Getting property rights 'right': land tenure in Fiji

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Since the mid-1980s Fiji has moved away from an inward-looking strategy for economic growth and development, pursuing structural adjustment policies to improve competitiveness and export performance. Despite these attempts the overall performance of the economy has been far from sluggish. The slow pace of economic reforms has been blamed for the economy's poor performance. However, often left out of the equation is the issue of property rights. The insecurity of land tenure in all sectors has impaired investment and new entrepreneurship. The impending expiry of leases in the sugar industry and the way this is resolved will determine the future of the industry.

The role of the Native Land Trust Board and the government in successfully resolving the leases under the Agricultural and Landlords Tenant Act is critical. Security of tenure for tourism, industrial and residential development also needs to be considered. Long-term leases and proper contractual enforcement can create an overall climate conducive for investment and entrepreneurship in all sectors of the Fijian economy.

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The performance of Fiji's economy over the past decade has been described as sluggish and unstable (Treadgold 1992). Concern at the poor performance of the economy was heightened in the mid-1980s. Faced with increasing levels of budget deficits, unemployment and poor economic growth, the government moved to change the direction of its economic policies from inward looking to more outward looking.

The industrial sector of the Fijian economy has been heavily protected and the agricultural sector is dominated by the export-oriented sugar industry. In 1984 the government imposed a wage freeze of 15 per cent and moved towards reducing import duties.

The economic malaise created as a result of the two military coups called for radical and alternative strategies to revive the economy. Fiji embraced IMF / World Bank-recommended structural adjustment policies. As part of these policies, substantial deregulation of the labour and product markets have occurred. New investment incentives such as 13-year tax-free holidays for garment manufactures have been put in place to attract foreign investment. Despite this, the overall level of foreign investment in Fiji has not increased and local entrepreneurs have lost incentives to invest (Chandra 1988). The accelerated removal of protection may be counterproductive for the development local industries (Narsey 1988).

There is no consensus on Fiji's economic performance since the reforms were implemented in the early 1980s. Deregulation has generally had a positive impact on the economy (see Lightfoot 1994) but, despite improvements in sectoral performance, the general outlook has been gloomy. Between 1991–94, Fiji's real per capita growth on average was only 1 per cent (World Bank 1995). This poor performance has been attributed to the slow pace of microeconomic reforms in the economy. The World Bank also attributed it to institutional constraints such as the 1990 Constitution and the nature of land tenure in Fiji. In addition, AusAID (1995) points out that uncertainty about property rights is a major constraint on foreign investment.

Institutional constraints must be considered fully if the new economic policies of Fiji are to produce the desired results. The most important of the institutional constraints is the lack of a well-defined and well-enforced property rights system.

Property rights and economic performance

The issue of property rights and its relationship to economic development and the environment can be discussed within the broader economic literature of institutional, environmental and development economics. This article will only concentrate on the relationship of property rights to economic development. According to Bromley (1991) property rights provide a claim to a stream of benefits.

Following Coase (1960) it has became commonplace to include the structure of property rights in the analysis of many policy questions (Bromley 1991). Coase agreed with the view that clear definition and secure property rights are necessary for economic efficiency. However, he pointed out that this is only possible if there are zero transaction costs. The analysis in the neoclassical framework accepts a set of property rights as given. It assumes that economic agents are free to engage in any exchange process and this does not involve any interference or cost. Capitalism is therefore characterised as an efficient system because it allows freedom of choice (Pejovich 1990). In the real world, however, there are costs involved in the actual exchange processes. There is also the case of information asymmetry (Riker and Weimer 1994)—in the process of exchange there is unequal sharing and accumulation of information which may lead to inefficient outcomes and thus strain the neoclassical framework. Tietenberg (1992:45–46) provides four characteristics of property rights which could lead to efficient outcomes within the neoclassical framework

- universality—all resources are privately owned, and all entitlements completely specified
- exclusivity—all benefits and costs accrued as a result of owning and using the resources should accrue to the owner, and only to the owner, either directly or indirectly by sale to others
- transferability—all property rights should be transferable from one

owner to another in a voluntary exchange

- enforceability—property rights should be secure from involuntary seizure or encroachment by others.

This framework is very similar to that proposed by Randall (1987). According to Randall resource ownership must be complete, exclusive, transferable and enforceable. Posner (1972) also provides three conditions which include universality, exclusivity and transferability for efficient property rights. These three similar frameworks are important from the point of view of resource ownership. Under these conditions exchange will allow resources to be allocated according to their highest valued end-uses.

North (1990) relates the issue of property rights to economic performance as vital to explaining the disparity in the economic development of developing countries.

> The disparity in the performance of economies and the persistence of disparate economies through time have not been satisfactorily explained by development economists, despite forty years of immense effort, the simple fact is that the theory employed is not up to the task. The theory is based on the fundamental assumption of scarcity and hence competition, its harmonious implications come from its assumptions about frictionless exchange processes in which property rights are perfectly and costlessly specified and information is likewise costless to acquire. Although competition scarcity has provided the key underpinning of neoclassical theory, the other assumptions have not survived well (1990:11).

The neoclassical framework may not always fully explain development problems. The cost considerations underlying the definition of property rights imply consideration of institutional factors. Property rights represent one of the important institutional structures in many developing countries and the existence of any system of property rights entails costs.

The analysis of property rights and other institutional factors can shed new light on the development problems of many developing economies. Many developing countries in the past have ignored institutional constraints (Pejovich 1990). Development problems were blamed on lack of capital, exploitation by imperial powers and, more recently, protectionism on the part of industrialised economies. Institutional constraints have been overlooked. For Fiji, however, the World Bank (1995) report cites the system of land tenure and the constitution as having an adverse impact on foreign investment. Empirical evidence also suggest that countries which have a well-defined and enforced property rights system have done better in terms of economic performance than those that do not (Pejovich 1990). Both firms and individuals in the pursuit of investment have to undertake risks and if property rights are not clearly defined, then the ability of investors to invest is limited by their own choice.

Property rights in a transitional economy

Fiji's economy can be described as being in the process of transition. While it does not reflect the magnitude and scope of transition of former socialist economies, it nevertheless involves similar principles. In the case of Fiji, the transition is from an import-substitution economy to an export oriented one. While property rights have always been a concern, it has become an important issue in the midst of the new economic policies. Even the World Bank, which traditionally refrained from highlighting the issue, has now identified property rights as a major problem in Fiji (World Bank 1995).

From the institutional economics perspective, 'getting the prices right' is considered less desirable for transitional economies such as those in Eastern Europe and former Soviet States than 'getting property rights right'.

> Although eliminating tariffs, quotas, and subsidies and making markets work have a lot to recommend them, that prescription too is over simple and poorly suited to the needs of reforming (as against developing) economies. 'Getting the property rights right' seemed to be more responsive to the pressing needs for reform in Eastern Europe and the former Soviet Union (Williamson 1995:173).

Structural adjustment policies advocated by the World Bank and the IMF invariably imply 'getting the prices right'. Privatisation policies for example, pursued by many developing countries involve eliminating the inefficient public enterprises—it has become the 'new prescription' (Williamson 1995).

Privatisation is often seen as a sectoral issue rather than one which is related to all sectors. In Fiji, for example, privatisation implies the sale of public enterprises which are inefficient. It is not extended to other sectors such as land and natural resources which are communally owned and which may have a direct impact on the privatisation process.

Property rights, economic growth and democracy

While the issue of property rights is directly linked with the type of government, there is still debate about the ability of governments to ensure secure property rights. It is appropriate to look at the issue of democracy and economic growth. The pessimistic view is that there is no relationship between democracy and economic growth (Huntington and Nelson 1976; Olson 1982). The theoretical rationale for the pessimistic view is that popular democratically-elected governments are under pressure to adopt welfare-oriented policies. These policies demand large spending which in turn inhibits national saving and the formation of capital.

The optimistic view supports the establishment of democratic governments to foster economic growth. This view is consistent with the mechanics of a free market economy. It is based on the premise that economic agents act in their own self interest by maximising their welfare. This is consistent with the neoclassical view of how markets work. It is believed that democratic institutions allow efficient allocation of resources.

There is, however, no consensus on the relationship between economic growth and democracy (Sirowy and Inkeles 1990; Przeworski and Limongi 1993).

Property rights and democracy

While the debate about whether democracy supports economic growth or not has no consensus, the issue of property rights within the framework of democracy is more acceptable (Goldsmith 1994). Within the capitalist system the issue of property rights or the enforceability of property rights is vital. In the absence of this, commercial and entrepreneurial activities may be impaired.

In a capitalist mode of production, the making and enforcement of contracts is vital (Goldsmith 1995). This can only happen if the state protects the rights of individuals to own property. In many developing economies lack of security of property rights and the inability of governments to ensure its enforceabilty are real impediments to economic efficiency and growth. Where property rights are undefined, insecure and not enforced by the state, people have less incentive to invest or take innovative or entrepreneurial initiatives.

Property rights and economic growth

Growth models emphasise the way in which resources are used with appropriate technology and capital. Neoclassical models invariably imply the accumulation of capital as the basis for growth. However the neoclassical growth model assumes well defined and enforceable property rights (Torstensson 1994). In the case of Fiji, lack of well-defined property rights in land and enforceability of private property in general is a cause of its poor economic growth performance. Human capital development has been affected, with large numbers of skilled people from Fiji leaving for other countries such as Australia and New Zealand. This exodus mostly relates to concern about political rights and ultimately property rights. Secure property rights encourage human capital development and entrepreneurship (Libecap 1993).

Constitutions, economic performance and property rights

The literature on democracy, property rights and economic growth indicates (though without consensus), that economic growth is enhanced by the existence of well-defined property rights in a democratic framework. In many developing countries, democratisation has followed after a constitutional framework is put in place. In many cases constitutions provide a basis for democracy, which ensures, to a large extent, secure property rights, leading to economic growth. According to Elster ‘constitutions matter for economic performance to the extent that they promote stability, accountability and credibility’ (1995:209) .

Political stability is vital for a credible property rights system (Riker and Weimer 1994). While constitutions do not by themselves always lead to political stability, they do provide some structure to political processes. These structures provide the basis for credible policy decisions. Governments which are based on constitutions lacking in credibility do not provide a credible commitment for the maintenance of effective property rights. The creation of future wealth depends on credible commitment of the state not only to economic but also to civil rights. Constitutions which lay the foundation for the protection of civil and economic rights can provide some incentive for future investment and economic growth.

In the case of Fiji, the 1990 Constitution, implemented after the military coups of 1987, is a point of national political debate. It provides a structure where one ethnic group is given exclusive control of government. Furthermore, it restricts ownership of resources for non-Fijians. For Melanesian Fijians ownership of resources is restricted on an individual basis. Lack of individual ownership is the reason often given for the poor performance of Fijians in business.

Property rights in land and the Native Land Trust Board

The total land area in Fiji is about 7000 square miles. Currently 10 per cent of the land is owned by the state, which includes

Table 1 Categories of land ownership in Fiji

Melanesian Fijians (Native Land)	83 per cent
Crown land (owned by the state)	10 per cent
Freehold (owned by individual of all the races)	7 per cent

Source: Nayacakalou, R., 1971. 'Fiji: manipulating the system', in R. Crocombe (ed.), *Land Tenure Policies,* Melbourne University Press, Melbourne:11.

two categories of land: Crown land Schedule A and Crown land Schedule B. Schedule A is native land which reverted to the state after the extinction of the landowning unit (*mataqali*). Schedule B is the state land where there was no claim on ownership. Seven per cent of the land is classified as freehold land. This land covered large areas and often included the better class of land. The majority of this land was acquired during the late 1800s. Eighty three per cent of the land is owned by the Melanesian Fijians (Table 1). This percentage is certain to have increased after the conversion of some of the Schedule A land to native land.

There is increasing pressure for land for residential, industrial, tourism development and agriculture.

In 1965, only 20 per cent of land in Fiji could be used for agriculture without improvement (Tyford and Wright 1965). Ten per cent of the land could be used if improvements were made. Thirty per cent needed drainage and soil conservation while 40 per cent was unsuitable for agriculture. In 1978 the Ministry of Agriculture and Fisheries found that in 1978 only 16 per cent of the available land was suitable for agriculture as opposed to 30 per cent in 1965, representing a 15 per cent decline in the intervening 13 years (Table 2). The availability of suitable land for agriculture will continue to decline as demand for residential, commercial and tourism development continues to increase.

The Native Land Trust Board

The current land tenure system in Fiji is a colonial legacy (France 1969). In 1874, 1.5 million acres of land were in the hands of non-Fijians. In 1940, the Native Land Trust Board was created by the colonial

Table 2 **Fiji: land use classification, 1965 and 1978** (per cent of total land area)

	1965	1978
First Class—Suitable for agriculture	20	16
Second Class—Suitable for agriculture only after advance improvement	10	43
Third Class—Suitable for agriculture only after advanced drainage and soil conservation techniques	30	35
Fourth Class—Unsuitable for agriculture	40	6
Total	100	100

Source: Fiji, Ministry of Agriculture and Forests, 1978. *Ministry of Agriculture and Forests Report,* Government of Fiji, Suva.

government to provide a formal institutional structure for the ownership of land by non-Fijians (Overton 1994, France 1969, Ward 1965, Nayacakalou 1971). Since 1940 the Board has overseen the administration of the native land on behalf of Melanesian Fijians.

The *Native Lands Act* provides the legal and institutional framework for dealing with all matters relating to native land in Fiji (Fiji 1978). It also provides for the establishment of a Native Lands Commission which has the power to determine what lands in Fiji are the 'rightful and hereditary property of native owners'.

The members of the Board consist of the Governor General or President as the chairman, five members appointed by the Great Council of Chiefs, three Fijian members appointed by the Fijian Affairs Board and not more than two members of any race at the pleasure of the President of Fiji. The management and control of all native land is vested in the hands of the Native Land Trust Board. It makes rules and regulations for the daily administration of the land. Native land can only be alienated to the crown.

Any agreement without the consent of the board is null and void. It must be noted here that informal arrangements between the local land-owning units (*mataqalis*) and the tenants occur. This is often done without the consent of the Board. There is no legal basis for these arrangements.

The Native Land Trust Board is empowered to make arrangements for the leasing of native land under specific conditions. This does not include the land which is classified as native reserve.

The Native Land Trust Board has absolute power to determine the granting of leases and hence to control the supply and rent of the land (Table 3). The role of the Board as an efficient institution in managing native land has been questioned by landowners. The Board is heavily influenced by the chiefly hierarchy. The World Bank (1991) pointed out the Native Land Trust Board was administratively large and inefficient. For example, 25 per cent of rents collected on behalf of the owners are used for administrative costs.

From an economic point of view the Native Land Trust Board can be seen as an institutional monopoly and monopsony. As an institutional monopoly, it has enormous economic power to affect relative prices and production and distribution on a national scale. The Board's role in the land market can lead to a social loss (Prasad and Tisdell 1996).

Agricultural Landlord and Tenants Act (ALTA)

The *Agricultural Landlord and Tenants Act* provides the institutional and legal framework under which land leases are granted. The Act covers all agricultural land in Fiji. The creation of the institutional structure can be traced back to the needs of the sugar industry during the colonial period. According to Moynagh (1981) the Colonial Sugar Refinery (CSR) pushed for the formation of smallholder farms. This required land division and tenancy agreements. The first leases were issued in 1915 for 21 years with possible 9-year extensions. The establishment of the Native Land Trust Board in 1940 provided tenants with a single institutional body to deal with, rather than individual and often undefined land-owning units. The Board also had powers to reserve land and some cane land was reserved without any compensation for the tenants. So the insecurity of tenants, and cane farmers in particular, can be traced back to as early as 1940.

In 1966 a comprehensive piece of legislation called the *Agricultural Landlord*

Table 3 **Distribution of rents collected by the Native Land Trust Board**

Native Land Trust Board	25 per cent
Head of Vanua	5 per cent
Head of Yavusa	10 per cent
Head of Mataqali	15 per cent
Members of Mataqali	45 per cent
Total	100 per cent

Source: Nayacakalou, R., 1971. 'Fiji: manipulating the system', in R. Crocombe (ed.), *Land Tenure Policies,* Melbourne University Press, Melbourne:216.

and Tenants Ordinance (ALTO) was put in place to formalise the leasing of agricultural land in Fiji. The ALTO provided for a minimum of 10-year leases with the possibility of two 10-year renewals. This effectively provided 30-year leases in most cases. One of the major problems with adoption of this legislation was the lack of political consensus and the consideration of the long-term economic needs of the country. Then, as now, land issues were approached from a racial and political perspective rather than an economic one. The security of tenure was still in doubt because there was no guarantee for 10-year leases to be renewed.

In 1976, the *Agricultural Landlord and Tenants Ordinance* was amended by parliament in what came to be known as the *Agricultural Landlord and Tenants Act*. This amendment provided 20-year renewals for the existing leases under ALTO and all new leases were to have a minimum of 30 years. Again there was no political consensus on these amendments and political considerations rather than economic ones dominated the debate. The term of leases remained 30 years and the mechanism for rent fixing, compensation and other issues remained the same. Overall there was no improvement in the security of tenure.

The main issues relating to the renewal of leases under ALTA include security of tenure, the rights of tenants and landlords, compensation for improvement and land degradation and the settlement of any disputes that may arise. Sections 4–15 of the Act provides for security of tenure which includes a guaranteed minimum lease term of 30 years. The tenant is required to pay the appropriate rent and not to deal with the land in ways other than that consented to by the Native Land Trust Board. Any improvements or construction of dwellings on the land must have the consent of the Board. The tenant must adopt 'proper' husbandry in using the land. The Board is required to allow peaceful occupation and cultivation during the tenancy. It must also allow the tenant to harvest any standing crop after the expiry of the lease within 12 months. While other provisions of the Act such as the tribunal provide redress to disputes, the element of insecurity remains. The insecurity arises from the fact that the Board is powerless to stop the informal demands of the local land owning units. At the local level the *mataqalis* claim to be the rightful owners of the land and tend to negotiate directly with the tenants. More recently these informal demands have been translated in forceful and violent actions.

> [L]and disputes have reached new heights in Fiji. Across the nation, landowners with a gripe against tenants, are adopting a forceful and, in a few instances, violent methods to make their complaint known. They are resorting to vigilante-style roadblocks (Editorial, *The Fiji Times*, February 16, 1996).

The conflict between the Native Land Trust Board and the landowners themselves translates into demand for further increases in rent and threat of evictions from the land. The current view unfortunately within the Board is that provisions in the ALTA should be amended to further restrict the rights of tenants. The adoption of the Act was intended to harmonise the tenant–landlord relationship so that agricultural productivity could be increased. Earlier provisions under the *Native Land Trust Ordinance* and the *Agricultural Landlords and Tenants Ordinance* did not fully protect the tenants' rights to use the land. This was particularly the case with tenants on freehold land. Any attempt therefore to review the provisions of ALTA must reflect the agricultural needs of the country and the rewards to the landlords. Rental income from the land for various uses is the sole source of income for the Native Land Trust Board and the landlords.

Land rights and the sugar industry

Fiji is at the crossroads both politically and economically. The first lot of leases under the ALTA begin to expire in 1997 and there is increasing concern from the current tenants about whether the leases will be renewed. From the landowners' point of view, there is a need for more land because of the increasing number of Fijians in the landowning units. The way in which the land lease question is addressed will determine the future of the sugar industry and the agricultural sector as a whole.

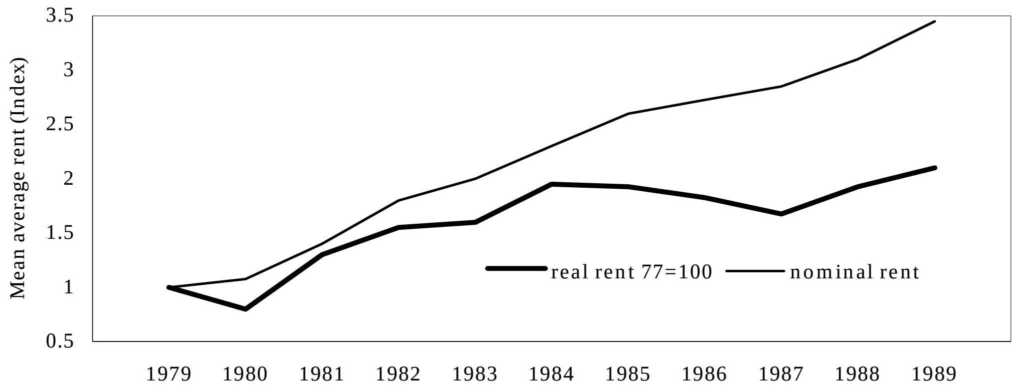
The current discussion on the renewal of leases centres on the amendments to the ALTA legislation to cater for the needs of the tenants, native landowners and the government. The fact that 83 per cent of Fiji's land is owned by the indigenous Fijians makes it very difficult to obtain a uniform and acceptable solution to the renting of land. From the government's point of view, land must be available at a price which reflects the prevailing market conditions and economic needs, such as increasing demand for land for industrial and tourism development. The tenants' concerns are mainly for a long-term secured lease and a fair rent. Native owners' concerns relate to a fair return and the use of land by increasing numbers within the *mataqali*. The Native Land Trust Board on behalf of land-owners has been undertaking land rent assessments with a view to increasing it.

Between 1979–88 the real level of rents actually doubled (Figure 1). The way in which rents are periodically assessed is a matter of concern to tenants and may affect long-run productivity.

The current concerns of landowners about their low annual returns arise from the recommendations of a recent World Bank report (World Bank 1991). According to this report, the current level of rent at 6 per cent of the unimproved capital value is low compared to rents on freehold land. However, the World Bank's comparison of the rent from native land with freehold land is not relevant. Freehold land in Fiji accounts for only 7 per cent of total land and most of this is first-class land compared with native and Crown land. Furthermore, property rights are clearly defined and the demand for freehold land is high, reflecting high levels of rent. The value of freehold land and rent may actually be above the market prices. Any comparison with the native land in terms of rent assessment is therefore unwarranted.

The World Bank (1991) suggests that native land rents should be assessed according to productivity. This will amount to taxing the productivity of the farmer regardless of the class of land. In 1995 however, the World Bank acknowledged the conflicting data about the level of rent on native land. For example, it points out that Native Land Trust Board data puts rent at F$50 per acre on cane land while those of the growers put the rent at between F$50–F$350 per acre, suggesting that the World Bank's observations in 1991 may

Figure 1 **Mean average rent for NLTB leases, 1979–89**



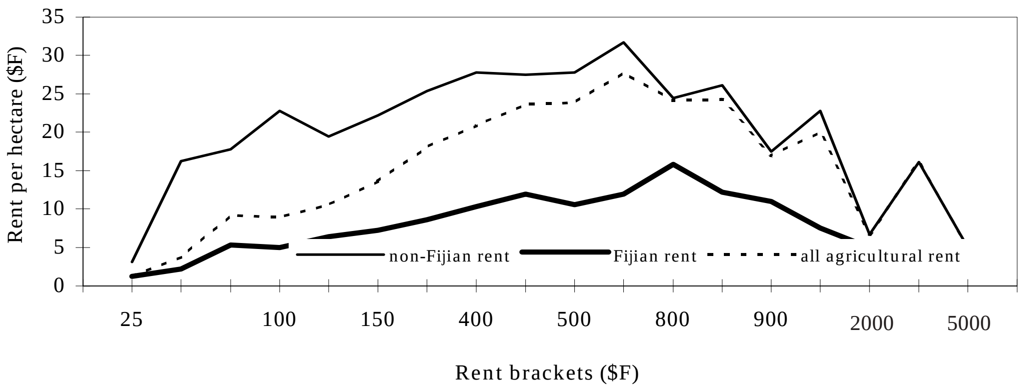
Source: Native Land Trust Board, 1989. *Vanua: Native Land Trust Board Annual Report,* Native Land Trust Board, Suva:26; authors' calculations.

have been inconsistent with the actual rent paid by the tenants.

Agricultural leases account for 54.87 per cent of the total rent collected (Figure 2). Of the total native land lease rents, non-Fijian agricultural lease rents account for 43.5 per cent while Fijian leases account for 11.4 per cent. Further analysis indicates that the average per hectare rent for non-Fijian leases is F$21.50 while that of Fijian leases is only F$7.1. The average per hectare rent for agricultural leases is F$15 while for non-agricultural leases is F$21. The average for all leases is F$17.4.

The disparity in the average per hectare rent is a cause of concern. The non-Fijian agricultural average is slightly more than the non-agricultural average.

Figure 2 **Rent per hectare for agricultural leases (F$)**



Source: Native Land Trust Board, 1989. *Vanua: Native Land Trust Board Annual Report,* Native Land Trust Board, Suva:26; authors' calculations.

Clearly, it must be accepted that non-agricultural leases would provide more rent on average. The Fijian average is well below the non-Fijian average. It appears that the average rent for Fijians may be artificially lowered. The shortfall may come from increased rent from the non-Fijians and the non-agricultural leases. This could further undermine efforts for increased investment in the private sector.

The emphasis of government economic policies since 1984 has been on the manufacturing and industrial sector. The demand for land for residential, industrial and tourism development has put pressure on the agricultural land around urban fringes and also led to demands from landowners for rent increases. Despite this, the importance of the agriculture sector cannot be ignored. Resources released from the agricultural sector are assumed to be absorbed by the developments in the industrial sector. However, growth in the industrial sector may not be enough to absorb all the resources.The Native Land Trust Board and the landowners hope to accumulate more rent through converting agricultural land to tourism and manufacturing. This could be counter-productive if the investment level is sluggish. Invariably, security of tenure is still an issue, regardless of the use of the land.

Expiry of current leases—implications for the sugar industry

Fiji's sugar industry is passing through a critical period. First there is insecurity of land tenure and the threat of non-renewal of leases after 1997. Second is the exposure of the industry to the changing global economic conditions. Currently, the bulk of Fiji's sugar is sold under the Lomé Convention. This provides preferential arrangements for Fiji's sugar to be sold at more than the world market price. With the increasing globalisation of the world economy and the successful conclusion of the GATT, the price for Fiji sugar may not be sustainable in the long run.

These circumstances have called for reforms within the sugar industry. With the increasing surge towards freer trade world-wide, the European Union preferential price for Fiji sugar may end sooner than later. Reforms in the industry cannot proceed without a solution to the property rights structure in land. Any attempt towards reform to increase efficiency and productivity without corresponding reform in the system of land tenure is unlikely to yield the desired results.

Productivity in the sugar industry depends on many factors. These include the production cost, milling efficiency, availability of labour and fertiliser input. Increasing farmer indebtedness is also affecting investments in productivity. In 1993 the average debt per farmer was F$5,048 (Chand et al. 1993). While these factors are an important consideration, the overwhelming concern of the farmers is the tenure of their lease. So long as the lease question hangs in balance any reform process designed to increase productivity could be counterproductive. The major concerns of the tenants are insecurity of tenure and renewal of leases with high rents. The threat of increased rent based on the World Bank view is already being considered by the landlords.

The concerns of the tenants invariably affect agricultural productivity. Apart from productivity, environmental considerations are also neglected. Tenants are also slowly moving away from reliance on the sugar industry.

The production figures for 1995 show a declining level of production. Some of this decline can be explained through other factors such as use of fertiliser, milling efficiency, viability of transport and weather conditions. The 1995 decline reflects the impending expiry of the first lot of leases in 1997. The number of leases expiring in 1997 is small (Table 5), however the decision on them will reflect the broad trend in the renewal and the fixing of new rents. It will also determine whether the provisions under ALTA are maintained and strengthened.

Unless the question of lease renewal is addressed, productivity in the sugar industry is likely to continue to decline in the future (Table 6).

The racial factor in the sugar industry and in relation to productivity cannot be overlooked. There is increasing concern about the lack of participation of ethnic Fijians in the production of cane. While the number of ethnic Fijians in cane farming has increased, their productivity level remains below that of Indian Fijians.

The performance of ethnic Fijian farmers is a contentious issue. Blame is often put on their lack of experience and on traditional and institutional constraints.

Land rights and tourism

The tourism industry accounts for about 17 per cent of Fiji's GDP. It employs about 25,000 people, representing about 30 per cent of those in paid employment. The tourism industry in Fiji has the potential for further growth, however, this will depend on the overall policies to attract more visitors. The projected annual growth in the visitor arrival is about 10 per cent. If this can be sustained, the contribution to the economy will be significant. Government has moved to streamline policies which provide incentives for tourism-related investments and attract more visitors. The biggest challenge for government is to allow for the orderly development of tourism infrastructure. In most cases these developments are taking place on native lands. The issue of property rights in land is therefore a vital consideration for the development of the tourism industry.

The role of the Native Land Trust Board in the promotion of tourism development must therefore be considered carefully. In 1989, for example, the tourism industry provided 11 per cent of the Board's total rental income (Table 6).

Demands for more return from land used for tourism development has translated to higher rents, guaranteed employment and equity in ownership. While these demands from the landowners are justified, the way it is administered is a cause for

Table 5 **Expiration of agricultural farm and cane leases in Fiji, 1997–2005**

	Cane leases	Total farm leases (including cane leases)
1997	26	45
1998	129	189
1999	168	231
2000	1215	1828
2001	1536	1808
2002	325	479
2003	466	645
2004	231	332
2005	244	288

Source: World Bank, 1995. *Fiji: restoring growth in a changing global environment*, World Bank, Washington, DC.

Table 6 **Native Land Title Board rental income by land use type, 1989**

Land use	Rental (F$)	Per cent of total NLTB rental income	No. of leases	Area (ha)
Agriculture	3634789	48	13742	198531
Residential	960664	12	6641	1446
Hotel	800084	11	63	696
Commercial	454281	6	789	524
Industrial	351155	5	316	269
Reserve Agriculture	386845	5	2590	74264
Public utility	300367	4	436	14997
Timber concession	100667	1	8	45336
Forestry	89777	1	69	198531

Source: Native Land Trust Board, 1989. *Vanua: Native Land Trust Board Annual Report*, Native Land Trust Board, Suva.

concern. Instead of channelling their demands through the Native Land Trust Board, landowners have used other, less desirable, means such as road blocks, or actual takeover of hotel buildings. Lack of security of tenure may inhibit investment decisions in hotels and other tourism related projects. Most of the hotels in the islands of Yasawa and Mamanuca and on the Western side of the island Viti Levu are on native land. These are prime tourist areas.

In Fiji, 41 per cent of hotels are on native land, and future development of the hotels will mostly be on native land as other types of land are not readily available. The potential income flow to landowners from the industry will depend on the expansion and economic viability of the industry. While other factors may influence the health of the industry, the Native Land Trust Board will ultimately determine the nature of expansion. Clear policy guidelines as to the use of native land will be required to attract foreign investment. For Fiji, this is imperative as there is increasing competition from similar tourist destinations.

The task ahead

The nature of economic development in Fiji in the future will depend to a large extent on the way the property rights issue is tackled. The increasing globalisation of the economy will further call for clear, secured and enforceable property rights in future. The structural adjustment policies currently pursued by the government of Fiji are clearly designed to make the economy competitive, and various reforms have been undertaken since 1984 to foster this objective. These include reduction in public expenditure, deregulation of the product and labour market, reform in the taxation systems and reduction in tariffs across the board. Ultimately, these reforms are designed to make the ‘prices right’. Within the factor market, however, reform in the land market is the biggest challenge for Fiji. The challenge now for policymakers in Fiji is to get ‘property rights right’.

For Fiji, the problem of property rights is an urgent one, not only for the development of the agricultural sector but also for the development of tourism and industrial sectors. The role of the Native Land Trust Board as an institutional monopoly and monopsony in allocating the land for various types of uses must be clearly defined. Decisions in land rights in Fiji must reflect the overall economic objectives of the country to and prevent land issues becoming an impediment to overall economic development.

The agricultural sector is very important for Fiji, despite attempts to reduce reliance on this sector in the last decade. The sugar industry is at the crossroads. Changes in international markets, which are increasingly moving towards freer trade and calls for the removal of preferential prices for export commodities. Fiji's sugar is currently sold to the European Union market under the Lomé Convention and gets a higher price than on the world market. This preferential treatment of Fiji's sugar may not be sustained in the long run. The other concern is the impending expiry of the current land leases under the *Agricultural Landlord and Tenants Act*. A successful and economically efficient solution to the land lease system will support the structural reforms being planned for the industry.

There are two important issues in the search for solutions to the land lease problems. The first is the demand from the landowners for land already occupied by the tenant for their own use, and high premiums and rent if the leases are renewed. The second is the demand from tenants for secure and long-term leases and a fair assessment of rents. Property rights issues in other sectors such forestry, fisheries and mining are also causing problems for economically efficient exploitation of resources. Land availability is artificially controlled by the Native Land Trust Board. For example, only about 28 per cent of native land is under lease (Reserve Bank 1994). While this may represent the best land, the scope for opening up more land for agriculture is still a possibility. Restricting the availability of land may be counterproductive in the long run.

The issue of land property rights in Fiji is unfortunately a racial issue. The current political climate invariably exposes this. At a time when Fiji is reviewing its 1990 Constitution, land rights issues under the *Agricultural Landlords and Tenants Act* are also being considered. The security of leases and long-term investment where land is a factor is currently tied to political rights and the adoption of a new constitution.

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