Fiji's economy at the crossroads

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Reforms and liberalisation have been put in place in Fiji but pessimism about the sustainability of growth is linked here to a decline in investor confidence. Declining investment inflows indicate that confidence is at a low ebb. Here, David Forsyth links that pessimism to uncertainty as to the outcome of the Constitutional Review and the renegotiation of leases under the *Agricultural Landlord and Tenants Act*.

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The management of the Fiji economy has been a target for frequent review[1] and trenchant criticism in recent years, and the present economic situation is widely regarded as precarious. Yet many progressive measures have been introduced since the coups of 1987, and the 1990s have seen a platform put in place on which long-run growth could be based. The configuration of the economy is now more conducive to sustained expansion than in most developing countries.

The prevailing pessimism stems not from concern about underlying structural weaknesses in the economy but rather from acute uncertainty as to the government's intentions concerning, and the ultimate outcome of, the processes of Constitutional review and renegotiation of leases under the *Agricultural Landlord and Tenants Act* (ALTA). Several other factors add to the general gloom—notably the probable loss in a few years time of preferential access to metropolitan markets via the SPARTECA and Lomé arrangements, the large overhang of unfinished business associated with the government's reform program, and a widespread sense of social and political malaise stemming from the rapid rise in the crime rate and the steady drum-beat of revelations of corruption, scandal and incompetence involving prominent institutions and individuals.

Yet, in a sense, each of these latter problems is—taken individually—incidental. The export sectors most likely to be affected by loss of preferential access (garments and sugar) both achieved record export sales in 1995. Slow progress with reforms is a hindrance to rapid expansion of the economy, but need not be fatal to economic advance. And crime, at the level observed in Fiji, seems unlikely to be a major barrier to growth. Taken together, though, they act as a powerful depressant, eroding confidence and reducing net investment to almost negligible proportions in many key sectors of the economy.

In this paper it is argued that the direction taken in managing the economy in recent years has been appropriate and many economic indicators now favour growth. Furthermore, though the imminent decisions on the Constitution and ALTA are currently matters of grave concern, they can also be seen as a unique symbolic and economic opportunity for the government and the nation. An outcome which is interpreted by the Indian community as providing a satisfactory basis for productive long-run co-existence—a genuine ‘New Deal’—could lead to a rapid revival of the economy. And with a resumption of investment and a return to rapid economic growth, the remaining problems would appear much less intractable. Failure to devise a generally acceptable formula would, however, intensify current difficulties.

Recent performance

The record of Fiji’s economy since the coup of 1987, and especially the period 1990–95, has been a creditable one. Many of the prerequisites for sustained long-run growth have been put in place, and few of the serious structural disabilities which make growth problematic in other developing economies seem likely to cause problems. In many key respects, the economy is well positioned to embark on a period of sustained economic growth.

Policy reorientation in the 1990s

The Fiji Government has shown considerable willingness to abandon the inward-looking import substitution policies, and the extensive regulation and state participation in economic activity, characterising pre-1987 regimes. Trade policy now favours export-led growth, with cuts in import tariffs (by around one-third between 1990 and 1995), and extensive support and incentives for export-oriented foreign investment. The labour market has been freed up with the removal of wage indexation in 1989, followed by a series of measures designed to emphasise the role of market forces in wage determination. The pivotal position of the private sector in the development process is now accepted by the government which has embarked on a program of privatisation or corporatisation of its extensive commercial interests—as well as promoting investment by Fijians in private firms by encouraging expansion of the Suva Stock Exchange, and supporting share purchase. Deregulation of the money and capital markets through removal of mandatory interest rate ceilings, and scrapping of most remaining exchange controls, have been parallelled in retail markets by abandoning many price controls. An attempt has been made to reduce the distorting effect of fiscal measures by introducing a value-added tax, replacing an array of customs duties, sales taxes and excise taxes, and making possible a reduction in the high, disincentive-inducing, marginal rates of income taxation. Civil service reform has also formed an important part of the present government’s policy agenda, with downsizing of the administration and reining in of public sector spending as central objectives. Diversification of the economy has been pursued through promoting the manufacturing and service (especially tourism) sectors.

These aims remain fundamental to official economic policy, having been reaffirmed in the recently issued strategy document—*Preparing for the 1997 Budget—Action Now*—and represent a turning away from the *dirigiste* approach to promoting economic growth.

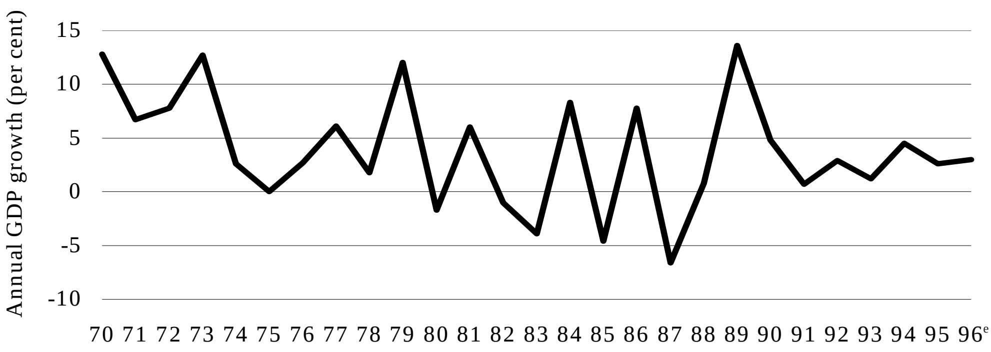
Some policy successes

In terms of many of the conventional indicators, the Fiji economy is well positioned for a period of sustained economic growth. The period since 1990 has seen less erratic growth than any corresponding 6-year period since independence; the currency has sustained its value in the foreign exchanges without significant official support and is now substantially free of regulation; foreign exchange reserves are at their highest ever level (despite low interest rates at home) and provide a more-than-adequate level of import cover; inflation is not a problem; real wage rates have declined over a 20-year period, with favourable consequences for international competitiveness; the current deficit in the balance of payments is causing no financing problems; the government budget deficit is (relative to GDP) low by historical standards, and external debt levels, and debt-servicing obligations, have fallen dramatically over the decade to comfortable levels; employment creation is proceeding at a ratio significantly above that of population growth; and lastly, several sectors of the economy moved ahead strongly in 1995.

Economic growth

Economic growth over the post-coup years (1988 to date) has been less erratic than in earlier periods and more rapid than has been experienced since the early years of independence (Figure 1). The years 1988 and 1989 were devoted to recovery from the coup, but forward momentum has been maintained into the 1990s. The average annual growth rate of real GDP over 1990–95 was 2.8 per cent and would have been higher but for the devastation wrought by Hurricane Kina in 1993. It will increase marginally if the economy rebounds in 1996 to the forecast rate of 3.0 per cent, based on encouraging figures for the tourism and mining sectors. Given that population has been

Figure 1 **Fiji: GDP growth, 1971–96**



[e] estimate
Source: Reserve Bank of Fiji, *Quarterly Review,* Suva, various issues; Fiji, Bureau of Statistics.

Table 1 **Per capita GDP, 1970–95 (at 1977 prices)**

	Per capita growth (F$)	Average annual growth rate
1970	804	..
1971	839	4.5
1972	887	5.8
1973	980	10.5
1974	986	0.1
1975	965	-2.1
1976	973	0.8
1977	1,016	4.1
1978	1,016	0.0
1979	1,113	9.5
1980	1,072	-3.7
1981	1,114	3.9
1982	1,082	-2.9
1983	1,018	-5.9
1984	1,081	6.1
1985	1,010	-6.6
1986	1,065	5.4
1987	987	-7.3
1988	1,011	2.4
1989	1,126	11.4
1990	1,166	3.6
1991	1,147	-1.6
1992	1,162	1.3
1993	1,163	0.1
1994	1,196	2.8
1995	1,206	1.0
1996[e]	1,242	3.0

[e] estimate
Source: Reserve Bank of Fiji, *Quarterly Review*, Suva, various issues; Fiji, Bureau of Statistics.

expanding between 1.0 and 1.6 per cent per annum this implies annual real growth of per capita GDP of 1.1–1.8 per cent.

While such rates fall short of the targets set by the Fiji Government, which uses Southeast Asian countries (especially Malaysia) and the more successful Caribbean nations as yardsticks of success, they do permit improvements in the standard of living over a generation, and are ahead of rates achieved in many developing economies.

Employment creation

The 1990s have thus far seen an increase of 10.9 per cent in paid employment—2.1 per cent per annum. This compares with an overall increase of 9.6 per cent across the 1980s, and is ahead of the rate of population growth, averaging 1.6 per cent per annum this decade. Since 1970 paid employment has grown by 92 per cent while population has increased by 47 per cent (reflecting overall annual average growth rates of 2.62 per cent and 1.56 per cent, respectively) (Table A7).

While the employment-creation performance of the 1990s is weaker than that of the entire period since 1970, this is largely attributable to the high rates recorded in the years 1970–75; since the mid-1970s, new jobs have been created at a rate below that achieved in the 1990s.

Diversification of production and trade

An important aim of economic policy has been the diversification of production and trade to provide a wider range of jobs, and as a means of correcting excessive reliance on a very narrow range of exports.

Considerable success has been enjoyed, with rapid growth in tourism and garment production creating two counterweights to the sugar industry. Between 1986 and 1995 garment exports rose from F$4.9 million to F$185 million. Over the same period the index of days spent in Fiji by tourists rose from 109.3 to 150.7 and earnings from tourism from F$185 million to F$442.3 million. Sugar continued to be the largest single export, yielding F$276 million in 1995 (F$134 million in 1986) though production over the period 1990–95 tended to be erratic, affected by weather and industrial disputes.

The commodity concentration of exports has fallen sharply since 1986 with the concentration coefficient (Hirschman 1964) declining from 0.62 to 0.47. This change is all the more impressive given that tourism receipts are not included.

The balance of payments

Fiji's balance of trade is traditionally negative, though the balance on the current account has moved into the black on six occasions since independence. The non-monetary capital account is generally positive because of a positive net inflow of long-term private capital over the years 1990–95, F$487 million flowed in against a total of F$500 million for the period 1970–89. Even allowing for inflation, this implies a substantial acceleration in inward investment in this decade (though some was for aircraft purchase or lease).

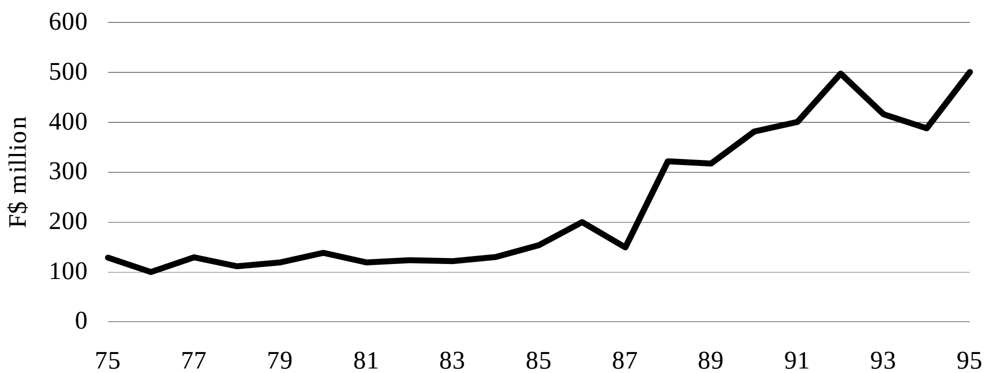
The overall balance has been positive more often than negative since 1970; the 1990s have thus far seen four years with a surplus and two with a deficit. The 1995 situation was fairly comfortable, with a trade deficit of -F$349 million almost counterbalanced by a positive balance of F$320 million on services (mainly from tourism), and a strongly positive net inflow of long-term capital—about F$88 million, part of which was, again, earmarked for the purchase of an aircraft (Table A3).

Foreign exchange reserves

Until 1987, the level of foreign exchange and gold holdings showed no trend (Figure 2 and Table A3). Since then there has been a sharp upward shift in the level of holdings, averaging F$403 million over 1988–95: the average for the earlier period was F$132 million. The highest level yet recorded was F$501 million at end-1995.

The figures for import cover (relative to both merchandise imports only, and all imports) reflect these reserve movements, though in a less clear-cut way due to sometimes countervailing movements in import levels and (c.i.f.) prices. Values above 4 months were recorded in the late 1970s, trending downwards through the early 1980s, but recovering after 1987 (during which year a figure of 1.6 months was briefly recorded). The average value for the 1990s is 3.6 months, and the end-1995 value

Figure 2 **Fiji: foreign exchange reserves, 1975–96** (F$ million)



Source: Reserve Bank of Fiji, *News Review*, Suva; World Bank, 1995. *World Tables 1995*, Washington, DC.

Figure 3 **Index of real effective exchange rate of the Fiji dollar**

Source: Reserve Bank of Fiji, *Quarterly Review*, Suva, various years.

of 3.9 months is satisfactory, well above the average level for all developing economies.

Foreign exchange rate

Conservative management of the foreign exchange situation following the two devaluations of 1987 (which together reduced the value of the currency by about one-third) has led to a slow increase in the real effective exchange rate of the Fiji dollar. In terms of the basket of currencies used for the calculation (US$, A$, NZ$, £ and Yen) the index has risen by some 10 per cent in the intervening years, the increase in the years 1990–95 being 6.4 points (6.2 per cent) (Figure 3).

The case for currency devaluation as a corrective to the unsought upward drift in the value of the Fiji dollar has been widely canvassed. While such a move could have significant implications for the tourism industry, generally believed to be price sensitive, and would improve profitability in the garment industry, it is unlikely to affect the level of sugar exports. Moreoever, the authorities, concerned about inflationary implications, oppose it in principle.

Domestic interest rates

Since deregulation in the 1980s, interest rates have generally tended to move downwards. The current values of the Reserve Bank's minimum lending rate, commercial bank lending and deposit rates, and government bond rates are the lowest yet seen (Table 2).

Inflation

Prudent monetary policy resulted in an average rate of inflation over the years 1991–95, lower than for any 5-year period since independence, and 1994 saw the lowest ever annual figure, at 0.6 per cent (Figure 4).

Wage rates

While nominal wages show a six-fold rise over the period, the real value of the 'all industries' average wage (at 1985 prices) has, if anything, fallen slightly (Figure 5 and Table A4). In the 1970s, a rise of around 40 per cent in the real wage was recorded, but there has been a falling away ever since, and the 1990–94 levels

Table 2 **Key interest rates in Fiji, 1983–96**

	Reserve Bank	Commercial Banks'		Average
	Minimum lending rate[a] (per cent)	Lending rates[b]	Deposit rate[c]	Government Bond rates
1983	10.5	12.9	8.0	9.4
1984	11.0	12.9	8.0	10.1
1985	11.0	13.1	8.0	10.5
1986	8.0	12.0	8.0	9.1
1987	11.0	13.7	8.0	15.5
1988	11.0	12.3	8.0	8.5
1989	8.0	11.5	7.5	6.7
1990	8.0	12.3	8.5	7.3
1991	8.0	12.4	8.5	7.8
1992	6.0	12.5	8.0	8.4
1993	6.0	11.6	7.0	7.0
1994	6.0	11.3	6.7	6.8
1995	6.0	11.1	6.8	..
1996	6.0	..	..	..

[a] A mandatory ceiling applied to 1983.
[b] Weighted average over year (Excludes staff loans).
[c] One year deposits of below F$250,000; a mandatory ceiling applied to 1988.
Sources: Reserve Bank of Fiji, *Quarterly Review*, Suva, various issues; Reserve Bank of Fiji press releases.

are the lowest recorded since independence. (No comparable data were available for 1995, but as no major wage increases were made during the year it is unlikely that the overall figure changed much from the 1994 value.)

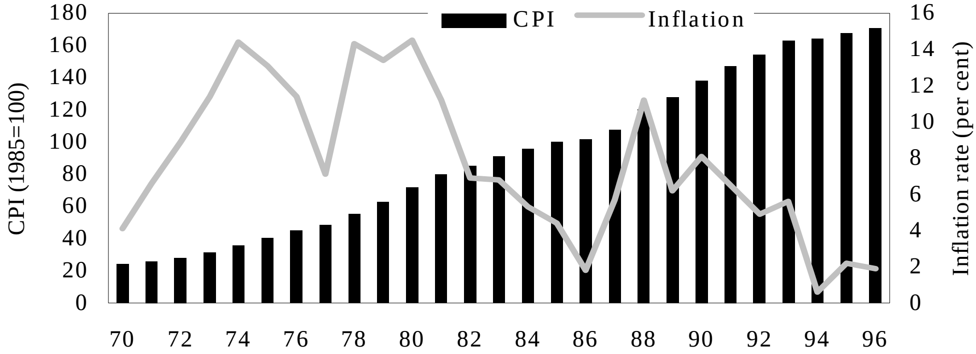
The Government's budgetary situation

The Budget deficit in 1995 is estimated at F$23 million (1 per cent of GDP), down from F$37 million in 1994 and less than the projected F$66 million. Receipts rose by 2.4 per cent in 1995, while expenditure increased by only 0.4 per cent. Increased collections by both Inland Revenue and Customs and Excise and a decline in capital spending contributed to improved performance.

A consistent data series based on Reserve Bank of Fiji figures (adjusted by netting out loan redemptions) was constructed for 1981–95 (Figure 6). The figures for the deficit relative to GDP show a downward trend with four of the lowest values occurring in the period 1990–95; the average figure for that period is 1.9 per cent.

Comparable time series figures on the budget deficit back to 1970 are difficult to compile from statistical material currently available and alternative estimates have been made (Table A5) using the Reserve Bank of Fiji's definition of 'balance' (which includes loan repayments). This measures total net spending by government and the gross cost of switching from long-term to short-term debt. No clear trend is apparent in the ratio to GDP, though the average annual value for the period 1990–95 is lower than for any other 6-year period since 1973 (the first year for which comparable figures are available).

Figure 4 **Inflation and CPI, 1970–96**



Source: Fiji, Bureau of Statistics, *Statistical News*, Suva, various issues; Reserve Bank of Fiji, *Quarterly Review*, Suva, various issues; Fiji, Central Planning Office, *Eighth Development Plan*, Suva:Table 6.3.

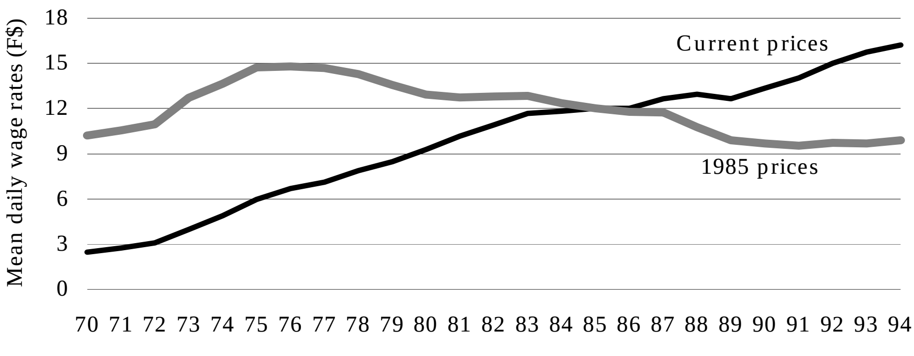
An increased deficit of F$93 million is projected for 1996, as a result of the unwinding of an investment lag, and support for the National Bank of Fiji. The implied deficit / GDP ratio is 3.7 per cent.

External debt

Fiji is one of the least indebted countries in the Asia Pacific region. In recent years, public sector debt (generally on highly concessional terms) has been run down rapidly.

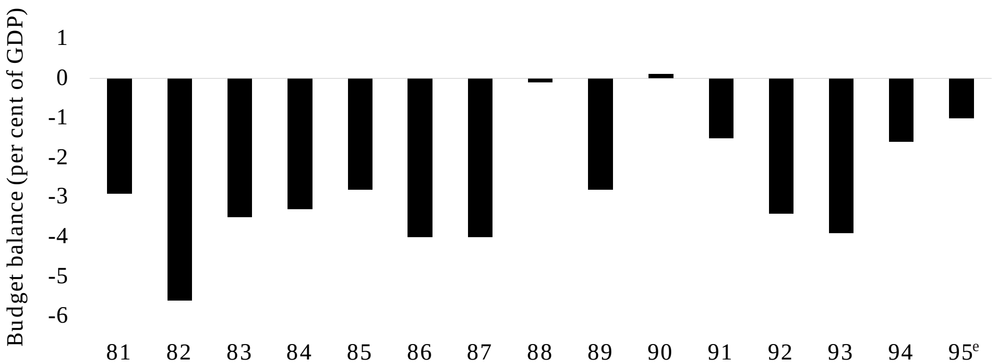
The level of external debt increased sharply in the coup year of 1987, to F$546 million (43.1 per cent of GDP) while the debt-service ratio (i.e. to exports) rose to a high of 17.3 per cent. In each subsequent year public sector external debt, the debt / GDP ratio, and the debt-service ratio have

Figure 5 **Mean daily wage rates, 1970–94**



Source: World Bank, 1995c. *Fiji: restoring growth in a changing global environment***,** Washington, DC; Treadgold, M., 1992. *The Economy of Fiji*, AIDAB, Canberra; Central Planning Office, 1980. *Fiji: Eighth Development Plan, 1981–1985*, Suva.

Figure 6 **Budget deficit as a percentage of GDP, 1981–95**



e estimate
Sources: Reserve Bank of Fiji, *Quarterly Review*, Suva, various issues (adjusted to exclude loan redemption).

fallen (except for the latter measure in 1990 as a result of accelerated repayments in that year). The 1995 figures indicate a decline of 41 per cent in the total, and 49 per cent in the public sector component—the 1995 figure for total debt is, in fact, the lowest since 1982.

International comparisons suggest that Fiji's debt-service ratio and debt/GNP ratio are relatively low. Of 92 developing economies for which data on debt-service ratios were available for 1993, in only 20 cases did the value lie below Fiji's value for 1993; in the other 71 the value exceeded Fiji's figure (World Bank 1995b).

It is clear that Fiji's external indebtedness is not a serious problem. Past performance suggests that the current modest debt levels are well able to be serviced. Indeed, with no current arrears of debt or interest repayments, and low and declining external debt levels, Fiji is a model borrower.

Long-term private investment inflow

Despite the slowdown of 1995, inward private investment continued to be attracted, primarily to the garment and tourism industries. Net private long-term non-monetary capital inflows for 1990–94 totalled F$270 million, compared with a total net inflow over the 20-year period 1970–89 of F$291 million (Table A6).

Sectoral performance in 1995

Despite pessimistic forecasts, key sectors of the economy moved ahead in 1995.

Sugar. Following a successful year in 1994, sugar cane production again rose in 1995 from 4.06 million tonnes to 4.11 million tonnes. Sugar production fell by 12 per cent, however, due to adverse climatic conditions (which reduced the recoverable sugar content of cane by 11 per cent) and mill breakdowns (estimated to have led to around 10 per cent downtime over the crushing season). Despite this, the value of sugar sales rose by 9.5 per cent, to a new record annual level of F$276 million (some of this representing the 1994/95 season's production). Molasses production also increased and exports reached F$21.3 million, their highest ever level, contributing significantly to total exports.

Table 3 **External debt and debt service, 1985–95**

	Outstanding external debt (F$ million)			External debt servicing		
	Public sector	Private sector	Total	Total (F$ million)[a]	Debt service ratio (per cent)[b]	Debt/GDP (per cent)
1985	347	105	451	86	14.3	38.3
1986	354	102	456	98	15.4	34.4
1987	438	127	565	118	17.3	43.1
1988	443	103	546	133	14.5	38.1
1989	417	93	510	133	11.1	30.7
1990	393	72	465	155	11.5	25.7
1991	355	102	457	121	9.2	23.6
1992	324	111	435	103	7.5	20.8
1993	280	108	388	97	7.1	17.4
1994	232	108	340	107	6.9	14.5
1995	225	106	331	74	4.6	12.4

[a] Amortisation plus interest.
[b] Total debt service payments / merchandise exports.
Source: Reserve Bank of Fiji, *Quarterly Review*, Suva, various issues.

The Fiji Sugar Corporation forecasts an increase in sugar production to over 500,000 tonnes in 1996.

Garments. Despite regular notices of its imminent demise in the local press, the garment industry forged ahead in 1995 with the value of exports rising by 31.2 per cent over the 1994 figure to F$185 million. Activity fell away in the last quarter of 1995—which had earlier seen local labour shortages, especially for experienced machinists—but capacity is now at its highest level thus far. Employment is also at an all-time high with estimates ranging up to 14,000, of whom 90–95 per cent are women.

Tourism. Visitor arrivals fell slightly (0.1 per cent) in 1995 following a rise of 10 per cent in 1994. Despite severe price competition in the Australian market, total receipts from tourism rose by 12.7 per cent to F$442.3 million (Table 4). Hotel revenues and total room nights sold were higher than in any previous year.

Visitor arrivals have shown steady expansion since the late-1980s (with the exception of the year affected by Hurricane Kina). Encouraging developments in 1995/96 were the inauguration of a direct air service linking Korea and Fiji (largely aimed at the tourist market) and significant progress towards the establishment of at least one further five-star hotel complex (by the Hyatt Group).

Gold. Gold production declined by 1.1 per cent in 1995, though output would have risen but for technical problems in one of the mines. Falling prices resulted in a 6.4 per cent drop in the value of gold exports. Investment in this sector is accelerating with the reopening of the old Mount Kasi mine and the expansion of the Emperor Mine at Vatukoula. Output is expected to expand appreciably in 1996.

Wood and wood products. Log output fell by 4.3 per cent in 1995, but total exports of wood and wood products rose sharply due to the doubling of woodchip exports

Table 4 **Tourism earnings 1990–95** (F$ million)

1990	294.4
1991	286.3
1992	328.1
1993	344.4
1994	392.5
1995	442.3

Source: *The Review*, Suva, May 1996.

(chipped pine) from F$16 to F$32 million. Exports of veneer sheets and plywood were static at around F$6 million.

Fishing. The local tuna catch in 1995 increased by 31 per cent to 11,356 tonnes, mainly as a result of an increase in the number of vessels licensed to fish in Fiji waters. Exports of canned and otherwise prepared fish declined, but this was more than counterbalanced by a further increase in exports of fresh and smoked fish to a record high of F$22.1 million.

Non-traded goods. Despite downbeat pronouncements by trade associations and economic commentators regarding the level of activity in the non-traded goods sector, most indicators moved ahead in 1995. Construction value-added rose by 5.1 per cent (at constant prices); wholesale and retail trade expanded by 9.6 per cent; transportation grew by 5.4 per cent; finance, insurance, real estate and business services output rose by 2.5 per cent; electricity and water sales rose by 4.7 per cent (with commercial consumption of electricity up by 5.7 per cent); and subsistence production was estimated to have expanded by 1.6 per cent. Industries which recorded declines in production in 1995 include cement, structural metal products, paint, chemicals, paper and printing, tobacco products, alcoholic beverages and soft drinks.

Indicators of economic distress

Although in many important respects the Fiji economy seems well positioned for sustained growth, there are several counter-indications which suggest that all is not well with the economy. Growing unemployment, rising emigration rates, increasing poverty and a deteriorating law and order situation are symptoms of an economic and social malaise which is a matter of considerable concern.

Unemployment

Data on unemployment in Fiji are fragmentary, and no agreed figure exists for the current level of open unemployment in the urban areas. But the combination of rural–urban migration, demographic factors resulting in large and increasing numbers of school-leavers, and increased participation by women in the labour force, must inevitably result in an annual rise in the numbers seeking paid work above the 2.1 per cent increase in employment achieved in recent years.

Estimates vary widely, but one popular scenario compares the 2,000 new jobs becoming available each year with the 8,000 children leaving school. Bureau of Statistics surveys in 1992/93 put urban unemployment at around 6–7 per cent. Allowing only for the effect of school-leavers suggests that the open unemployment rate must now be somewhere between 15 and 20 per cent, clearly not compatible with healthy economic progress.

Emigration

One striking feature of post-coup Fiji is the substantial loss of skilled working people through emigration. Indian Fijians have traditionally been fairly mobile, but recent years have seen levels of emigration well above typical earlier levels. Moreoever, it seems likely that the loss of some of the most able segments of the population may actually have been underestimated by official statistics.

Published figures for declared emigration suggest that 46,803 Fiji citizens left Fiji permanently between January 1987 and end-November 1995 (Table 5). Data on net departures (departures minus arrivals) of Fiji residents over the same period were 70,769—of whom 49,625 were Indians, 4,986 Fijians, 4,545 Europeans, and 7,891 'Others' (Table 6). While it is true that a number of Fiji residents currently abroad will return to Fiji, it is unlikely that the elimination of all of leads and lags in the system could cut the net departures figure down to equality with the net emigration figure. *De facto* emigration from Fiji since 1987 has been considerably greater than the official emigration figures imply; our data suggest a 51 per cent mark-up, reasonably close to the estimate of 58 per cent suggested by Chandra and Chetty (1996).

Table 5 **Emigration, 1988–95**

	Fijians	Indian Fijians	Total[a]
1988	263	4,608	4,871
1989	249	4,981	5,230
1990	307	5,020	5,327
1991	280	4,911	5,191
1992	248	4,184	4,432
1993	268	3,707	3,975
1994	252	3,748	4,000
1995	285	4,463	4,748

[a] Excludes 'Others'.
Source: Fiji, Bureau of Statistics, *Statistical News*, Suva, various issues.

The figures for the occupational status of declared migrants in 1994 and 1995 do not bear out the popular view that emigrants are 'mainly professional people' (Table 7). The largest single group (56 per cent) of emigrants was 'unclassified' by occupation. Presumably these were family members accompanying employed emigrants;

Table 6 ***De facto* net emigration by race, 1980–95**

	Fijian	Indian	European	Other	Total
1980	-289	-1,562	-743	-1,191	-3,785
1981	-224	-2,464	-751	-1,304	-4,743
1982	-265	-2,453	-879	-1,421	-4,488
1983	+350	-1,805	-1,112	-1,379	-3,946
1984	-177	-2,179	-761	-1,665	-4,782
1985	-166	-3,676	-786	-1,565	-6,193
1986	-364	-4,420	-555	-1,251	-6,590
1987	-1,105	-14,328	-988	-1,938	18,359
1988	-1,556	-7,254	-508	-1,356	-10,674
1989	-790	-7,412	-553	-632	-9,387
1990	-681	-3,929	-829	-366	-5,805
1991	+101	-4,449	-446	-1,167	-5,961
1992	-110	-2,990	-336	-951	-4,387
1993	-136	-3,630	-592	-658	-5,016
1994	-217	-4,031	-511	-1,516	-6,275
1995	-492[b]	-1,602[b]	+218[b]	+693[b]	-4,905[a]

[a] January–November 1995
[b] January–June 1995
Source: Fiji, Bureau of Statistics, *Statistical News*, Suva, various issues.

females heavily outnumber males in this group. In other occupational groups 1,300 held Professional, Technical, Administrative, Managerial, and Related jobs; the numbers in the Clerical, Sales and Service sectors were similar (1,169). And a further 1,211 were engaged in primary production or as production workers. The proportion of ‘Professional, Technical and Related workers’ leaving was similar to ‘Clerical’ workers, and ‘Sales’ workers, and much lower than the figure for ‘Primary Sector’ workers (Table 8).

A detailed breakdown of total employment by occupation is not available for Fiji subsequent to 1989. However, a comparison of 1994/95 with 1989 outflows is instructive, as it is unlikely that there has been a radical change in the overall occupational structure in the intervening five years (Table 8). The figures in part explain the concern over the departure of ‘professional people’. Though not the largest migrating group, the departing ‘Administrative and Managerial’ workers represent a sizeable proportion of the total—11.6 per cent for 1994–95 and one-third of all Indians in this category.

With no fewer than 11.6 per cent of all Administrative and Managerial workers emigrating in only two years, the loss of this cohort alone could be expected to cause dislocation. Continuing year after year, and repeated—albeit at a lower rate—in other occupations, the process must inevitably be damaging. Fields in which the outflow has already caused serious problems are many, ranging from the traditional professions (medicine, law, education), through a number of highly skilled specialisms such as meteorology and air traffic control, to a wide range of manual skills in demand across industry.

Poverty

Although per capita income levels have been rising in recent years, the level of poverty has also been rising in Fiji.

Ahlburg (1995) finds that, in terms of a ‘food poverty’ measure, the number of households in urban areas falling below the relvant poverty line increased significantly between 1977 and 1990–91. This was the result of food prices rising faster than incomes, to the point where in 1990–91, 12 per cent of all households had insufficient income to cover the cost of a minimal acceptable diet (in nutritional terms). Using a broader poverty measure, ‘about 25 to 30 per cent of households reported income or expenditures that placed them below the poverty line. This was a significant increase over the estimates of poverty in 1977’ (Ahlburg 1995:51), more than doubling according to some estimates.

Deteriorating law and order

Recent years have seen a marked increase in the number of crimes recorded by the Fiji Police Force. The 1995 figure was the highest ever, and 54 per cent above the 1990 level. While there is doubt as to the precise meaning of the figures—as they depend on the extent to which crimes committed are reported, and which crimes reported are recorded—there is little doubt that the incidence of violent crimes and robbery has increased significantly. Although the situation is far from being out of hand—Fiji is still a relatively law-abiding nation, and comparisons with Papua New Guinea are wild exaggerations—the trend is upward and is clearly a matter of public concern, giving rise to widespread protests, marches and other signs of disquiet.

A link between crime and open unemployment (and poverty) is generally

Table 7 **Emigrating residents by race and occupation, 1994 and 1995**

	Ethnic Fijian		Indian Fijian		Total
Occupation	Male	Female	Male	Female	
Professional technical and related workers					
1995	22	22	276	187	507
1994	16	12	233	127	388
Administrative and managerial workers					
1995	6	1	178	39	224
1994	4	5	156	16	181
Clerical, supervisory and related workers					
1995	6	18	158	264	446
1994	8	19	110	181	318
Sales workers					
1995	1	5	71	41	118
1994	6	1	65	39	111
Service workers					
1995	8	6	46	18	78
1994	15	11	54	18	98
Agriculture, forestry, fishing					
1995	7	-	103	1	110
1994	3	-	111	2	116
Production workers					
1995	30	-	411	73	514
1994	29	5	368	69	471
Workers not classifiable					
1995	47	95	818	1514	2474
1994	34	54	717	1464	2269
Total					
1995	127	147	2061	2136	4471
1994	115	107	1814	1916	3952

Source: Fiji, Bureau of Statistics, *Statistical News*, Suva, various issues.

regarded as a plausible (partial) explanation for this disturbing phenomenon, and this perception has intensified concern with the economic performance of the nation.

Weakening of domestic production

While most indicators of production for the domestic market were favourable in 1995 there were signs of a significant weakening in the domestic sector. Though construction rose, the number of building permits issued fell by 11.1 per cent compared with 1994, architects' and construction consultants' commissions were fewer, and sales of construction materials also fell. These are leading indicators, and a downward movement usually foreshadows a fall

Table 8 **Emigrants in 1994 and 1995 as per cent of occupational employment groups**

Occupation	Ethnic Fijians (% Fijians in post)	Indian Fijians (% Indians in post)	All emigrants (% total employees)
Professional, technical and related	1.0	11.7	5.8
Administrative and managerial	1.0	33.1	11.6
Clerical, supervisory and related	1.0	11.2	5.8
Sales	1.4	7.1	5.3
Service	0.6	4.3	1.7
Agriculture, forestry and fisheries	0.9	38.6	12.9
Production	0.4	4.9	2.8

Note: 1989 is the last year for which data are available and percentages are based on these figures.
Source: Fiji, Bureau of Statistics, *Statistical News*, Suva, various issues.

in construction activity. The marked decline in commercial and residential rentals and the actual or imminent completion of several major building projects point in the same direction.

Widespread concern has been expressed about retail trade, with many small businesses closing, retail credit down, and vacant properties becoming more numerous. A strong statement made by the Secretary of the Suva Retailers Association, Mr H. Lodhia, claimed this group was bearing the brunt of the lack of confidence in the economy, as local consumers 'were clenching their fists and holding onto their savings rather than buying' with the result that 'most of the retailers are now eating into their reserves' (*The Fiji Times* 17 May 1996).

Uncertainty and loss of confidence

Though the performance of the Fiji economy in the 1990s has, in many important respects, positioned the country well for sustained growth, nevertheless, in terms of several key indicators—unemployment, emigration, poverty, law and order, and business confidence—the current situation is widely regarded as unsatisfactory. The cause of the current economic malaise is the collapse of investment, bringing with it immediate adverse consequences for real capital formation and employment and potentially serious long-term implications for economic performance.

The source of the difficulty lies not so much in the failure to adopt appropriate policies. In many ways the government has shown good judgment, and some fortitude in the face of opposition, in pushing through needed reforms. Nor does it lie in a lack of investible funds (national savings have been running at 17 per cent of GDP since 1984), nor in a lack of demand in export markets, nor in a shortage of labour. The problem stems from a loss of confidence associated with uncertainty as to the government's intentions on two key issues, constitutional reform and the future of ALTA.

These issues are coming to a head at a time when concern is also mounting over the consequences for the economy of the probable partial, or total, loss of preferential access to the Australian and New Zealand markets (under SPARTECA) and the European Union market (under Lomé). The consequences for exports need not be fatal. But decisive, energetic and astute government action in renegotiation, and / or assistance with adjustment to changed circumstances, will be helpful in staving off serious dislocation of key industries. Inevitably, lack of progress with major domestic issues erodes confidence in government will and capacity to provide effective support in other dimensions.

The coincidence of three unconnected matters—the need for action on reform of the Constitution, ALTA renewal, and the dismantling of trade barriers—may be seen as unfortunate, but the consequences in terms of the weakening of confidence in the future have been serious.

To these problems must be added four further factors that adversely affect investment

- the effects of the government's failure to pursue its reformist policies sufficiently energetically, so that the program remains incomplete
- the excessive absorption of resources by the government
- the loss of skilled labour because of migration
- the inherent weaknesses in leading sectors of Fiji's industry.

Domestic investment falters

Given the irreversible nature of most investment decisions, uncertainty deters commitment of funds by raising the hurdle rate for new investment to allow for the 'value of waiting'. Many of Fiji's investors now appear to be exercising their 'option' to invest later (or never). The value of waiting for new information is currently high, and it seems unlikely that tinkering with incentives will make much difference to gross investment at this time (Serven and Solimano 1993).

With confidence at a low ebb, the real value of gross domestic investment is now lower than at any time since independence in 1970. Investment rebounded after the coup years, jumping by 75 per cent in real terms between 1987 and 1990 (Figure 7). Since then, it has fallen by around 18 per cent each year—in 1994, investment was only 9.5 per cent of GDP, the lowest value thus far, and around three-quarters of the level in 1970. Data for 1995 are not yet available, but there is no reason to assume that the decline will have been reversed, especially since capital spending by the government declined due to delays with development projects.

The private component of total domestic investment, accounting for 12 per cent of GDP in the early 1980s, now runs at less than half of the current total, at below 5 per cent of GDP, and central government long-term investment has fallen to around 2 per cent of GDP—a rate regarded as 'exceptionally low' by the World Bank (1995c:104). And public enterprise investment (excluding aircraft purchases and leases) is running at only 3–5 per cent of GDP. Such a deep investment slump is worrying at two levels. In the short term it restricts room for manoeuvre in alleviating immediate problems of unemployment and poverty. From a longer-term point of view, the slowdown weakens future capacity to invest, and raises the possibility that the economy may become trapped in a low-growth, low-investment equilibrium.

The Constitution and ALTA

It is apparent that many potential investors are holding back, waiting for the outcome of the constitutional review and ALTA renegotiations. These two partly symbolic issues are clearly at the root of the crisis of confidence.

The issues are well known. Government is committed to a review of the ethnically-based Constitution, and the Review Commission is due to report towards the end of August 1996. As there is some prospect of an improvement in the political status of the Indian population (though it is unlikely that full political equality will be recommended), potential migrants are adopting a ‘wait and see’ approach and may decide to remain in Fiji and resume investing if there is a reasonably favourable outcome. Other potential investors may also be holding back until the Commission report is out of the way because of generalised (and probably exaggerated) uncertainly over what might emerge from the review process.

The imminent review of the status of many leaseholders under ALTA is an issue involving more immediate economic ramifications. It is unclear how many existing leases will be renewed and on what terms, and what will happen to cases of non-renewal (this applying, it should be noted, to all leases—freehold as well as native land). Given the lead time for agricultural investment, many farmers are now marking time on investment (for instance, in planting new seed-cane) and banks are restricting lending. In fact, the bulk of Native leases do not fall due until the years 2000 and 2001, when 3,630 of the total of 5,845 Native farm leases expire, but the treatment of the first batch of 45 in 1997 should set the tone for the remainder.

Until these two issues are disposed of, it seems unlikely that investment will revive.

Loss of preferential market access and competitiveness

The general move towards trade liberalisation seems likely to have unambiguously adverse short and medium term consequences for Fiji. The country currently benefits from several preferential and distortionary market access agreements.

- SPARTECA—which provides preferential access to the Australian and New Zealand markets, especially important for garment and footwear exports

Figure 7 **Gross domestic investment** (per cent of GDP)

Sources: data for 1970–85: World Bank, 1995b, *World Tables, 1995,* Washington, DC; data for 1985–94: Treadgold, M., 1992. *The Economy of Fiji*, AIDAB, Canberra (adjusted to 1977 prices); World Bank, 1995b, *World Tables, 1995,* Washington, DC; Bureau of Statistics data.

- Lomé (ACP)—protocols give general access to European Union markets plus preferential access for sugar and tuna
- GSP treatment gives Fiji's exports access to OECD markets at the lowest prevailing rates of duty
- the European Union and the United States allocate a special garment quota.

These special access agreements apply, in principle, to virtually all of Fiji's actual or potential exports. As such they constitute a major opportunity for export expansion, one which has been made full use of with regard to sugar (for which prices up to 2.5 times the world price have been received for the 50 per cent of output purchased by the European Union) and garments (now a key growth industry employing around 14 per cent of all paid employees in the country).

At least some of the sugar price subsidy will be lost through deregulation of trade. A schedule has already been set for reductions in Australia's tariff on garments from 38 per cent in 1994 to 20 per cent in 2000, with further reductions to come. New Zealand is to make cuts from 40 per cent in 1994 to 30 per cent in 2000. Protection for footwear will be cut from 28 per cent to 10 per cent across the same years by Australia, and from 95 per cent to 30 per cent by New Zealand. Tariffs on many other exports will also be cut to 5–14 per cent by 2000, and below this in subsequent years.

This move away from distortion and trade diversion is worrying for potential investors in Fiji, as it raises the possibility of a significant fall in earnings from sugar, and even more serious consequences for garment exports if competitiveness cannot be improved. Uncertainty over these issues is compounded, as they have yet to be fully confronted by the industry and the government. A handful of the more innovative firms foresee a transition from the prevailing 'cut, trim and make' operations to design-intensive and marketing-intensive production. Others doubt the feasibility of a broadly-based move up-market, and expect large segments of the industry to succumb to the intense price-competition of an unprotected trading regime.

The fundamental weakness of the industry is neither the lack of scale economies (factories with over 1,000 employees do exist) nor 'remoteness', both traditionally classic problems of industry in Pacific island counties, but rather the combination of lower labour productivity and a higher basic wage than are found in competing nations. The threatened 30 per cent rise in basic wage rates (sanctioned earlier this year by the Wages Council, but bitterly resisted by manufacturers) might well result in the long-forecast demise of the industry. Several leading producers have predicted that output could fall by as much as 75 per cent in two years if the full wage award is enforced; their views are rendered plausible by the willingness of the Garment Workers Union to accept a significantly smaller increase in the rate than was decreed by the Wages Council.

Despite its undoubted success as an exporter and a provider of jobs, Fiji's garment industry remains an artificial transplant prospering on the basis of substantial but probably transitory tariff-breaks in Australia and New Zealand, and having neither comparative nor absolute advantage in the absence of such arrangements. It remains to be seen whether a transition to a more solid long-term basis can be effected, or whether the industry will provide a classic example of the 'involution' thesis propounded by several South Pacific economists. As with much else in the Fiji economy an opportunity has been created, but little is being done to consolidate it. The government was instrumental in creating the garment industry through the provision of tax-free zones and other facilities, but retreating into inaction now may result in the loss of most of the earlier gains.

Once again, lack of confidence in the future of the industry is stalling investment.

The National Bank of Fiji scandal

The Government of Fiji has recently become embroiled in a number of confidence-sapping controversies. These have little direct bearing on the central issues of economic policy, but their proliferation, and the doubt they have cast on the competence and / or probity of certain individuals in public life, are damaging faith in the government's resolve to tackle the core problems successfully. The most significant of these issues is the National Bank of Fiji scandal.

The National Bank of Fiji is the government-sponsored 'people's bank', which, until a few months ago, accounted for around 25 per cent of all deposits and loans in the commercial banking sector. Some months ago it was disclosed that up to F$220 million of the F$380 million loans and advances made by the Bank were now regarded as 'bad debts' and that only a modest proportion was likely to be recoverable. It has emerged that doubts had been widespread about the Bank's lending policy, but that nothing was done by the Finance Minister nor the Reserve Bank of Fiji, the supposed 'watchdog' of the banking system. No clear statement has yet been made as to how the loss of F$220 million (9 per cent of GDP) is to be made good, though it has been explained that all bad loans will be hived-off into a 'bad bank' (basically a debt-recovery unit), and that the remaining accounts will be handled by a 'good bank', which is to revert to its initial format of 'household bank' (that is, a savings bank). A subvention of F$20 million was made to the National Bank of Fiji in the November 1995 Budget, but no proposals for covering the remaining F$200 million shortfall have been made public. Thus far, only one minor prosecution has eventuated. A large number of Bank employees are also threatened with redundancy as a result of the bank's proposed restructuring.

At the end of the day, the collapse of the old National Bank of Fiji must add F$220 million to the public sector debt (assuming that the government continues to honour its loan guarantees). At current average interest rates, this would add F$12.3 million annually to debt-service charges. While not the macroeconomic disaster claimed by some commentators, this represents an additional fiscal burden on a government struggling to find the funds needed to turn the economy round.

Perhaps even more significant is the serious damage the fiasco does to the credibility of all involved, including the Reserve Bank, the putative 'watchdog' of Fiji's banking system.

Implications of the failure to complete policy reforms

Domestic investment has drifted downward from the relatively high levels of 20–25 per cent of GDP in the early 1970s to a low 9 per cent in 1994 (Figure 7).

In the private sector this trend may be explained in terms of the enervating effects of excessive regulation coupled with the drying-up of investment opportunities as import substitution evolved and the government pre-empted an increasing range of enterprise opportunities. In the public sector, the twin pressures of a rapidly growing public sector (whose employees numbered 7,000 in 1970 and 29,900 in 1993) and frequent pay rises, have tilted spending progressively towards current and away from capital items. The public sector wage bill is now equivalent to 14 per cent of GDP whilst the average for OECD countries is 5 per cent and 8 per cent for all developing economies, and the average public servant is paid 4.2 times the per capita income of the nation compared with 1.7 times for all OECD countries and 2.9 times for all developing economies. All this has pushed the government into significantly increasing resource absorption, further marginalising the private sector, as well as triggering pressure for higher wages in that sector.

While the current level of the budget deficit and external indebtedness may not give cause for concern, the overall level of resource absorption by government and the size of the domestic debt overhang are becoming serious issues in their own right. The relatively weak growth performance of the domestic economy (that is, relative to government's expectations) has led to an unintended expansion in government consumption which, together with public debt charges, has been equivalent to 27–30 per cent of GDP in recent years. This contrasts sharply with the situation in the 1970s when the figure rarely topped 20 per cent (Table A8). Of discretionary recurrent government spending (excluding debt service), nearly 70 per cent is for personnel-related costs; leaving only one-third for all other outlays, including the crucial spending on infrastructure, education and health.

Total public sector debt (domestic plus foreign) in 1995 amounted to F$1,483.2 million, equivalent to 61.3 per cent of GDP. This represented an increase in the value of public debt of 8.3 per cent over 1994. Within this aggregate, external debt fell from F$265.2 million to F$225.0 million and the domestic debt of the central government rose by F$36 million. The domestic debt of statutory corporations and public enterprises expanded faster, by F$119.1 million (36 per cent); in 1995 almost one-third of all public sector long-term indebtedness was attributable to these entities.

The revival of the private sector has been predicated on the scrapping of the regulatory straitjacket and reining in public sector current spending. To date, much of the import tariff structure remains in place, privatisation and corporatisation have barely begun, civil service downsizing has stalled with unfortunate consequences for the size and composition of government resource absorption, and bureaucratic barriers to investment remain largely intact. Even in the absence of the present 'uncertainty' these still constitute very real barriers to renewed investment and growth.

Conclusions and policy recommendations

Three sets of factors currently prevent the economy from moving forward at a satisfactory pace: a widespread crisis of confidence (which has led to a sharp fall in investment), the failure to complete the program of reform (leaving serious structural weaknesses intact), and specific problems in certain important productive sectors.

Restoring confidence

The *sine qua non* of economic recovery is a revival of private investment. This will not happen until confidence is restored in the future of the economy and in the possibility of making profits in a secure and orderly environment. For this to be achieved it is essential that the debates over the recommendations of the Constitutional

Review Commission (due to report in August 1996) and the ALTA review (due in November 1996) be brief and constructive, and that the outcome gives greater assurance to the Indian community of the permanence of their place in Fiji's society, of the security of their business activities and property rights, and of the certainty of fair dealing in cases of non-renewal of leases. It should also be made very clear that this can be done without damaging the fundamental rights and interests of the Fijian community, and is in the long-term interest of all.

If emigration of Indians is to be discouraged, it will be necessary to remove the undesirable and counterproductive biases against their promotion in the civil service (resulting from over-zealous positive discrimination in favour of Fijians), and in the allocation of higher education scholarships. These measures will improve the career prospects of Indians currently in the system and reduce concern for the future prospects of their children, a potent cause of migration.

Confidence in the long-run competence and credibility of the Government would be strengthened by a clear and decisive solution of the National Bank of Fiji fiasco, by much tighter parliamentary discipline (including more effective management of government business) and by a clear, unambiguous promulgation and adoption of a long-term economic strategy.

Reconfirming specific policy approaches

Policy measures which must be reconfirmed as part of a refurbished overall strategy are those comprising the 'unfinished business' from the post-coup policy package. Key issues requiring attention are

- downsizing the civil service (a recent commitment by the Prime Minister to cut 2,000 from the establishment is a step in the right direction)
- restraining civil service wage rises (which may mean reconsidering the use of the present, often over-generous, arbitration system). Affordability criteria should be emphasised in this respect
- restoring the momentum behind privatisation
- pushing ahead with further import tariff cuts and deregulation of trade in order to reduce the present anti-export bias and cut the cost of doing business in Fiji
- streamlining investment procedures via a unified *Investment Act*; simplify land use and work permit requirements and procedures for foreign firms.

New policy directions

In addition to a reassertion of pre-existing policy approaches, it is necessary that the deterioration in certain economic indicators be recognised and that new policy measures and new policy emphases, be introduced.

Reorientation of public spending towards capital spending. The shift in public spending towards current outlays (mainly on wages and salaries) must be reversed. The success of government spending as a growth-promoting agent in the 1970s should be recalled, and consideration given to a program of public spending on productive targets. This will have the dual effects of contributing directly to income and employment creation, and of improving the efficiency of the private sector. The emphasis would be

- Infrastructure

  —repair and extension of the road system, including access roads to cane-growing areas

  —repair and re-establishment of wharves and jetties to facilitate inter-island transportation and cut costs of the fishery sector

—extension of electrification, especially in rural areas

—further development of the telecommunications systems

—upgrading of urban infrastructure, especially water supply and waste disposal

- Human capital

—upgrading of both primary and secondary educations systems (through improved teacher training and teaching materials)

—extension of technical education, with a shift in emphasis towards a demand-driven program

More permissive monetary policy. Fiji's monetary policy has traditionally focused on maintaining balance in the external account, an adequate level of foreign reserves, and low inflation rates. In recent years managing the build-up of liquidity in the banking system has been a primary concern. Authorities have been successful in their self-appointed tasks, but questions must now be asked regarding the appropriateness of the strategy. Given weak recent growth and growing problems of unemployment and poverty, the case for a more expansionist policy is persuasive.

The obvious strategies are a shift to lower lending rates and depreciation of the Fiji dollar to restore Fiji's competitive position to where it stood after the 1987 devaluations. The view of the Reserve Bank would be that cutting interest rates would stimulate consumption and importing rather than domestic production (which would be inflationary) and that the price elasticity of demand for Fiji's exports is probably so low that a devaluation would achieve little. The matter of the responsiveness of export demand is one which has not been given the study it warrants, and a detailed examination of the case for depreciation (or, at least, for preventing further increases in the real effective value of the Fiji dollar) should be undertaken.

Sectoral policies. The key requirement is that government abandons direct involvement in the detailed guiding of industrial activity and concentrates on providing an encouraging and facilitating framework.

One useful policy would be to promote diversification of industrial and agricultural activity—though not by running down individual industries.The proposition that sugar-cane production should be reduced as artificially high prices (due to the preferential access to the EU market) have led to non-viable expansion into marginal land should be resisted. The critical consideration in assessing resource use is opportunity cost. In many cases, farmers on marginal land see no superior use for their land or their labour. The willingness of many Indian cane farmers to subdivide already small farms in order to preserve their way of life for their sons, and the general failure to persuade them to diversify into other crops, suggest considerable inflexibility of resource use (Forsyth and Verebalavu 1995).

A more effective means of promoting efficiency in the sugar industry would be basing cane payments on sugar content (requiring the installation of an efficient and reliable transportation system to protect farmers (and millers) against sugar losses due to delays in harvesting, overhauling the current wasteful cane cutting and transportation system (the introduction of simple mechanical harvesters of the 'whole-stick' type might now be viable in some areas), encouraging consolidation of small farms into larger units (to cut administration and harvesting costs), and increasing the milling company's share of total receipts in order to facilitate modernisation of mills.

Also required in the case of sugar is a major political and negotiating effort by the government (preferably coordinated with other ACP suppliers) to argue that continued support for the industry is required and that the EU Sugar Protocol should not be unilaterally abandoned. Fiji could argue legitimately that the rapid contraction of an industry built on the basis of aid could have serious socio-political repercussions.

Turning to garment production, it is again desirable that government does its best to argue the case for continued support from Australia and New Zealand, though the options here are few. Some room for manoeuvre may exist through watering down the SPARTECA rules of origin requirement, though it is difficult to see any satisfactory long-term solution other than a move up-market by Fiji's producers—a move that may well be beyond many of them.

The future

The next few months will see the resolution, one way or another, of the Constitutional and ALTA issues. The strong symbolic connotations of these emotive issues creates a unique opportunity to promote a 'New Deal' in Fiji in the form of a widely accepted set of growth-promoting economic and social policies, assuming that acceptable settlements can be found in both cases. If such settlements cannot be found, it is likely that the debilitating weakness in private sector investment will persist and that emigration of the better qualified Indian population will continue or even accelerate, given that many more are qualified to reside abroad than have yet emigrated. In such a situation, it would be necessary to consider the much narrower options remaining for the Fiji economy.

Note

1 Since 1989 the World Bank has published five major commentaries on the Fiji economy, AIDAB / AUSAID two, and the IMF one. There has also been a plethora of comment and analysis in Fiji's burgeoning media.

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Appendix tables

Table A1 **Fiji's GNP and GDP at current and constant prices, 1970–96 (F$ million)**

	GNP (current prices)	GNP (1977 prices)	GNP growth rate (at 1977 prices)	GDP (factor cost at current prices)	GDP (factor cost at 1977 prices)	Growth rate of GDP at 1977 prices[a] (F$ per annum)
1970	184	437	-	169	418	-
1971	202	468	7.1	185	446	6.7
1972	252	507	8.3	231	481	7.8
1973	334	579	14.2	301	542	12.7
1974	448	599	3.5	411	556	2.6
1975	556	599	0.0	515	556	0.0
1976	623	616	2.8	571	571	2.7
1977	652	652	5.8	606	606	6.1
1978	698	668	2.5	643	617	1.8
1979	840	744	11.4	779	691	12.0
1980	969	732	-1.6	901	679	-1.7
1981	1,047	783	7.0	954	720	6.0
1982	1,080	721	-7.9	1,020	712	-1.0
1983	1,106	690	-4.2	1,032	684	-3.9
1984	1,234	748	8.4	1,152	741	8.3
1985	1,265	716	-4.3	1,177	707	-4.6
1986	1,419	773	8.0	1,336	762	7.8
1987	1,430	720	-6.9	1,340	712	-6.6
1988	1,534	724	0.6	1,433	718	0.8
1989	1,790	818	13.0	1,661	816	13.6
1990	1,993	870	6.4	1,811	855	4.8
1991	2,127	879	1.0	1,942	861	0.7
1992	2,281	902	2.6	2,098	886	2.9
1993	2,530	918	1.8	2,224	897	1.2
1994	..	..	..	2,338	937	4.5
1995	..	..	..	2,418	961	2.6
1996	..	..	..	..	990	3.0

[a] At factor cost.
Source: 1970–93: World Bank, 1995b. *World Tables* 1994–95, Washington, DC; Reserve Bank of Fiji, *Quarterly Review*, Suva; Fiji, Bureau of Statistics; 1996: Author's estimates.

Table A2 **Balance of payments, key items, 1970–95** (F$ million)

	Current account				Capital account			
	Merchandise imports (domestic)	Merchandise exports	Balance of trade[a]	Balance on current account	Private long-term	Non monetary capital	Overall balance	Change in reserves[b]
1970	91	49	-28	-12	6	5	-1	1
1971	112	49	-50	-24	11	12	6	-7
1972	132	52	-67	-27	22	22	-10	-21
1973	175	52	-100	-51	18	39	0.0	-3
1974	219	95	-96	-15	32	38	30	-28
1975	230	124	-76	-6	13	19	36	-37
1976	205	89	-116	-39	11	12	-24	18
1977	241	125	-117	-18	18	26	15	-15
1978	255	122	-134	-23	-3	8	-7	16
1979	340	168	-138	-71	19	38	-1	-3
1980	393	230	-114	-48	26	73	32	-31
1981	466	194	-225	-159	28	117	-18	17
1982	411	182	-175	-86	31	72	26	+20
1983	429	178	-207	-64	32	74	-2	6
1984	423	198	-173	-27	20	34	13	-10
1985	508	191	-202	-15	36	10	-7	5
1986	494	242	-137	8	36	25	39	-37
1987	465	334	-57	6	9	-58	-40	49
1988	658	447	-128	57	65	95	152	-155
1989	860	552	-202	15	70	-21	45	18
1990	1,113	607	-381	-69	117	72	56	-64
1991	962	555	-297	2	18	-28	12	-19
1992	947	555	-280	15	106	68	80	-98
1993	1,110	588	-417	-113	63	14	-66	83
1994	1,210	673	-409	-86	95	34	-56	29
1995	1,219	764	-349	-19	88	..	109	-101

Notes: Imports c.i.f.; Exports f.o.b.
[a] Includes re-exports
[b] +ve indicates a decline in reserves.
Sources: Fiji, Reserve Bank of Fiji, *Quarterly Review*, Reserve Bank of Fiji, Suva, various issues; Central Monetary Authority of Fiji, *Report and Financial Statement,* Central Monetary Authority of Fiji, Suva, various issues.

Table A3 **Foreign exchange reserves, 1975–96**

	Reserves [a] (F$ million)	Import cover (months) Merchandise imports	All goods and services
1975[b]	128	6.7	5.6
1976	100	5.9	4.5
1977	129	6.4	5.1
1978	111	5.2	4.1
1979	119	4.2	3.1
1980	138	4.2	3.2
1981	119	3.1	2.2
1982	123	3.6	2.4
1983	122	3.4	2.4
1984	130	3.7	2.6
1985	154	3.6	2.9
1986	200	4.9	3.6
1987	149	3.8	2.8
1988	322	5.9	4.4
1989	317	4.4	3.2
1990	381	4.1	3.2
1991	401	5.0	3.7
1992	498	6.3	4.3
1993	416	4.5	3.7
1994	388	3.8	2.6
1995[c]	501	5.5	3.9

[a] Includes gold. Imports c.i.f.
[b] The determination of the exchange rate of the F$ relative to a weighted basket of currencies commenced in April, 1975.
[c] End 1995
Sources: World Bank, 1995b. *World Tables 1995*, Washington, DC; Reserve Bank of Fiji, *News Review*, Suva, various issues; Table A2.

Table A4 **Mean daily wage rates, 1970–94**

	Manufacturing F$ current prices	All industries F$ current prices	F$ 1985 prices
1970	2.55	2.47	10.21
1971	2.69	2.72	10.54
1972	3.21	3.08	10.96
1973	3.78	3.98	12.72
1974	4.82	4.89	13.66
1975	6.19	5.97	14.74
1976	6.64	6.68	14.81
1977	6.87	7.11	14.70
1978	8.18	7.89	14.29
1979	8.48	8.48	13.55
1980	9.42	9.28	12.94
1981	10.56	10.16	12.75
1982	11.20	10.91	12.81
1983	11.92	11.68	12.84
1984	12.00	11.84	12.36
1985	12.16	12.00	12.00
1986	11.84	12.00	11.79
1987	12.32	12.64	11.75
1988	12.56	12.96	10.77
1989	11.36	12.64	9.90
1990	11.44	13.36	9.67
1991	12.01	14.03	9.54
1992	12.85	15.01	9.73
1993	13.49	15.76	9.67
1994	13.89	16.23	9.90

Source: World Bank, 1995. *Fiji: restoring growth in a changing global environment*, Washington, D.C. Treadgold, M., 1992. *The Economy of Fiji*, AIDAB, Canberra; Central Planning Office, 1980. *Fiji: Eighth Development Plan, 1981–1985*, Suva.

Table A5 **Budget deficit RBF measure, 1973–95**

	Budget deficit[a] (F$ million)	Deficit per cent GDP (per cent)
1973	19	6.3
1974	26	6.3
1975	15	2.9
1976	40	7.0
1977	49	8.1
1978	48	7.5
1979	40	5.1
1980	50	5.5
1981	60	6.3
1982	87	8.5
1983	68	6.6
1984	66	5.7
1985	67	5.7
1986	97	7.3
1987	106	7.9
1988	90	6.3
1989	101	6.1
1990	55	3.0
1991	103	5.3
1992	112	5.4
1993	159	7.2
1994	106	4.5
1995	90	3.7

[a] Reserve Bank of Fiji measure; includes loan repayment.
Source: Reserve Bank of Fiji, *Quarterly Review,* Suva, various issues.

Table A6 **Private long-term capital (net) inflow, 1970–95**

	Net	Gross
1970	6.4	..
1971	6.5	..
1972	8.5	..
1973	15.7	..
1974	14.3	..
1975	14.1	..
1976	-	..
1977	-	..
1978	-	..
1979	10.2	..
1980	36.4	..
1981	36.1	..
1982	36.7	..
1983	32.1	..
1984	23.6	..
1985	21.8	..
1986	8.0	..
1987	11.4	..
1988	32.0	..
1989	8.0	64.8
1990	80.4	230.4
1991	15.0	124.4
1992	50.4	231.8
1993	29.1	247.3
1994	95.4	368.4

Note: In all years portfolio equity flows are nil.
Sources: Net: World Bank, *World Debt Tables, 1994-95,* Washington, DC.
Gross: Reserve Bank of Fiji, *Quarterly Review,* Suva, various issues.

Table A7 **Employment and population, 1970–95**

	Total paid employment		Population	
	Number	Annual growth (per cent)	Number '000	Annual growth (per cent)
1970	51,590	11.1	520	-
1971	56,988	10.5	531	2.1
1972	58,399	2.5	542	2.1
1973	61,476	5.3	553	2.0
1974	66,998	9.0	564	2.0
1975	69,976	4.4	576	2.1
1976	70,174	0.3	587	1.9
1977	72,383	3.1	598	1.9
1978	76,584	2.0	607	1.5
1979	78,539	3.0	621	2.3
1980	80,484	2.5	634	2.1
1981	81,406	1.1	646	1.9
1982	78,289	-4.0	658	1.9
1983	80,075	2.3	672	2.1
1984	78,602	-1.8	686	2.4
1985	81,984	4.3	697	1.3
1986	79,834	-2.6	715	2.6
1987	77,587	-2.8	715	-
1988	77,731	0.2	720	0.7
1989	88,177	13.4	726	0.8
1990	88,952	0.9	736	1.4
1991	91,538	2.9	746	1.4
1992	92,480	1.0	758	1.6
1993	94,295	2.0	771	1.7
1994	96,336	2.2	784	1.7
1995	98,686	2.4	794	1.3

Sources: Reserve Bank of Fiji, *Quarterly Review*, Reserve Bank of Fiji, Suva, various issues and *News Review* various issues; Central Planning Office, *Eighth Development Plan, 1981–1985* (Table 1.7); Fiji, Bureau of Statistics, *Statistical News***,** Bureau of Statistics, Suva, various issues; World Bank, 1995. *World Tables, 1995*, World Bank, Washington, DC.

Table A8 **Public debt charges and government consumption, 1973–95**

	Total public debt charges		Government consumption	
	(F$ million)	per cent GDP	(F$ million)	per cent GDP
1973	5.1	1.7	42.4	14.1
1974	7.4	1.8	54.0	13.1
1975	18.4	3.6	67.5	13.1
1976	25.3	4.4	85.3	14.9
1977	22.1	3.6	102.3	16.9
1978	31.2	4.9	115.1	17.9
1979	27.3	3.5	143.9	18.5
1980	35.4	3.9	156.7	17.4
1981	39.2	4.1	173.1	18.1
1982	46.6	4.6	203.8	20.0
1983	57.2	5.5	231.6	22.4
1984	58.6	5.1	245.0	21.3
1985	64.8	5.5	252.0	21.4
1986	74.7	5.6	253.0	18.9
1987	90.0	6.7	255.0	19.0
1988	160.0	11.2	229.0	16.0
1989	127.1	7.7	296.0	17.8
1990	122.0	6.7	340.0	18.8
1991	136.3	7.0	396.0	20.4
1992	123.5	6.0	449.0	21.8
1993	153.0	6.9	514.0	23.3
1994	141.0	6.0	500.0	21.5
1995	161.6	6.7	..	..

Sources: World Bank, 1995b. *World Tables 1995*, Washington, DC; World Bank, 1995c. *Fiji: restoring growth in a changing global environment*, Washington, DC; Central Monetary Authority of Fiji, *Report and Financial Statement*, Suva, various issues; Reserve Bank of Fiji, *Quarterly Review*, Suva**,** various issues.

Table A9 **Long-term indebtedness of central government, selected years, 1982–95**

	Domestic debt (F$ million)	External debt (F$ million)	Total debt (F$ million)	Total debt Per cent of GDP
1982	237.9	141.2	379.1	37.2
1985	351.2	160.7	571.9	43.5
1987	469.0	213.0	682.0	50.9
1991	593.9	206.0	799.9	41.2
1992	638.1	200.6	838.7	40.7
1993	727.6	194.2	921.8	41.8
1994	771.7	183.9	955.6	41.0
1995	807.3	191.7	999.0	41.3

Source: Reserve Bank of Fiji, *Quarterly Review*, Reserve Bank of Fiji, Suva, various issues.

Table A10 **Visitor arrivals, 1970–95** (‘000)

1970	110.0
1971	152.2
1972	165.6
1973	186.3
1974	181.1
1975	171.0
1976	173.0
1977	173.0
1978	184.1
1979	188.7
1980	190.0
1981	189.9
1982	203.6
1983	191.6
1984	235.2
1985	228.2
1986	257.8
1987	189.9
1988	208.2
1989	250.2
1990	279.0
1991	259.4
1992	278.5
1993	287.5
1994	318.9
1995	318.5

Sources: Reserve Bank of Fiji, *Quarterly Review,* Suva, various issues; Central Monetary Authority of Fiji, *Report and Financial Statement,* Suva, various issues.

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