), *Keeping the Family Business Healthy: How to Plan for Continuing Growth, Profitability, and Family Leadership*, Jossey-Bass, San Francisco, CA.
- Wartick, S. and Cochran, P., (1985), The Evolution of the Corporate Social Performance Model, *Academy of Management Review*, Vol.4, pp.758-769.
-, and Mahon, J. F., 1994. Toward a Substantive Definition of the Corporate Issue Construct: A Review and Synthesis of the Literature, *Business and Society*, 33(3): 293–311.

Abbreviations

SKO	-	Si'i-Kae-Ola Enterprises (Tonga) Limited
MD	-	Managing Director
MWS	-	Manager Supermarket
MCY	-	Manager Car Yards
MW	-	Manager Workshop
MNZO	-	Manager New Zealand Operation
FC	-	Financial Controller
BK	-	Book Keeper
WS	-	Warehouse Manager
DS	-	Delivery Supervisor
CE	-	Chief Engineer
CSA	-	Cashier/Shop Assistant
OA	-	Office Assistant

CHAPTER SIX

Agrawal, A. (2004). *Good Governance for SMEs with Special Reference to Practices in South/South-East Asian Countries*, Report to Committee for Trade, Industry and Enterprise Development, Kuala Lumpur.

Edwards, C. (2004), *Royal Commission of Inquiry Final Report into the Operations of Royal Tongan Airline*, Nuku'alofa.

Fonua, P., (2004), "Editorial Comment", *Matangi Tonga Monthly Magazine*, Nuku'alofa.

Le-Breton-Miller, I., Miller, D. and Steier, L., (2004), Toward and Integrative Model of Effective FOB Succession, *Entrepreneurship Theory & Practice*, Vol. 28(4).

Sarker, E.A. and Pathak, D.R., (2003), *Public Enterprise Reform in Fiji Islands*, Public Organisation Review: A Global Journal 3: 55-75, The Netherlands.

Tan, L. W. and Tan, M. T., (2004), *The Impact of Corporate Governance on Value Creation in Entrepreneurial Firms*, Singapore Management University.

‘

CHAPTER SEVEN

Busse, M., ‘Do Labour Standard Affect Comparative Advantage in Developing Countries?’, (2002), *World Development*, Vol.30, No.11, pp.1921-1932, UK.

Chand, A., (2004), Employment, ‘The Labour Market and Industrial Relations in Tonga’, Pacific Institute of Advanced Studies in Development and Governance, *Employment and Labour Market Studies Working Paper No.4/2004*, Suva.

Edward, C., (2004), Personal Address on Youth Unemployment, Tonga National Youth Council Seminar, 12 October 2004, Nuku’alofa.

Fisi’iahi, F.K.V, (2000), The Impact of International Economic Pressures on Labour Market Development in Tonga, Unpublished Masters of Commerce Thesis, University of Wollongong, Australia.

Harris, L., (2002), ‘Small Firm Responses to Employment Regulation’, *Journal of Small Business and Enterprise Development*, Vol.9, No.2, pp.296-306.

Hess, M., (1998), *Development: Work, Management and Culture*, National Centre for Development Study, ANU, Canberra.

———, (1992), *Unions Under Economic Development: Private Sector Union in Papua New Guinea*, Oxford University Press, Melbourne.

Hirsch, B.T., (1997), ‘Unionisation and Economic Performance: Evidence on Productivity, Profits, Investment, and Growth’, in Mihlar, F.,(ed), *Unions and Right-to-Work Laws*, Vancouver, B.C.: The Fraser Institute.

Imbun, Y.B., (2006), ‘Labour Markets, Economic Development and Regional Economic Integration: A Benchmark Study and Way Forward’, School of Management, University of Western Sydney, Australia.

Martin, W. and Maskus, K.E., (2001), Core Labour Standards and Competitiveness: Implications for Global Trade Policy, *Review of International Economics*, Vol.9(2), 317-328.

Maumau, S., Press Release Document, RIO 2006, Tonga Now, Nuku’alofa.

Ministry of Labour, Commerce and Industries, (2005), *Quarterly Report December 2005*, Government of Tonga, Nuku’alofa.

- _____, (2003), *Annual Report*, Government of Tonga, Government of Tonga, Nuku'alofa.
- _____, (1997), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (1996), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (1995), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (1993), *Annual Report*, Government of Tonga, Nuku'alofa.
- _____, (1989), *Annual Report*, Government of Tonga, Nuku'alofa.
- Mosley, L. and Uno, S., (2004), 'Racing to the Bottom or Climbing to the Top?: Foreign Direct Investment and Labour Rights Violations', Department of Political Science, University of Notre Dame, **xxx**.
- Organisation for Economic Cooperation and Development, (1996), *Trade, Employment, and Labour Standards: A Study of Core Workers' Rights and International Trade*, Paris, OECD.
- Pohiva, A., (2004), Parliament Paper on Tight Immigration Laws of Receiving Countries, *Tonga Legislative Assembly*, Nuku'alofa.
- _____, (2003), Personal Address during interview session, 8 December 2003, Nuku'alofa.
- _____, (2000), Paper Presenting to US Consul on Tough Immigration Laws, Nuku'alofa.
- Pulu, I., (2003), Personal Address during interview session, 8 December 2003.
- Sevele, F., (2005), Government Press Release, Prime Minister's Office Information Unit, Government of Tonga, Nuku'alofa.
- Small Industries Centre, (2003), *Quarterly Report – June Quarter*, Government of Tonga, Nuku'alofa.
- Tonga Statistics Department, (2003), *Labour Force Survey Report 2003*, Government of Tonga, Nuku'alofa.
- _____, (1993), *Annual Report*, Government of Tonga, Nuku'alofa.
- 'Uta'atu, C., (2001), 'Report on Salary and Wages Level in the Tongan Labour Market', 'Uta'atu and Associates Chartered Accountant, Nuku'alofa.

Welch, R. and Leighton, P., (1996), Individualising Employee Relations: The Myth of the Personal Contract, *Personal Review*, Vol.25, No.5, pp.37-50, University Press.

Appendix 1 FIELDWORK SCHEDULE

Date	Participants	Venue
12/12/2004 11/10/2005	Tevita Misa Fifita, Managing Director, Si'i-Kae-Ola Enterprises (MD)	Super Market Office
11/10/2005	Three Managers of Si'i-Kae-Ola Enterprises and two senior employees	Workshop Office and Supermarket Office
16/10/2005	Five Non-relative Employees of SKO	Super Market
16/10/2005	Five Long-term customers of SKO	Individual Retail Stores
12 – 14/10/2005	Four former workers of South Pacific Knitwear Garment	SIC Office
20/10/2002 & 12/12/2004	Manase Felemi, Deputy Director of Agriculture, Dr Viliami Manu, Chief Agronomist	MAFF Office
17/03/2003	Director of Tourism	Neiafu, Vava'u
11/01/2004	Member of Parliament (Ha'apai)	Parliament Office
“	Raymond Yu, Managing Director, Fung Shing Co.	Fung Shing Head Office, SIC
12/01/2004	Two employees of Fung Shing Co.	SIC Office
20/02/2004	Maliu Mafi, Deputy Secretary for Labour	MLCI Office
“	Saimone Vuki, Head of Tonga Trade	MLCI Office
“	Vika Fusimalohi, Head of Investment Unit	MLCI Office
21/02/2004 & 12/03/2006	Manitasi Ledger, Youth Entrepreneurship Coordinator	Tonga National Youth Congress Office
25-26/02/2004	Four casual workers at International Metrople Ltd	SIC Office
2/03/2004	Three Former employees of RTA	MLCI Office
“	President of Friendly Islands Teachers Association	FITA Office
10/03/04 & 14/03/2006	Squash Exporters – Steve Edwards & Mumui Tatola	MLCI, Office
23/03/2004	'Anitimoni Petelo, Principal Fisheries Officer Tevita Finau, Senior Fisheries Officer 'Ofa Fakahau, Fisheries Officer	Ministry of Fisheries Head Office
28/03/04	Dr Feleti Sevele, Managing Director, Molisi Tonga Limited and Director of Touluki Squash Export	Rowena Building
12/04/04	Leta Kami, Manager Lending, Tonga Development Bank, Afu'alo Matoto, Managing Director, Tonga Development Bank	Tonga Development Bank Conference Office
“	Brett Anderson, Manager Lending, Westpac Bank of Tonga	Westpac Bank Head Office
15/10/2005	Chairman, Public Service Association	PSA Office
“	Secretary Public Service Association	PSA Office
15/10/1005	Three Members of Parliament	Parliament Office
14/12/2005	Drew Havea, President, Tonga National Youth Congress	Peace Corp Office
20/12/2005	Commercial Farmer	Auckland
11/01/2006	'Aisake Tukuafu, Managing Director, Oregon Pacific International	Oregon Office
19/03/2006	Interview of four Patangata women	Tukutonga Landfill
22/03/2006	Two former RTA employee	SIC Office
22/03/2006	Four former customers of RTA	Individual office
23 – 24/03/06	Three Tongan workers at the Janfull Dateline Hotel	Hotel Café
16/04/2006	Head of Labour Office/Head of Investment Unit	MLCI Office
17/04/2006	Four indigenous Tongan entrepreneurs	SIC Office
21/04/2006	Five Private Sector Entrepreneurs	Individual BusinessOffice
15/07/2006	Commercial farmer	Sydney

Appendix 2

Socio-economic indicators in Vietnam and Nepal

Socio-economic indicators in the Bahamas and Mauritius

Socio-economic indicators of selected South Pacific Islands

Appendix 3

STANDARD QUESTIONNAIRE

- 1. What are the main problems that you have encountered in the last five years (1998 – 2002)?**
- 2. What causes the problems?**
- 3. How do you address the problem(s)?**
- 4. How do you find Government's role in addressing these problems?**
- 5. Is the Government's role sufficient?**
- 6. Does Good Governance exist in Tonga?**
- 7. What do you mean by governance?**
- 8. What are the prospects of agricultural exports for Tonga?**
- 9. What is the prospect of tourism in Tonga?**
- 10. What is the prospect of exporting of rugby players?**