

11

Vanuatu

Vanuatu is a middle-income small island state comprising 83 islands located in the South Pacific Ocean. In 2005, it had a real per capita GDP (PPP-adjusted) of US\$3,041 and a total population of about 220,000. The country has experienced modest annual growth rates in recent years and the annual GDP growth has averaged about 3 per cent since 1990 (Chart 11.1). Most of the population is engaged in small-scale agricultural activities, which constitute about 20 per cent of GDP. Domestic exports are mainly primary goods, with copra being the most important cash crop for the economy. Other leading exports include beef, cocoa, kava, coffee and timber.

Services are a very important part of the economy, contributing about 74 per cent to the GDP since 1990, but the average growth rate of the services sector has remained modest since the mid-1990s (Chart 11.1).

However, despite the modest growth, the share of services in GDP has risen steadily from 67 per cent in 1990 to 76 per cent in 2003 (Chart 11.2). The most important services sector in Vanuatu is wholesale and retail trade, followed by government services, transport and communications, and financial and insurance services (Table 11.1). The government has brought tourism to the forefront of the policy agenda and it is the fastest growing sector in the economy.

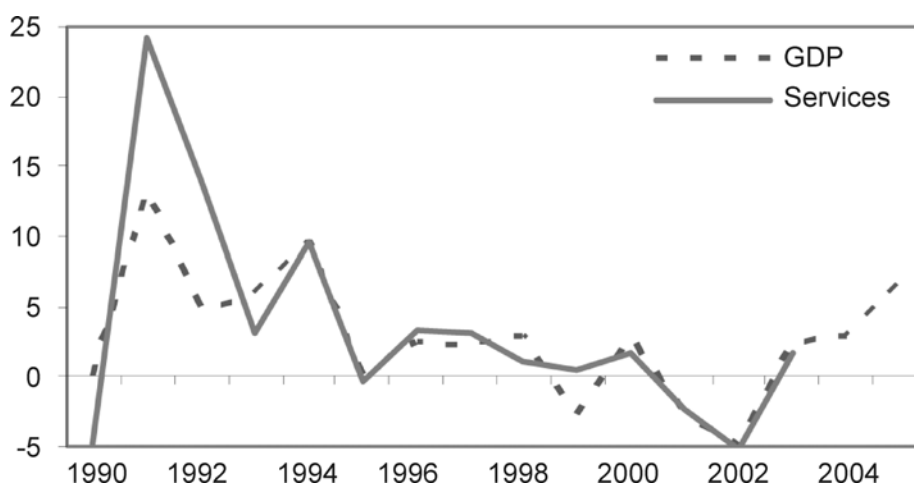


Chart 11.1: Annual growth of GDP and services in Vanuatu (%)

Source: Based on World Bank (2006)

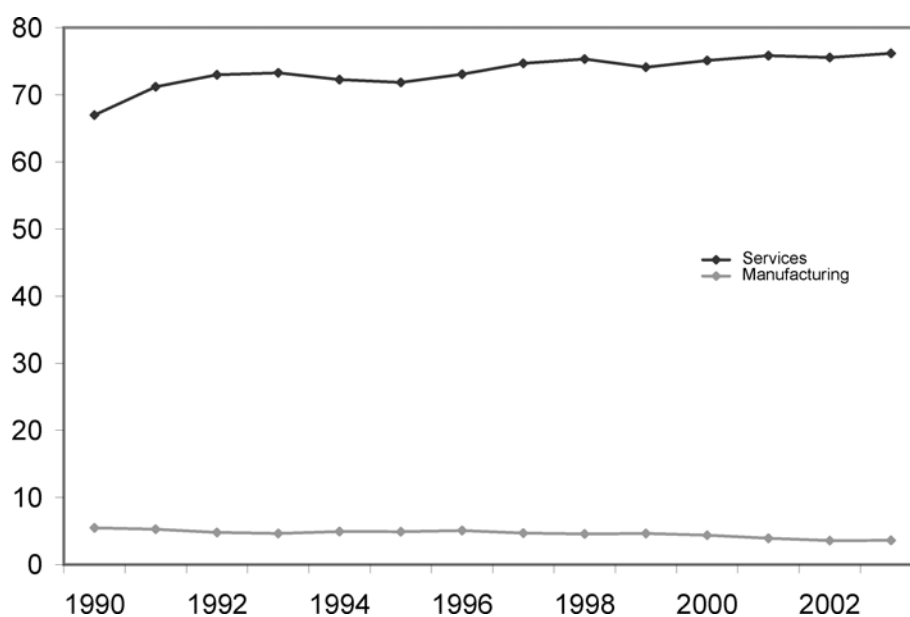


Chart 11.2: Contribution of services to GDP in Vanuatu (%)

Source: Based on World Bank (2006)

Table 11.1: GDP composition for services in Vanuatu (in millions of vatu)*

Services	1999	2000	2001	2002	2003
Wholesale and retail trade	5,611	5,773	5,490	5,149	5,283
Hotels and restaurants	958	1,042	987	892	894
Transport and communications	1,731	1,738	1,719	1,544	1,530
Finance and insurance	918	995	1,211	1,162	1,157
Real estate and other services	1,077	1,105	1,083	1,039	1,062
Government services	2,362	2,175	2,117	2,131	2,207
Personal services	150	160	140	124	109

Note: * Values are computed at constant 1983 prices

Source: IMF (2005)

Trade in services is an important part of total trade in Vanuatu. Exports of services account for about 80 per cent of total trade, whereas imports of services are about 40 per cent of total trade (Chart 11.3). The importance of service exports in total trade is higher in Vanuatu as compared to most countries in the region, for example, Fiji, Papua New Guinea, Tonga and Solomon Islands (Chart 11.4).

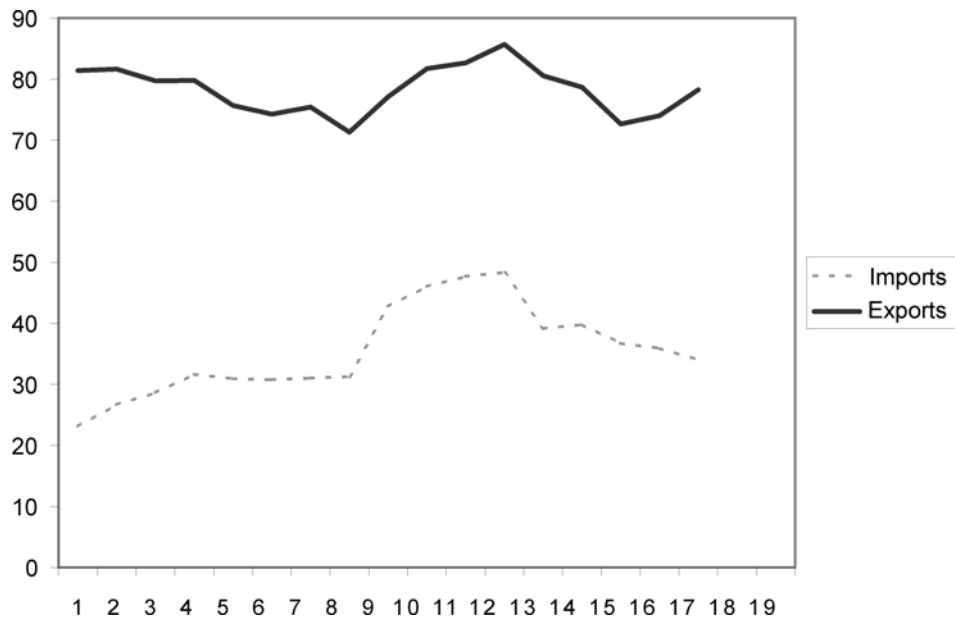


Chart 11.3: Exports and imports of services in Vanuatu (% of total trade)
 Source: UNCTAD (2005)

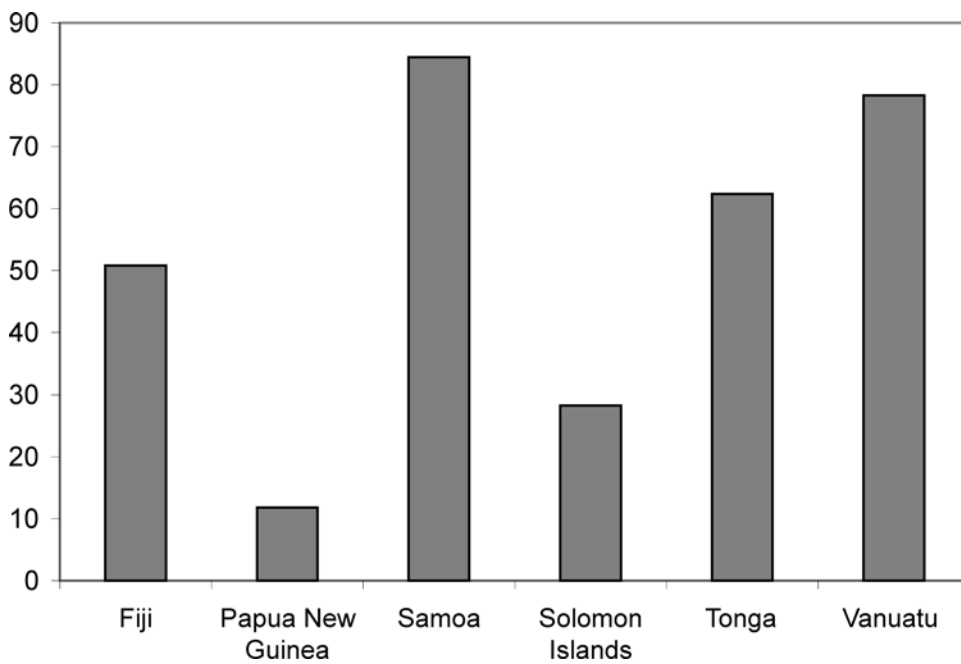


Chart 11.4: Exports of services in Pacific small states (% of total trade) in 1990-2005
 Source: UNCTAD (2005)

Performance of selected services

Financial services

The financial and insurance sector contributes over 7 per cent to GDP in Vanuatu and consists of onshore operations (comprising banks and some non-bank financial institutions) and offshore operations, which consist of an offshore financial centre (OFC) that has offshore banks, non-banks and a shipping registry (IMF, 2005).

The domestic banking system consists of the Reserve Bank of Vanuatu and three commercial banks (two foreign-owned and one state-owned), whereas the non-bank system includes a provident fund, insurance companies, credit union, microfinance schemes and money changers. The total assets of the onshore financial system in 2003 represented about 173 per cent of Vanuatu's GDP, whereas the assets of the offshore financial sector were about 125 per cent of GDP.

Vanuatu is a net importer of insurance services and a net exporter of other financial services. The exports of financial services have expanded fast in recent years and the gap in exports and imports of financial services has widened considerably (Chart 11.5). The combined share of insurance and financial services in total commercial services exports has also increased, rising to about 12 per cent in 2005 from about 5 per cent in 1998 (Chart 11.6).

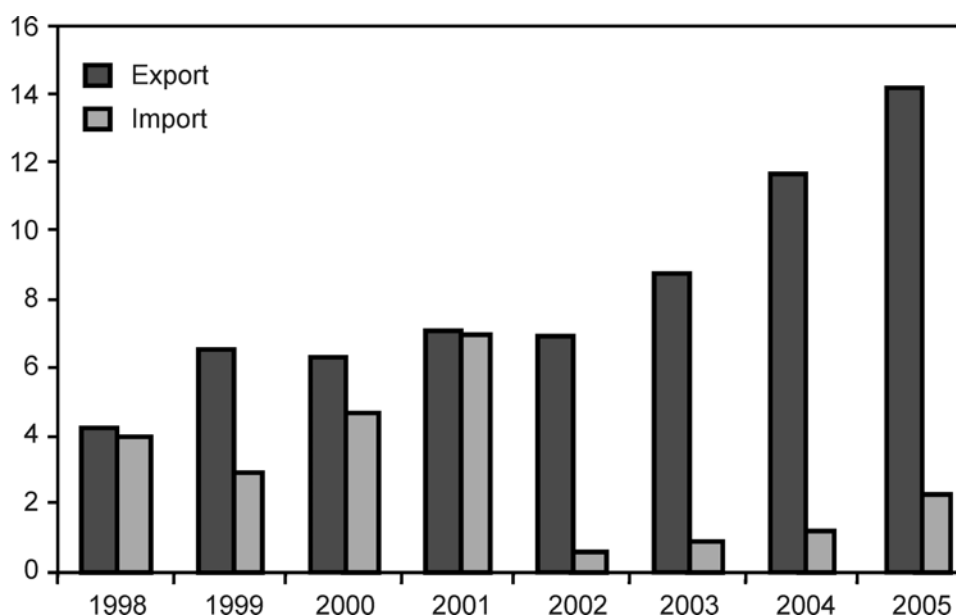


Chart 11.5: Exports and imports of financial services in Vanuatu (in million US\$)*

Note: Insurance services not included

Source: UNCTAD (2005)

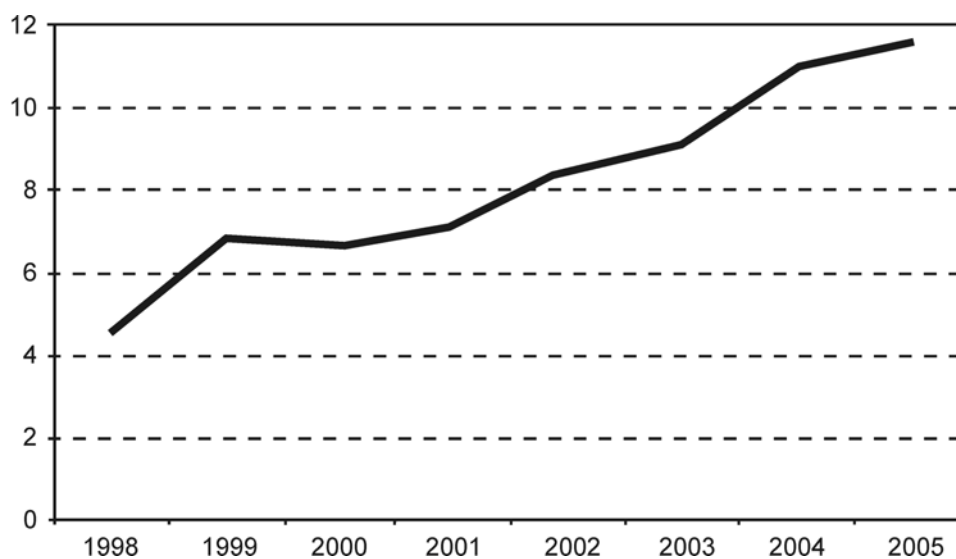


Chart 11.6: Insurance and financial services (% of commercial services exports)

Source: World Bank (2006)

Educational and health services

The gross secondary and tertiary enrolment ratios in Vanuatu are considerably less than the regional average (Table 11.2). The gross tertiary enrolment ratio in 2002 was only 5 per cent, as compared to the regional average of over 20 per cent. About 75 per cent of children between the ages of six and 16 attend school, but attendance drops significantly from the age of 12 onwards because of lack of schools and high school fees (Hughes, 2004).

Table 11.2: Gross secondary and tertiary enrolment ratios in Vanuatu (%)

		1991	1999	2002	Regional Average (2005)
Secondary	Total	18	30	38	74
	Male	20	32	39	74
	Female	16	28	37	74
Tertiary	Total	N/A	4	5	24
	Male	N/A	N/A	6	25
	Female	N/A	N/A	4	23

Source: UNESCO Institute for Statistics

Several reforms have been introduced in the education sector as part of the Comprehensive Reform Programme introduced in 1997, which aims to have all children complete school education by 2010 (Haberhorn, 1998). The Ministry of Education is guided by three documents: the Education Master Plan, the Ministry of Education Youth and Sport Corporate Plan 2002–2006, and the Education for All Vanuatu: National Plan of Action 2002–2006. Budget allocation to the education sector has increased and during 2000–03, it was significantly higher than in most neighbouring countries (Table 11.3). As a result, expenditure per student is also higher than other south Pacific small states, but the student-teacher ratio is the same as the regional average.

According to IMF (2005), the performance of the education sector is weak and requires reforms in order to set clear objectives and improve the quality of teaching and cost structure. Schoolteachers are mostly trained to certificate level, but 22 per cent receive no training at all (Hughes, 2004).

Tertiary education facilities in the country include a branch of the University of the South Pacific, which has its main campus in Suva, Fiji Islands. The Malapoa Teachers' Training College and Tagabe Agricultural School also provide tertiary education, and there is a school of nursing in Port Vila.¹ The Vanuatu Institute of Technology is a vocational and technical education institute, which offers certificate courses in various areas such as electricity, mechanical engineering, building and construction, tourism, hospitality, business studies, and financial management and accountancy. A few scholarships for tertiary education abroad are also offered annually, but most study is undertaken in the Pacific with the University of the South Pacific being the largest recipient of scholarship awardees (Strachan, 2004).

Tourism

Tourism contributes substantially to the economy in Vanuatu, both directly as well as indirectly by stimulating other sectors. The sector has been highly promoted in recent years and visitor arrivals have risen to over 50,000 visitors annually (Table 11.4). A majority of the visitors are from Australia followed by New Zealand and New Caledonia.

Table 11.3: Educational spending in Vanuatu and other Pacific small states, 2000–03

	<i>Vanuatu</i>	<i>PNG</i>	<i>Samoa</i>	<i>Fiji</i>	<i>East Asia & Pacific</i>	<i>Low & middle income</i>
Education spending (% of total expenditures)	28.8	N/A	14.4	23.7	N/A	N/A
Expenditure per student	16	12	11	14	6	N/A
Student-teacher ratio, primary	22	36	25	28	22	27

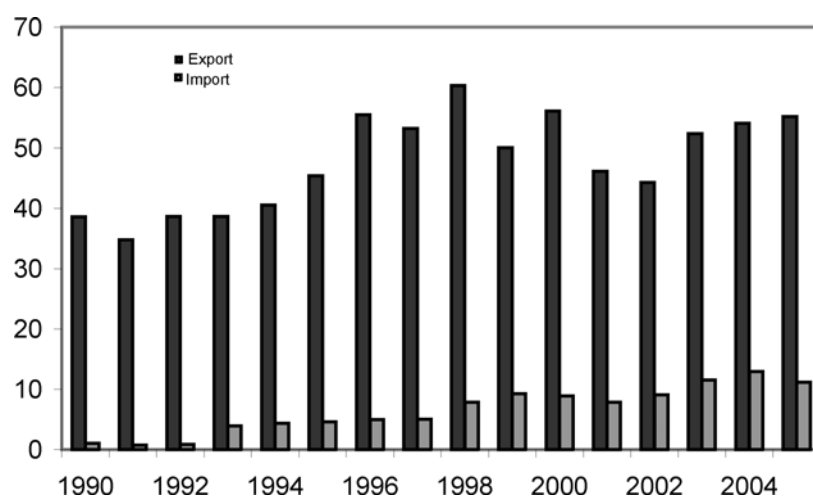
Source: IMF (2005)

Table 11.4: Tourism activity in Vanuatu (1999–2003)

	1999	2000	2001	2002	2003
Total visitor arrivals	50,746	57,591	53,304	49,462	50,400
(annual percentage change)	-2.6	13.5	-7.4	-7.2	1.9
Tourists	37,725	44,992	41,612	38,740	38,924
(annual percentage change)	-4.4	19.3	-7.5	-6.9	0.5
Australia	30,769	36,805	33,667	29,730	29,492
New Zealand	6,487	8,024	7,512	7,263	7,729
New Caledonia	5,037	4,124	4,039	4,704	5,050
Other Pacific countries	2,317	2,039	2,182	1,828	2,034
Europe	3,063	3,401	2,687	2,948	3,003
North America	1,343	1,547	1,413	1,438	1,625
Japan	915	811	834	731	571
Other countries	815	840	970	820	896
Average length of stay (in days)	7.2	7.6	8.3	8.9	9.5
Room-night capacity (in thousands)	254.9	364.1	371.3	367.6	328.9
Capacity utilisation (%)	51.9	52	49.8	44.2	46.5
Cruise-ship passengers	44,853	47,644	52,758	50,027	51,995
(annual percentage change)	78.6	6.2	10.7	-5.2	3.9

Source: IMF (2005)

Vanuatu is a net exporter of tourism services (Chart 11.7). Total exports of tourism-related services were valued at about US\$55 million in 2005 as compared to US\$11 million worth of imports. Exports of tourism services are a major foreign exchange earner for the economy and constitute about 60 per cent of total commercial services exports for the economy (Chart 11.8)

**Chart 11.7:** Exports and imports of travel services in Vanuatu (millions of US\$)

Source: UNCTAD (2006)

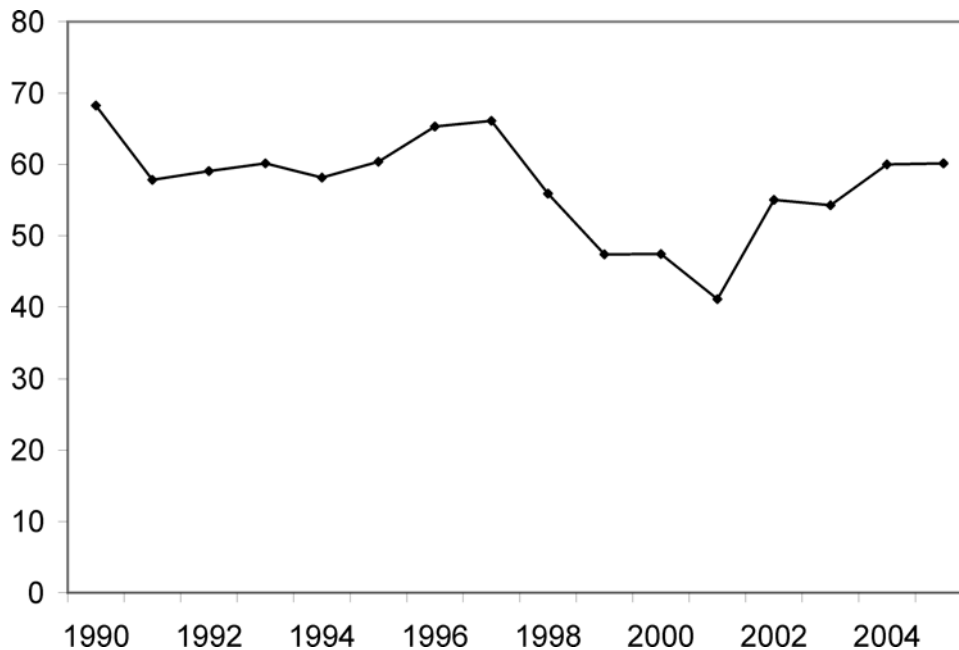


Chart 11.8: Exports of travel in Vanuatu (% of commercial services exports)

Source: UNCTAD (2006)

Transport, information technology and communications services

Transport and communications constitute about 10 per cent of Vanuatu's GDP. There is one local international airline, Air Vanuatu, which operates to Australia, New Zealand, countries in the South Pacific as well as local destinations. However, several international airlines of other Pacific countries also serve Vanuatu, for example, Aircalin (New Caledonia), Virgin Blue (Australia) and Air Pacific (Fiji).

Vanuatu is a net importer of transport services (Chart 11.9). In 2005, the exports and imports of transportation services were about US\$26 million and US\$42 million respectively. The country's exports of transport services constituted about 20 per cent of total commercial services exports in 2005. This share has doubled since 1990, rising sharply in the late-1990s.

Communications services play a relatively smaller role in the economy and their share in commercial services exports have declined from 20 per cent in 1990 to about 5 per cent in 2005.² However, Vanuatu is a net exporter of communications services and exports of communications services are almost twice the country's equivalent imports (Chart 11.10).

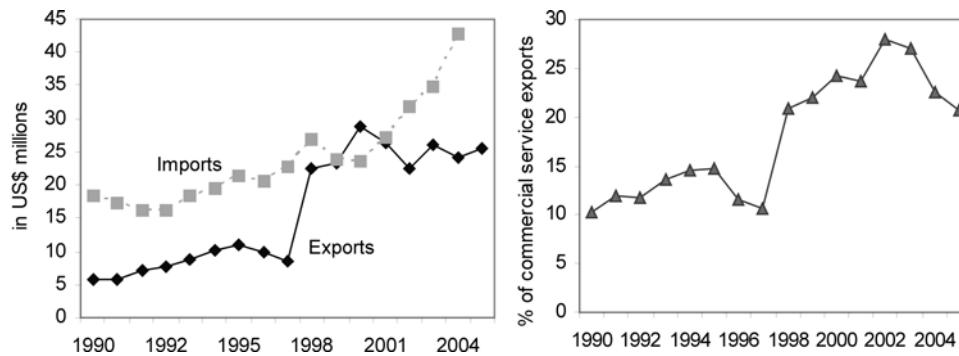


Chart 11.9: Trade of transportation services in Vanuatu, 1990–2004
 Source: World Bank (2006)

Professional business services

Exports of other business services such as merchandising and other trade-related services, operational leasing services, and miscellaneous business, professional and technical services, constituted a significant part of services trade for Vanuatu up until 1995. For example, in 1980–95, the share of other business service exports in total services trade was about 27 per cent. However, this dropped to about 18 per cent during 1996–2001, falling further to 6 per cent in 2002–2005.³

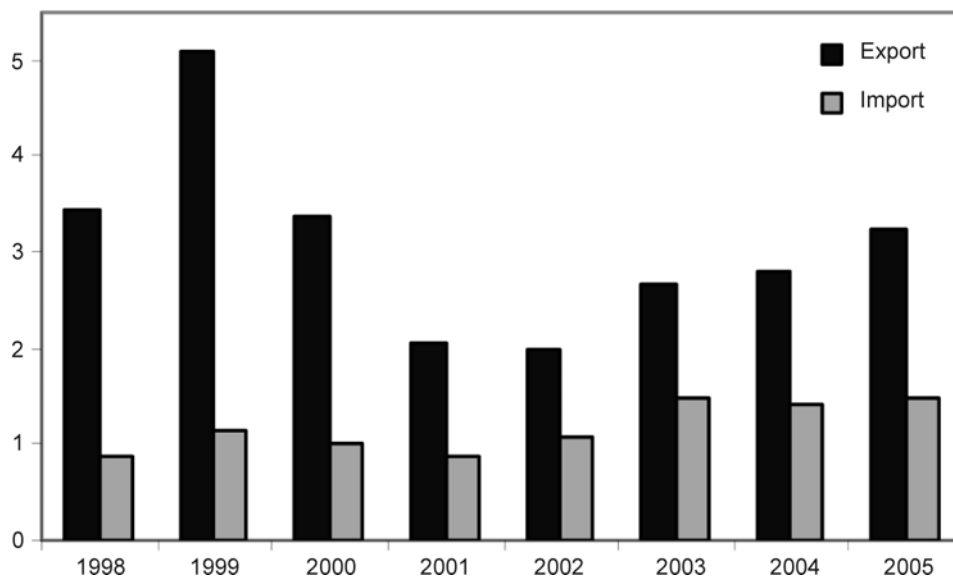


Chart 11.10: Exports and imports of communication services in Vanuatu (US\$ millions)
 Source: UNCTAD (2006)

Vanuatu remained a net exporter of other business services until the late-1990s (Chart 11.11). The average exports of other business services during 1980–1998 were about US\$17 million as compared to about US\$8 million of imports. However, since 1998 the country has mostly been a net importer of other business services.

Supporting factors

Domestic capacity and skills

The International Monetary Fund (IMF, 2007) indicates substantial barriers to private-sector development in Vanuatu, such as political uncertainty, the high cost of doing business, poor infrastructure and weak land and property rights. These factors have deterred foreign investment in the country, reducing Vanuatu’s external competitiveness, and have reduced employment and income opportunities in the economy.⁴

Vanuatu has witnessed considerable political instability, especially during the 1990s, and this has had a substantial adverse impact on economic growth. For example, during 1995 to 2004, Vanuatu had nine different governments (Gay, 2005). According to World Bank’s governance indicators for 2006, Vanuatu is particularly weak in terms of government effectiveness and regulatory quality (Table 11.5). However, the country’s overall performance in recent years has been better as compared to other small states in the region, for example, Papua New Guinea, Fiji and Solomon Islands.

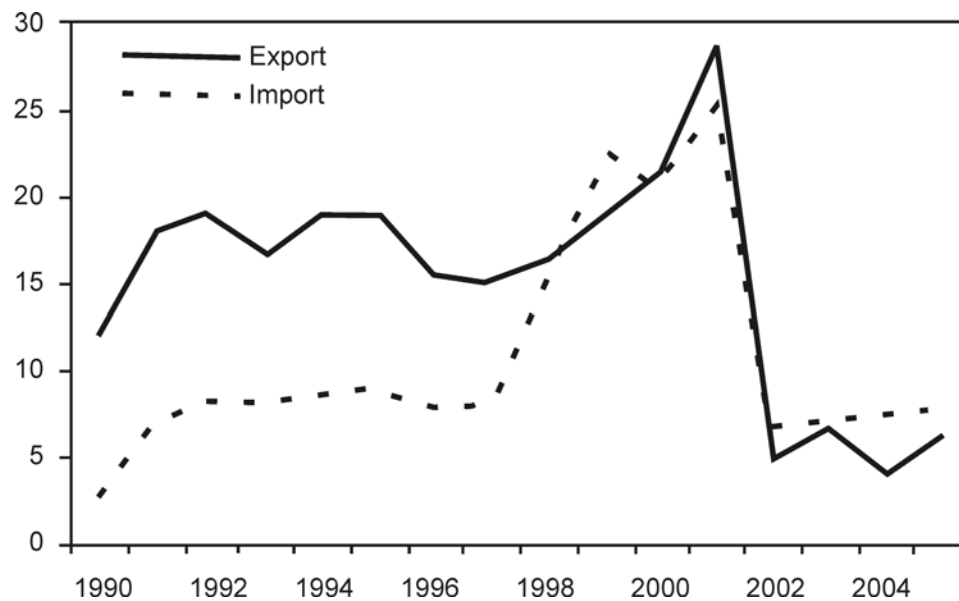


Chart 11.11: Exports and imports of other business services in Vanuatu (US\$ millions)

Source: UNCTAD (2005)

There are only two towns in the country, Port Vila and Luganville, and public utilities and infrastructural facilities are concentrated in these areas. However, both towns are facing various socio-economic problems due to rapid migration from rural areas (Hughes, 2004).

Transport infrastructure in Vanuatu is not well developed in all parts of the country. Islands are separated by large distances, and some are remote and isolated due to lack of air or sea transportation. There is no rail network in the country. The total road network is 1,100 km, of which 22 per cent is paved. The country has one international airport at Port Vila, which is the centre for the local international airline, Air Vanuatu, and three important ports at Forari, Port Vila and Luganville. The ports at Port Vila and Luganville are well developed and can handle standard and refrigerated shipping containers of 20-feet (6.1m). International container and cargo services are provided by seven overseas shipping lines operating in Vanuatu, which stop at various Pacific island ports en route to Australia or South East Asia.⁵

The lack of availability of a skilled labour force is a major concern. According to statistics provided by the Ministry of Education, Youth and Sport, about 7,500 students are enrolled in the first year of education. However, by the 13th year of education, only about 100 remain (Chart 11.12).

Telecommunications services are monopolised by Telecom Vanuatu Ltd, a company in which the government is the majority shareholder. ICT services are very weak in terms of access, quality and affordability as compared to both the region and to an average lower-middle income country (Table 11.6). For example, internet facilities are extremely expensive and cost about US\$60 per month. The same is true for fixed-line and mobile rentals, which are three to five times higher than the regional average.

Domestic regulatory and institutional framework

Planning and policy development in Vanuatu has mostly been ad hoc (Hindson, 1995). The reasons for this include lack of financial and human resources, and the unavail-

Table 11.5: Governance indicators for Vanuatu (2006)

	<i>Vanuatu</i>	<i>Tonga</i>	<i>Fiji</i>	<i>Papua New Guinea</i>	<i>Samoa</i>	<i>Solomon Islands</i>
Political stability	1.39	0.70	0.13	-0.80	1.15	0.15
Government effectiveness	-0.39	-0.64	-0.10	-0.84	0.07	-0.92
Regulatory quality	-0.12	-0.78	-0.38	-0.70	-0.03	-1.13
Rule of law	0.46	0.54	-0.08	-0.94	0.92	-0.90
Control of corruption	0.20	-1.29	-0.35	-1.13	0.02	-0.29

Notes: Units of measures range from about -2.5 to 2.5, with higher values corresponding to better governance outcomes

Source: World Bank (2007).

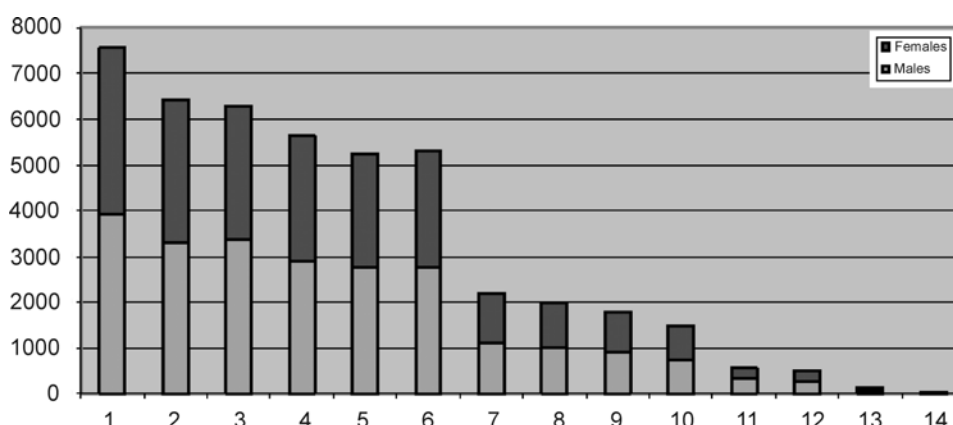


Chart 11.12: Pupil enrolment by year and gender in Vanuatu, 2001
Source: Strachan (2004)

ability and inaccessibility of comprehensive and reliable data. The government introduced a three-year Comprehensive Reform Programme (CRP), funded by the Asian Development Bank, in 1997 aimed at improving governance, private-sector development, economic growth and liberalisation of the economy. However, the CRP did not meet many of the set objectives for various reasons including high political instability and poor standards of governance.

Table 11.6: ICT indicators for Vanuatu (2005)

	Vanuatu	East Asia and Pacific	Average for lower-middle income country
Access			
Telephone main lines per 1,000 people	33	214	205
International voice traffic (min. per person)	N/A	6	14
Mobile subscribers per 1,000 people	60	282	306
Population covered by mobile telephony (%)	20	N/A	N/A
Internet users (per 1,000 people)	38	89	95
Personal computers (per 1,000 people)	14	38	45
Quality			
International internet bandwidth (bits per person)	19	97	116
Affordability			
Price basket for fixed line (US\$ per month, residential)	31.6	5.9	8.5
Price basket for mobile (US\$ per month)	18.1	5.0	10.2
Price basket for internet (US\$ per month)	58.2	10.7	16.8
Price of call to United States (US\$ per 3 minutes)	7.5*	2.08	1.2

Note: * Value for 2000; *Source:* World Bank (2006).

In 2006, Vanuatu finalised a national development strategy for 2006–2015, known as the Priorities and Action Agenda (PAA). The PAA builds on the CRP and aims at private-sector development and employment creation, macroeconomic stability and equitable growth, good governance and public-sector reform, better provision of basic services, human-resource development, improved economic infrastructure and support services (Hosea, 2006). The PAA also includes various performance indicators, including the Millennium Development Goal (MDG) indicators, to facilitate the monitoring of development progress.

Vanuatu has various legislations and institutions in place to govern different services sectors and promote investment. For example, to promote foreign investment in the country, Vanuatu passed a Foreign Investment Act in 1998, which was amended in 2001. The Act simplified regulatory procedures for investment and laid the basis for creating an investment-promotion body. Vanuatu also has the International Companies Act (1993) and the Companies Act (1986) based on English law under which foreign and domestic companies are incorporated. Overall, the services sector, especially financial services, is largely liberalised and offers unrestricted access to foreign investors.

In the financial services sector, the Reserve Bank of Vanuatu (RBV) plays a central role in ensuring a sound financial system, maintaining monetary stability and monitoring onshore and offshore (banking) financial operations (IMF, 2005).⁶ The Reserve Bank's role and responsibilities are governed by the Reserve Bank Act of 1980, the Financial Institutions Act of 1999 and the International Banking Act of 2002.

In the tourism sector, national tourism policy is based on the Tourism Master Plan, which was drafted in 1995 and updated in 2003. The Vanuatu Tourism Office (VTO) was established by a Parliamentary Act, which defines its functions, structure and funding. The main function of the VTO is to promote sustainable development of the tourism industry by building public–private sector co-operation, marketing in domestic and international markets, and encouraging ni-Vanuatu participation in the tourism industry.

External conditions

Vanuatu has an observer status at the WTO. The Government of Vanuatu initiated the accession process in 1995, but suspended it in 2001 just before the Doha Ministerial Conference. However, as part of the accession negotiations, Vanuatu had agreed to include ten areas with 50 specific commitments in the final schedule of commitments on services (Gay, 2005). The number of commitments was greater than those made by most neighbouring economies. For example, Fiji and Solomon Islands have made GATS commitments in two and nine areas respectively.

Vanuatu has a number of regional trade agreements in place. It is a member of the Melanesian Spearhead Group (MSG), which is a trade treaty between Fiji, New Caledonia, Papua New Guinea, Solomon Islands and Vanuatu to eliminate tariffs and foster economic development by improving trade relations. Vanuatu is also a member

of the Pacific Islands Forum (PIF), an organisation aimed at enhancing co-operation between Pacific countries to promote their socio-economic development.⁷ The Pacific Islands Forum Secretariat (PIFS) based in Fiji is the administrative body of the Forum, which holds PIF events, implements decisions taken by the PIF and facilitates the delivery of development assistance to member states. The PIF also started a Representative Office in Geneva in 2004 to increase the participation and representation of member states in WTO negotiations. The PIF endorsed a 'Pacific Plan' in 2005 to further strengthen regional integration and co-operation with the goal of promoting growth, sustainable development, governance and security (see Box 11.1 for some immediate implementation priorities to achieve economic growth).

Vanuatu ratified the Pacific Islands Countries Trade Agreement (PICTA) in 2005, under which PIF member countries aim to create a free trade area over the next decade. Vanuatu also has preferential access to the Australian and New Zealand markets under the South Pacific Agreement on Regional Trade and Economic Co-operation (SPARTECA), and goods imported from Vanuatu are allowed to enter these markets duty-free. It is currently negotiating an economic partnership agreement (EPA) with the EU through the African, Caribbean and Pacific (ACP) configuration.

In terms of bilateral trade agreements, Vanuatu benefits from a non-reciprocal trade arrangement with Fiji and the generalised system of preference schemes of Australia,

Box 11.1: Economic growth implementation priorities in the Pacific Islands Forum's Pacific Plan (2006-2008)

1. Expansion of market for trade in goods under the SPARTECA, PICTA, Pacific Agreement on Closer Economic Relations (PACER) and with non-Forum trading partners
2. Integration of trade in services, including temporary movement of labour, into the PICTA and the EPAs
3. Timely and effective implementation of the Regional Trade Facilitation Programme (RTFP)
4. Investigation of the potential impacts under the PACER of a move towards a comprehensive framework for trade (including services) and economic co-operation between Australia, New Zealand and the PIF countries
5. Intensified development of proposals/strategies for regional bulk purchasing, storage and distribution of petroleum
6. Implementation of the Forum Principles on Regional Transport Services including development of the Pacific Aviation Safety Office and intensify focus on enhancing shipping services for smaller island states
7. Intensified implementation of a regional digital strategy for improving information and communication technology
8. Support of private-sector mechanisms, including through the Pacific Islands Private Sector Organisation

Source: The Pacific Islands Forum Secretariat <http://forumsec.org/pages.cfm/economic-growth/> [accessed 3 June 2008]

Austria, Bulgaria, Canada, Czechoslovakia, EC, Finland, Hungary, Japan, New Zealand, Norway, Poland, Switzerland and the US.

Institutional support structure

The Vanuatu Investment Promotion Agency (VIPA) is the main public-sector body promoting investment in the country. It provides different services to foreign investors, including information and advice on investment opportunities, procedures and incentives. Foreign investors cannot operate businesses in Vanuatu until an approval has been given by the government through the VIPA Board.

In the private sector, the Vanuatu Chamber of Commerce and Industry (VCCI) was established in 1995. It has over 5,000 members belonging to different business categories. The VCCI offers a range of services to its members, for example, assistance in building networks, providing local and national policy representation, advisory services, training and development activities and e-commerce development.

Conclusion

Vanuatu has suffered from political instability and various natural calamities since it gained independence from the British and French administrations in 1980. Economic activity seems to have improved since 2004, and the country has achieved positive growth rates averaging over 5 per cent in three consecutive years. Initiatives to improve the services sector appear to have been taken mainly in the financial services and tourism sectors. An OFC offering various legal and regulatory incentives to investors was established in the country as early as 1970 (Box 11.2). This gives Vanuatu a

Box 11.2: The offshore financial centre (OFC) in Vanuatu

An offshore finance centre (OFC) was established in 1970 at Port Vila under the Banking Act 1970 to promote the financial services sector and reduce reliance on agriculture. The OFC comprises bank and non-bank institutions such as insurance companies, trusts, business services providers and the shipping registry. The OFC is a tax haven and offers various fiscal incentives to operating firms, including exemption from paying income, capital gains, withholding and estate taxes. It also offers simple and fast registration procedures to international companies.

The establishment of the OFC has contributed significantly to the development of English and French financial, investment, banking, accounting and legal expertise in the country. At the end of 2006, over 5,000 firms – most of which were foreign companies – were registered with the Vanuatu Financial Services Commission. The OFC also has an international shipping registry, in which about 500 local shipping vessels are registered. The OFC accounts for about 4 per cent of Vanuatu's GDP and contributes about 3 per cent to government revenue in the form of registration fees paid to the government.

Sources: IMF (2005); the Offshore Financial Services Centre Port Vila www.financial.com.vu [accessed 3 June 2008]; and the Pacific Islands Trade and Investment Commission www.pitic.org.au [accessed 3 June 2008].

competitive edge over neighbouring economies in attracting foreign investment. However, considerable scope remains to develop the financial services sector further, which requires improvement of ICT and financial infrastructure and appropriate training of the country's labour force.

The government of Vanuatu has been actively promoting tourism in recent years and the contribution of tourism-related activities, hotels and restaurants to the economy is rapidly expanding (see Box 11.3). The tourism industry is still small relative to that in Fiji, but it is larger than other neighbouring island states such as Solomon Islands.

The small state economies of the Pacific are some of the most disadvantaged countries in the world in terms of economic and environmental vulnerabilities. Services can play an important role in the development of these economies and considerable potential exists for expanding these sectors. However, their development requires strategic planning and concerted efforts at both national and international levels. Regional and international co-operation in building domestic capacity to improve physical and human infrastructure is crucial for these states. Initiatives already undertaken or envisaged to be undertaken by the PIF to meet the goals set out in the Pacific Plan are a step in the right direction.

Box 11.3: Promoting tourism in Vanuatu

Tourism has been widely promoted in Vanuatu since the late 1990s to take advantage of its cultural diversity, the tropical climate and scenic beaches. Tourist facilities have improved, especially in urban areas, and different cultural and other festivals are organised on various islands to attract tourists. The years 2005 and 2006 were declared the years of tourism and budgetary allocations to the tourism sector were increased. As a result, tourist arrivals have almost doubled in the last 20 years. International connectivity has improved considerably and Vanuatu is well connected with other Pacific countries such as Australia, New Zealand, Fiji and New Caledonia. The national airline has plans to further increase its services to Australia and New Zealand to meet the anticipated increase in demand for tourism-related air travel.

Cruise tourism represents a large part of the tourism industry and has gained tremendous importance in recent years. About four large cruise ships, one carrying 600 passengers and others 1,500, and smaller ships carrying about 100 passengers visit Vanuatu regularly. These ships stop at Port Vila, Mystery island, Pentecost, Vala island, Champagne Beach, Luganville and Lauren Bay, creating income opportunities for the locals as well as for the government (for example, through docking fees paid to local administrative authorities).

Vanuatu's national tourism policy is informed by the Tourism Master Plan, which was developed in 1995 and updated in 2003. Tourism is promoted by the Vanuatu Tourism Office (VTO), which was established by the Parliament as a government statutory body. The VTO is governed by a Board of Directors, which includes representatives from the Vanuatu Hotels and Resorts Association, Vanuatu Chamber of Commerce and Industry, Vanuatu Island Bungalows Association, Vanuatu Tour Operators Association, Vanuatu Scuba Operators Association, Vanuatu Land Transport Association, Air Vanuatu (Operations) Ltd, Vanair Limited, Tafea Tourism Council and Santo Tourism Association.

Sources: Vanuatu Tourism Office <http://www.vanuatutourism.com> [accessed 3 June 2008]; and Slatter (2006)

Notes

1. Source: Commonwealth Secretariat www.thecommonwealth.org/YearbookInternal/139633/society/ [accessed 2 June 2008]
2. The statistics for communications also include IT-related services, which are not reported separately.
3. Source: UNCTAD (2005).
4. According to Vanuatu Labour Market Survey, the formal sector in Vanuatu employs about 14,272 people only (Vanuatu Statistics Office, 2000).
5. Source: Pacific Islands Trade and Investment Commission www.pitic.org.au [accessed 11 June 2008]
6. Offshore non-bank institutions are monitored by the Vanuatu Financial Services Commission.
7. PIF has 16 member countries: Australia, the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Palau, Papua New Guinea (PNG), Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Five (Australia, Fiji, New Zealand, Papua New Guinea and Solomon Islands) out of the 16 PIF members are members of the WTO.

PART III

Conclusions and Implications

