

Fiji—coming of age and now

Rodney Cole

Secretary for Finance, Fiji (1967–71)

Formerly Editor, *Pacific Economic Bulletin* and Director, Islands/Australia Project,
National Centre for Development Studies, The Australian National University

If you can look into the seeds of time,
And say which grain will grow and
which will not.

(William Shakespeare; *Hamlet*)

The time of a nation's coming of age is very much a matter for the individual to decide. In Fiji, while political independence was achieved on 10 October 1970, those of us concerned with fiscal matters believed that real independence came on the day the then Minister of Finance brought down the first budget of a 'free and independent Fiji' later in that year. For those involved with the detail of the budget this was a moment to be savoured. My soon to be successor (the late and much lamented Mosese Qionibaravi) and I persuaded our relatively new Minister that we should relieve him of the task of drafting the speech. We had our own hidden agenda: to lay out the state of the economy at the start of a new era, to establish a bench-mark against which future progress might be measured. With the benefit of hindsight this was somewhat naive as so many new factors affected the evolution of the economy once colonial ties were broken.

It is instructive to look back over the last twenty-five years and to identify those 'seeds' which have stood the test of time and what the 'grains' that grew produced.

The first 'independent budget' was not to be a dramatic budget as the Minister had not yet determined the full extent of his powers: rather it was a 'steady as she goes' sort of budget, no political 'carrots' nor any dramatic increase in the burden of taxation. These are the 'seeds' it sowed.

Agriculture was the mainstay of the economy but slow growth and dependence on sugar and copra made it quite clear that there was an urgent need for new industries if the economy was to progress. Development Plan VI highlighted the role of sugar, reporting that it contributed one-fifth of GDP, two-thirds of domestic exports and involved some 154,000 acres of an estimated 208,000 acres of cultivatable land. Opportunities for growth in sugar exports were limited due to the existence of international export quota systems.

The sector most favoured for growth in 1969 was tourism. Visitor numbers had increased by 20 per cent annually between 1960 and 1968, with more than 85,000 arrivals recorded in 1969. Gross receipts were estimated to have risen from F\$1.3 million in 1963 to F\$21.0 million in 1969, while four new hotels constructed over the period added to the country's long-stay visitor capacity.

Note

Government expenditure was a major influence in the expanding economy, a consequence of growing taxation revenue and an expansionist development program. The Minister signalled the need for a slowing in the rate of growth in the Budget and expressed the hope this would come about following a survey of expenditure and a restructuring of the public service.

Investment was estimated at 30 per cent of GDP in 1970. Public investment increased by 42 per cent between 1965 and 1968 but the main contributor was the private sector with investment increasing by 55 per cent over the same period. Foreign firms were dominant, particularly in the tourism sector. In all, 93 new companies were registered in the first half of 1970.

Merchandise trade grew apace as a result of government spending and growing private investment leading to an anticipated visible deficit of F\$40 million in 1970 compared with some F\$5 million in the early 1960s. The Minister warned against complacency in managing the balance of payments situation but his concern was muted given that anticipated receipts from tourism (F\$26 million) and capital inflow (F\$16 million) were expected to ensure a favourable balance.

The Minister warned against possible 'stranglehold of substantial future indebtedness', urging increased transfers from the recurrent budget to help meet at least part of the growth in capital budget expenditure. For 1971 loans of F\$5.7 million were to be raised of which F\$3.7 million would be from domestic sources. Total aid in 1971 was expected to amount to F\$2.5 million of which the Australian contribution would be F\$750,000 and was for the first time taken directly into the capital budget and was to be used to offset authorised expenditure and not used to purchase items outside the approved Capital Program. It is of interest to record

that the Minister was seriously hypothecating it (Australian aid) for a specific project or projects and identifying Australian assistance as being directly relevant to such projects. It is also of interest that with Fiji now independent, Australian aid came from the South Pacific Aid Program and not by way of a clever and sympathetic deal whereby grants in excess of F\$600,000 had formerly been made under the aegis of the International Grains Agreement.

The Minister commented on the apparent results of an active family planning program and the fact that the birth rate was 2.5 per cent as against 3.6 per cent some five years past. His comment was in the context of growth in the workforce from 126,000 to some 150,000 (including 9,600 urban unemployed) in the five years to 1970.

One of the more sober notes in the speech concerned the need for the recently launched rural development program to constantly review the growing imbalance in consumption and standards between the urban and rural sectors. This was a time when government was determined to be seen taking active steps at racial integration. A recently created post of Rural Development Commissioner was to preside over the preparation of 18 district rural development programs designed to integrate the needs and ambitions of policies of multi-racialism.

And in 1996

Let's look at the incumbent Minister of Finance's 1996 Budget Speech.

Despite the view expressed in the Supplement to the 1996 Budget Address that for 1995 'growth is expected in all sectors except in agriculture' (and in fact a number of others) the agricultural sector

was still responsible for 21 per cent of GDP: sugar's contribution was 11.5 per cent. The role of sugar in merchandise exports remained strong, contributing F\$732 million or 37 per cent of the total value of domestic exports. The future of Fiji's main domestic industry is however under a cloud with existing favourable pricing arrangements threatened; not at this time the International Sugar Agreement as was the case in the 1970s, but due to changes in the Sugar Protocol of the Lomé Convention. Production levels of sugar have increased dramatically from 303,000 tonnes in 1970 to 450,000 tonnes, but will this growth continue? The future now lies not so much in good or bad seasons, but in the resolution of cane leases and continued access to productive land by non-indigenous farmers. While agriculture is and must continue as a major component of the Fiji economy, there has been little innovation or establishment of new crops—a matter requiring serious attention.

Tourism appears to have fulfilled the high hopes held out in 1970. Arrivals were estimated at 319,000 in 1994, an increase of 375 per cent over 1969 and gross receipts of some F\$416.9 million anticipated for the coming year. The Minister in his 1996 Budget Speech nominated tourism as one of the most prospective sectors of future growth and noted the importance of maintaining quality. No doubt tourism can deliver what Fiji needs most of all—jobs and foreign exchange—but it is important that the Minister's warning is heeded: the world traveller is notoriously fickle.

There is a sense of *déjà vu* in reading the Minister's speech when it refers to the public service: not so much a question of restructuring as in 1970 but of down-sizing and of improving financial management. The cost of government is now a cause for concern, no longer to be regarded as the engine of growth in the economy, but a substantial burden on the

economy that contributes a lot to the cost of doing business. A policy of zero growth has been adopted but will it succeed and will some of the existing functions of government be shifted to the private sector?

The Minister devoted several pages of his speech to investment based on market opportunities that will lead to sustainable increases in wealth and jobs. The material supporting the Budget laments, 'growth in the private investment is not at desired levels' and then goes on to assign responsibility for this to 'uncertainty over ALTA Leases (renewal of sugar leases for example) and the Constitution'. The Minister, understandably, denies that concern over the constitutional review is inhibiting investment and stresses the need for a stable environment, clear legislative guidelines on incentives and then, importantly, recognises competition from other countries for 'the investment dollar'.

Domestic exports were valued at F\$694.3 million in 1995 while imports declined modestly, resulting in a visible trade deficit of F\$327.1 million. Overall there was a good result for the year with a positive balance of payments of F\$73.6 million. Much has been made of the growth industry of the 1980s, garment manufacture. Spawned in the aftermath of the 1987 coups, as a consequence of innovative fiscal and monetary policies, garment production appears to have peaked as a contributor to merchandise exports, at least for the moment. Fiji needs new export industries and the Minister and his colleagues are aware of this and are seeking the right mix of incentives but will this be sufficient to woo the investor?

While not yet 'strangled' by indebtedness, Fiji's domestic and external borrowings have been climbing steadily (from the not very taxing level of F\$36.8 million in 1968 inclusive of F\$6.6 million overseas borrowings) to the point where

Note

combined, they equate to 44.4 per cent of GDP. Of the total government debt of F\$1,041.1 million estimated as at the end of 1995, 82 per cent is held locally. Debt servicing represents 22 per cent of the 1995 Operating Budget. While the public debt has grown substantially over the quarter century so has foreign aid, estimated in 1995 at F\$44.1 million, almost 10 per cent of the Capital Budget for that year. It is interesting to observe that all aid is now hypothecated to identifiable projects!

Lack of growth in employment remains a constant matter of concern for government. The economically active population continues to grow despite an outflow of skilled and semi-skilled persons as a consequence of the 1987 coups. Paid employment in 1995 was estimated at 97,276 persons with a further 163,124 in the category of own account or family workers. Growth in paid employment averaged 4.5 per cent per annum from 1988 to 1992 as a consequence of the development of garment manufacture. Growth in paid employment of only some 1,600 positions per annum underlines government cause for concern at a time when 13,000 young people are emerging from the school system each year.

Concern for the disparity between the urban and rural sectors of the community appears to have been superseded by a concern to elevate the economic status of the indigenous population to some sort of equality with other races in Fiji. This has, since 1987, been addressed by special measures particularly in the area of business development. Whether the gap is closing has not yet been determined. What does seem clear, is that over all social groups the growing problem of poverty will require special attention in the years ahead.

In concluding his 1970 speech, Minister Barrett said 'we now stand alone in the economic sea that is the world and we must take such measures as present themselves as being in our best interests and in

the best interests of protecting our Nation of Fiji'. Minister Vunibobo in 1995 said much the same thing: 'I firmly believe that we are at the crossroads in our development and our destiny. We have to decide which road to take. In my view there are two roads that we could take. Down one road there is a decline and conflict. Down the other road there is prosperity and harmony'. Then a few sentences later, 'The road to prosperity is one that will require some hard decisions to be taken now. It is a road that will involve a lot of change'.

The political rhetoric that drove both speeches is much the same but the background to the rhetoric differs greatly. Fiji has come a long way in economic terms since 1970.

There is no doubt that the seeds sown in 1970 have grown and the results have been dramatic—Fiji of 1996 is a very different place from Fiji at independence. The issues confronting the Ministry are more complex than those which Mosese Qionibaravi and I tried to weave into the Budget Speech of 1971. Fiji has now truly come of age in fiscal terms: the Minister and his advisers face policy challenges we never dreamed of having to tackle.

References

- The Hon. Wesley Barrett, Minister of Finance, 1970. The 1971 Budget speech, Suva (unpublished).
- Fiji, Ministry of Finance and Economic Development, 1995. *Supplement to the 1996 Budget Address*, Suva.
- Fiji, Central Planning Office, Ministry of Finance, Suva, 1970. *Fiji's Sixth Development Plan, 1971–75*, Suva.
- The Hon. Bernado Vunibobo, Minister of Finance, 1995. *The Budget 1996*, Parliament of Fiji, Suva.