

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

MASTER FILES

ROOM C-120

01

EBD/84/125

April 24, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Small Tropical Island Countries - An Overview

The attached paper provides a brief comparison with small, developing non-oil continental IMF member countries.

This paper, together with the paper on an overview of small tropical island countries (EBD/83/325, 12/19/83 and Supplement 1, 1/26/84) has been tentatively scheduled for discussion at an Executive Board Seminar to be held on Friday, May 4, 1984.

Att: (1)

Other Distribution:
Department Heads

Small Tropical Island Countries: An Overview

A Brief Comparison with Small, Developing Non-oil Continental IMF Member Countries

By Benito Legarda

April 23, 1984

In the main body of this paper it was stated that "... the other small non-island economies have not been examined . . ." (p. 17). The period of time between its issuance and the scheduled date for the Board seminar on the subject has provided enough time for at least a brief comparison with small developing continental non-oil IMF member countries, using the same single criterion of a population of one million as the upper limit of smallness. There are nine such countries in the Fund membership: Belize, Guyana, and Suriname in the Western Hemisphere, and Botswana, Djibouti, Equatorial Guinea, The Gambia, Guinea-Bissau, and Swaziland in Africa.

In making the comparison, it will become clear just where in the spectrum of smallness the respective countries lie. It may also be possible to bypass the discussion of the abstract attributes of insularity or islandness by looking at the actual features of the various economies and seeing if there are any noticeable differences. If there are such differences between the two groups, it may not matter greatly whether these stem from insularity or from other factors, so long as they distinguish the two groups from one another.

On page 3 of the main body of this paper, it was recorded that the three most common characteristics used to define smallness were land area, population, and total national income. Twenty-seven countries are involved in the comparison: the original seventeen now joined by newly admitted St. Christopher and Nevis, and the nine continental small developing countries. Figures showing the three characteristics just mentioned and some others have been arrayed in Tables 1 to 5.

Table 1 shows the land areas of the countries under study. The smallest island country is St. Christopher and Nevis with 261 sq. km. The smallest continental country is The Gambia with 10,403 sq. km., and it is in 15th rank. The smallest of the continental countries is thus larger than 14 of the 18 island countries. There are no small continental countries below the median.

Table 2 shows population. Again, the smallest island country is St. Christopher and Nevis with 43,500 while the smallest continental country is Belize in tenth rank with 149,000. Of the smallest 16 countries, all are islands except Belize, which is the only continental country below the median.

Table 3 is derived from the first two and shows population density in descending order. All the countries below the median (i.e., the most densely populated countries) are islands, and again The Gambia figures as the first continental country in the table.

Table 4 shows GNPs in ascending order. Fourteen of the first fifteen are islands, and the only continental country below the median is Equatorial Guinea (as will be mentioned later, there may be historical factors explaining its particular position in this table).

Table 5 requires somewhat more attention. The idea is that the level of imports represents what a country needs to maintain its consumption and investment levels. Ordinarily this is financed by exports; to the extent that it is not, resort to other means is indicated. In the case of the small islands, it was seen that invisibles occupied a very important place in their external transactions as a group and, for most of them, as individual countries. Typically, these were tourist receipts and transfers (official and private). A high import-export ratio or its converse, a low export-import percentage, would indicate the importance of invisibles in external transactions, apart from economic assistance. (Obviously this is not a perfect indicator, and other factors may affect the ratio, like running down reserves in any given year, or arrears, which may be regarded as some sort of involuntary transfer. But from what has been seen in the main body of this paper it would seem to be of some usefulness.)

Table 5, then, arrays the import-export ratios in descending order and the export-import ratios in ascending order. Of the first 16, 14 are islands and only 2 are continental countries. Most of the continental countries are in the 17th to 26th ranks. For individual countries, it would seem that the small islands are characterized by greater dependence on invisibles.

Table 6 weighs these ratios by taking averages by regions and by categories. From this table it is evident that the percentage of export-covered imports is much higher for small developing continental countries as a group (68.3 percent) than for the small islands (38.7 percent), and that the region with the lowest percentage (27.4 percent) is the Caribbean, which is quite consistent with what is known about the importance of tourism in that region.

The overall picture presented by these tables is that the small islands are the smallest of the small, in terms of land area, population, and GNP. They are the most densely populated. And they have the highest dependence on invisibles to finance their import needs.

One characteristic which is not adequately captured in the statistics is fragmentation. This applies to those island countries in Table 1 with land areas comparable to the smaller continental countries. All of them are archipelagoes, and any map will show the extent of their fragmentation, which has implications for internal communications. It is

possible also to devise an index to show the degree of fragmentation as the converse of the degree of concentration. Such an index would have an upper numerical limit of 100 for a unitary territory, and a theoretical lower limit of 1 for an extremely fragmented country. Without having data for all the relevant land areas of the various individual islands at hand, and without wishing to be over-elaborate about something that is perhaps quite obvious, it can still be stated that rough computations give an index value of 73 for Western Samoa, 65 for Fiji (somewhat overstated because the outer islands are statistically lumped together), and 39 for Cape Verde. In the case of the continental countries, fragmentation occurs in the case of Equatorial Guinea which has both a continental component and an insular component. But the latter is only 7 percent of the land area, and the index number is 93, which would be much higher than for any archipelagic country of comparable area.

In looking over the statistical tables, the usual safeguards about reliability and comparability of economic data from country to country should of course be kept in mind. For some countries, the reports on recent economic developments make specific reference to the weakness of the statistical base or to the doubtful reliability of population or national accounts estimates. The resulting deficiencies may be random in their effect, without any clearly predictable bias introduced into the data.

This is not the case with two other reservations which should be noted. One has to do with the fact that not all transactions are reflected in the official statistics. For example, the report on recent economic developments in Guyana notes that extensive parallel markets have arisen for foreign exchange and goods, and that gold smuggling has surpassed in value the leading export, bauxite. In Equatorial Guinea, the report on recent economic developments notes the ease with which coffee, formerly the second most important cash crop, can be smuggled across land borders, and cites a tentative IBRD assessment that output could be as much as ten times the official figures. In Belize the Mexican devaluation of 1982 caused a shift in transactions from the established channels to direct purchasing by consumers in Mexican border towns, leading to a decline in recorded imports. This type of problem clearly imparts a downward bias to the official figures and, if compensated for, would send the continental small economies further up the scale from the small island economies.

The second reservation has to do with the representativeness of the year in question for a particular country. In a sense, no year is ever fully satisfactory as a portrait of the normal economic performance of a fairly numerous group of countries. But there are specifically acute problems highlighted by the reports on recent economic developments in at least a couple of cases. Guinea-Bissau went through a period of turbulence during its struggle for independence, and the report on recent economic developments records that production of groundnuts, the most important cash crop, is still far below the levels recorded during the

1950s. Equatorial Guinea also had a turbulent period lasting over a decade, with the result that production of its three major exports is at levels of only between 5 and 25 percent of 1967 levels. These factors would therefore tend to make an economy's performance untypical of what it could do in normal times, so that in arraying the data by country, it may be kept in mind that these countries perhaps belong further up the scale than they actually do on the basis of the figures alone.

Table 7 arrays the Fund quotas of the small countries as defined in this paper in ascending order, as of February 29, 1984. The general layout is similar to those in Tables 1-5. Fifteen of the smallest sixteen quotas of small economies are those of islands and only one of a continental country. But a note of caution should be sounded here. The list of quotas of small economies is not identical with the list of the smallest quotas, since many elements enter into the quota formula. If we take the top ranking quota among the small island economies as the upper limit, there are about as many other countries not shown in Table 7 in the Fund with quotas below it as are shown in Table 7. Most of them, however, are in the upper ranks. If we take, for example, Swaziland in 21st rank as the cutoff point, there are only two other Fund member countries with quotas within that range of smallness, namely, Bhutan with SDR 2.5 million and Lesotho with SDR 15.1 million, both of which, for whatever it may be worth, are landlocked countries.

Table 1. Small Developing Non-Oil IMF Member Countries, Island and Continental: Land Areas (in ascending order)

| Rank | Island Countries | Area (sq. km.) | Continental Countries |
|------|--------------------------------|----------------|-----------------------|
| 1 | St. Christopher and Nevis | 261 | |
| 2 | Maldives | 298 | |
| 3 | Grenada | 344 | |
| 4 | St. Vincent and the Grenadines | 388 | |
| 5 | Barbados | 431 | |
| 6 | Antigua and Barbuda | 440 | |
| 7 | Seychelles | 443 | |
| 8 | St. Lucia | 616 | |
| 9 | Dominica | 751 | |
| 10 | Sao Tome and Principe | 964 | |
| 11 | Comoros | 1,862 | |
| 12 | Mauritius | 2,045 | |
| 13 | Western Samoa | 2,849 | |
| 14 | Cape Verde | 4,533 | |
| 15 | | 10,403 | The Gambia |
| 16 | Bahamas | 13,942 | |
| 17 | Vanuatu | 14,763 | |
| 18 | | 17,363 | Swaziland |
| 19 | Fiji | 18,274 | |
| 20 | | 22,000 | Djibouti |
| 21 | | 22,965 | Belize |
| 22 | | 28,051 | Equatorial Guinea |
| 23 | Solomon Islands | 28,446 | |
| 24 | | 36,125 | Guinea-Bissau |
| 25 | | 163,265 | Suriname |
| 26 | | 214,969 | Guyana |
| 27 | | 600,372 | Botswana |

Sources: National Geographic Atlas, Fifth Ed. (1981), supplemented by various staff papers and by the Gazetteer of Webster's New Collegiate Dictionary.

Table 2. Small Developing Non-Oil IMF Member Countries, Island and Continental: Population 1981 (in ascending order)

| Rank | Island Countries | Population (in thousands) | Continental Countries |
|------|-----------------------------------|------------------------------|-----------------------|
| 1 | St. Christopher and Nevis | 43.5 | |
| 2 | Seychelles | 63 | |
| 3 | Dominica | 74 | |
| 4 | Antigua and Barbuda | 76 | |
| 5 | St. Vincent and the Grenadines | 110 | |
| 6 | Grenada | 112 | |
| 7 | Sao Tome and Principe | 115 | |
| 8 | Vanuatu | 121 | |
| 9 | St. Lucia | 122 | |
| 10 | | 149 | Belize |
| 11 | Maldives | 155 | |
| 12 | Western Samoa | 157 | |
| 13 | Bahamas | 215 | |
| 14 | Solomon Islands | 241 | |
| 15 | Barbados | 251 | |
| 16 | Cape Verde | 300 | |
| 17 | | 346 | Equatorial Guinea |
| 18 | | 353 | Suriname |
| 19 | Comoros | 358 | |
| 20 | | 381 | Djibouti |
| 21 | | 587 | The Gambia |
| 22 | | 641 | Swaziland |
| 23 | Fiji | 646 | |
| 24 | | 790 | Guinea-Bissau |
| 25 | | 796 | Guyana |
| 26 | | 930 | Botswana |
| 27 | Mauritius | 971 | |

Sources: 1983 World Bank Atlas, supplemented by staff papers.

Table 3. Small Developing Non-Oil IMF Member Countries, Island and Continental: Population Density, 1981 (in decending order)

| Rank | Island Countries | Density (persons/sq. km). | Continental Countries |
|------|-----------------------------------|---------------------------|-----------------------|
| 1 | Barbados | 582.4 | |
| 2 | Maldives | 520.1 | |
| 3 | Mauritius | 474.8 | |
| 4 | Grenada | 325.6 | |
| 5 | St. Vincent and the Grenadines | 283.5 | |
| 6 | St. Lucia | 198.1 | |
| 7 | Comoros | 192.3 | |
| 8 | Antigua and Barbuda | 172.7 | |
| 9 | St. Christopher and Nevis | 166.7 | |
| 10 | Seychelles | 142.2 | |
| 11 | Sao Tome and Principe | 119.3 | |
| 12 | Dominica | 98.5 | |
| 13 | Cape Verde | 66.2 | |
| 14 | | 56.4 | The Gambia |
| 15 | Western Samoa | 55.1 | |
| 16 | | 36.9 | Swaziland |
| 17 | Fiji | 35.4 | |
| 18 | | 21.9 | Guinea-Bissau |
| 19 | | 17.3 | Djibouti |
| 20 | Bahamas | 15.4 | |
| 21 | | 12.3 | Equatorial Guinea |
| 22 | Solomon Islands | 8.5 | |
| 23 | Vanuatu | 8.2 | |
| 24 | | 6.5 | Belize |
| 25 | | 3.7 | Guyana |
| 26 | | 2.2 | Suriname |
| 27 | | 1.5 | Botswana |

Sources of basic data: Tables 1 and 2.

Table 4. Small Developing Non-Oil IMF Member Countries, Island and Continental: GNPs, 1981 (in ascending order)

| Rank | Island Countries | GNP | Continental Countries |
|------|--------------------------------|-------------------------------|-----------------------|
| | | (in millions of U.S. dollars) | |
| 1 | Sao Tome and Principe | 40 | |
| 2 | Vanuatu <u>1/</u> | 40 | |
| 3 | St. Christopher and Nevis | 50 | |
| 4 | Dominica | 60 | |
| 5 | | 62 | Equatorial Guinea |
| 6 | Maldives <u>2/</u> | 67 | |
| 7 | St. Vincent and the Grenadines | 70 | |
| 8 | Cape Verde | 100 | |
| 9 | Grenada | 100 | |
| 10 | Western Samoa <u>3/</u> | 105 | |
| 11 | Seychelles | 110 | |
| 12 | Comoros | 110 | |
| 13 | Antigua and Barbuda | 120 | |
| 14 | St. Lucia | 120 | |
| 15 | Solomon Islands | 150 | |
| 16 | | 150 | Guinea-Bissau |
| 17 | | 160 | Belize |
| 18 | | 180 | Djibouti |
| 19 | | 220 | The Gambia |
| 20 | | 480 | Swaziland |
| 21 | | 580 | Guyana |
| 22 | Bahamas | 780 | |
| 23 | Barbados | 880 | |
| 24 | | 940 | Botswana |
| 25 | | 1,070 | Suriname |
| 26 | Mauritius | 1,230 | |
| 27 | Fiji | 1,290 | |

Sources: 1983 World Bank Atlas and various staff papers.

Note: Where the GNPs for two countries are given as equal in the 1983 World Bank Atlas, the relevant Fund reports on recent economic developments were consulted in order to "break the tie."

1/ The 1981 edition of the World Bank Atlas put Vanuatu's 1980 GNP at \$60 million.

2/ GDP as given in SM/82/52 (3/16/82). The 1983 World Bank Atlas gives no figure, but the 1981 edition does.

3/ 1982 GDP implied in SM/84/2 (1/5/84) and Correction 1 (1/12/84) and EBS/83/105 (5/25/83) and Correction 1 (6/22/83).

Table 5. Small Developing Non-Oil IMF Member Countries, Island and Continental: Ratio of Imports to Exports (IE), and Percentage of Export-Covered Imports (EI), 1981

| Rank | Island Countries | IE Ratio | EI (in percent) | Continental Countries |
|------|-----------------------------------|----------|--------------------|--------------------------|
| 1 | Cape Verde | 14.04 | 7.1 | |
| 2 | Seychelles | 12.18 | 8.2 | |
| 3 | Western Samoa | 5.68 | 17.6 | |
| 4 | Bahamas | 4.45 | 22.5 | |
| 5 | Antigua and Barbuda | 4.15 | 24.1 | |
| 6 | | 4.05 | 24.7 | Guinea-Bissau |
| 7 | St. Lucia | 3.42 | 29.2 | |
| 8 | Barbados | 3.41 | 29.3 | |
| 9 | Grenada | 3.09 | 32.4 | |
| 10 | Maldives | 2.90 | 34.5 | |
| 11 | | 2.78 | 36.0 | Equatorial Guinea |
| 12 | Dominica | 2.68 | 37.3 | |
| 13 | Vanuatu | 2.54 | 39.4 | |
| 14 | St. Vincent and the Grenadines | 2.18 | 45.9 | |
| 15 | Fiji | 1.93 | 51.8 | |
| 16 | St. Christopher and Nevis | 1.88 | 53.1 | |
| 17 | | 1.75 | 57.1 | Djibouti |
| 18 | | 1.73 | 57.8 | The Gambia |
| 19 | Sao Tome and Principe | 1.713 | 58.38 | |
| 20 | | 1.71 | 58.5 | Botswana |
| 21 | | 1.58 | 63.3 | Belize |
| 22 | Mauritius | 1.47 | 68.0 | |
| 23 | Comoros | 1.40 | 71.4 | |
| 24 | | 1.27 | 78.7 | Guyana |
| 25 | | 1.21 | 82.6 | Swaziland |
| 26 | | 1.20 | 83.3 | Suriname |
| 27 | Solomon Islands | 1.15 | 87.0 | |

Sources of basic data: Table 4, EBD/83/325 (12/19/83) and various staff papers.

Table 6. Small Developing Non-Oil IMF Member Countries, Island and Continental: Imports, Exports and Derived Ratios, 1981

(In millions of U.S. dollars)

| | Imports | Exports | IE Ratio | EI (in percent) |
|---------------------------------------|---------|---------|----------|--------------------|
| Island countries | | | | |
| Caribbean and Western Atlantic | | | | |
| Antigua and Barbuda | 139.3 | 33.6 | | |
| Bahamas | 783.3 | 176.2 | | |
| Barbados | 507.1 | 148.5 | | |
| Dominica | 50.7 | 18.9 | | |
| Grenada | 58.0 | 18.8 | | |
| St. Christopher and Nevis | 47.1 | 25.0 | | |
| St. Lucia | 138.1 | 40.4 | | |
| St. Vincent and the Grenadines | 58.3 | 26.8 | | |
| Total Western Hemisphere | 1,781.9 | 488.2 | 3.64 | 27.4 |
| Africa and Indian Ocean | | | | |
| Cape Verde | 85.0 | 6.1 | | |
| Comoros | 22.3 | 16.2 | | |
| Maldives | 41.4 | 14.3 | | |
| Mauritius | 493.5 | 335.2 | | |
| Sao Tome and Principe | 27.1 | 15.8 | | |
| Sechelles | 78.0 | 6.4 | | |
| Total Africa and Indian Ocean | 747.3 | 394.0 | 1.90 | 52.7 |
| Pacific | | | | |
| Fiji | 538.8 | 278.7 | | |
| Solomon Islands | 74.8 | 65.3 | | |
| Vanuatu | 39.9 | 15.7 | | |
| Western Samoa | 55.5 | 9.8 | | |
| Total Pacific | 709.0 | 369.5 | 1.92 | 52.1 |
| Total 18 island countries | 3,238.2 | 1,251.7 | 2.59 | 38.7 |
| Continental countries | | | | |
| Western Hemisphere | | | | |
| Belize | 117.7 | 74.7 | | |
| Guyana | 440.0 | 346.9 | | |
| Suriname | 567.9 | 473.8 | | |
| Total Western Hemisphere | 1,125.6 | 895.4 | 1.26 | 79.5 |
| Africa | | | | |
| Botswana | 680.9 | 398.1 | | |
| Djibouti | 200.9 | 115.1 | | |
| Equatorial Guinea | 44.3 | 15.9 | | |
| The Gambia (1980-81) | 99.8 | 57.8 | | |
| Guinea-Bissau | 57.1 | 14.1 | | |
| Swaziland | 432.3 | 307.7 | | |
| Total Africa | 1,515.3 | 908.7 | 1.67 | 60.0 |
| Total nine continental countries | 2,640.9 | 1,804.1 | 1.46 | 68.3 |

Sources: See Table 5.

Table 7. Fund Quotas of Small Non-Oil Developing Countries

(In million of SDRs as of February 29, 1984)

| Rank | Island Countries | Quota | Continental Countries |
|------|-----------------------------------|-------------------|-----------------------|
| 1 | Maldives | 2.0 | |
| 2 | Seychelles | 3.0 | |
| 3 | Comoros | 3.5 | |
| 4 | Dominica | 4.0 | |
| 5 | St. Vincent and the Gernadines | 4.0 | |
| 6 | Sao Tome and Principe | 4.0 | |
| 7 | Cape Verde | 4.5 | |
| 8 | St. Christoper and Nevis | 4.5 ^{1/} | |
| 9 | Antigua and Barbuda | 5.0 | |
| 10 | Solomon Islands | 5.0 | |
| 11 | | 5.7 | Djibouti |
| 12 | Grenada | 6.0 | |
| 13 | Western Samoa | 6.0 | |
| 14 | | 7.5 | Guinea-Bissau |
| 15 | St. Lucia | 7.5 | |
| 16 | Vanuatu | 9.0 | |
| 17 | | 9.5 | Belize |
| 18 | | 17.1 | The Gambia |
| 19 | | 18.4 | Equatorial Guinea |
| 20 | | 22.1 | Botswana |
| 21 | | 24.7 | Swaziland |
| 22 | Barbados | 34.1 | |
| 23 | Fiji | 36.5 | |
| 24 | | 49.2 | Guyana |
| 25 | | 49.3 | Suriname |
| 26 | Mauritius | 53.6 | |
| 27 | Bahamas | 66.4 | |

Sources: International Financial Statistics, Vol. 37, No. 4 (April 1984), pp. 18-19; EBD/84/49 (2/16/84).

^{1/} Initial quota per EBD/84/49 (2/16/84).