

The rough global tide and political storm in Fiji call for swimming hard and fast but with a different stroke

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Fiji is currently facing one of its toughest times in history. The indirect impacts of the global financial crisis and the lack of aid money are likely to further weaken the economy and increase poverty. The stagnant economy is suffering from a lack of long-overdue reforms in many areas. If the caretaker government does not hasten the reform agenda and work within the opportunities available to increase productivity and gain some competitiveness, Fiji's medium to long-term growth prospects look bleak. While reform has to take on a holistic approach with the coherent implementation of policy actions, these efforts must be balanced to deal with the global crisis.

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In the first year of military government after the December 2006 coup, when launching the revised 2007 budget, the then Interim Finance Minister stated that Fiji needed to swim and not sink as a nation (*Fijilive*, 2 March 2007). Chand (2007a), in the *Pacific Economic Bulletin's* annual survey, observed that Fiji was merely keeping afloat. In the next year's survey, Prasad and Narayan (2008) concluded that Fiji seemed to be swimming but in the wrong direction—towards deeper waters. Although the budget for 2008 was called a 'budget of hope' (*Fijilive*, 1 March 2008), implementation of its measures has been limited. The 2009 budget, with its twin objectives of steering the economy to a better state and

alleviating poverty, was not significantly different from the earlier budgets and is not going to help the economy much as it has been stagnant since 2000. Although the caretaker government has taken some small steps towards reform, the political developments have been a huge step backwards raising concern on many fronts. Moreover, the current environment is not being helped by the global economic crisis.

The current situation in the Fijian economy and its prospects are discussed below. The next two sections highlight the stagnant state of Fiji's economy and the poor growth prospects for its key sectors. There follows a discussion of how the global economic crisis can be expected to

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exacerbate the continuing challenges facing Fiji—namely, the lack of private investment, inadequate infrastructure and poor governance. Poverty—a key focus of the 2009 national budget—and environmental sustainability are expected to worsen. This article concludes with a discussion of policy options, given the current political climate. This climate is the greatest obstacle, as it threatens to isolate Fiji from the rest of the world, plunging the country further into dire economic and social straits.

The stagnant economy

The performance of Fiji's economy has been sluggish and unstable. Fiji's real gross domestic product (GDP) grew annually by 4.1 per cent in the period 1971–86, but declined sharply in 1987 due to the coups in May and September of that year (Table 1). The overthrow of elected governments in May 2000 and December 2006 again adversely affected the economy, with declines in GDP of 1.7 per cent in 2000 and 6.6 per cent in 2007. While the economy recovered quite quickly after the 2000 coup—to register an

annual growth rate of 2.45 per cent from 2001 to 2005—it is unclear whether the same will happen if, and when, a democratically elected government is in place. The estimate in the 2009 national budget of a modest recovery in GDP of 1.2 per cent for 2008 (after the estimated 6.6 per cent contraction in 2007) has now been reduced to 0.2 per cent by the Reserve Bank of Fiji due to the mixed performance of key sectors.

Unemployment rates have hovered about the 8 per cent mark since the 2000 coup. With the state decree of April 2009 that the retirement age for all civil servants will be reduced from 60 to 55 years taking immediate effect, unemployment will increase further. Along with other factors, increasing unemployment is a likely underlying factor for the consistent decline in Fiji's ranking on the UN Development Programme's Human Development Index—from forty-fourth position in 1996 to 103 in 2006 (UNDP 2001, 2008). The index, however, understates the real situation, as it excludes indicators such as gender discrimination and income inequality and the more difficult to measure indicators such as respect for human rights and political freedom—both of which

Table 1 Macroeconomic indicators for Fiji, 1971–2008 (per cent)

Indicator	Year					
	1971–86	1987–90	1991–99	2000	2001–05	2006–08
Real GDP growth	4.12	–0.94	2.76	–1.66	2.45	–1.0 ^b
Inflation rate	3.53	6.56	3.7	3.0	2.82	5.0
Unemployment rate	8.9 ^a	7.5	6.4	7.6	8.2	8.6 ^c

^a averaged over 1976–86 due to lack of data

^b Reserve Bank of Fiji's estimate of 0.2 per cent for 2008 was used

^c the 2007 unemployment rate from the population census

Notes: The above values are averaged over the stated period. GDP growth rates are based on 1995 constant prices.

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

have taken a nosedive in the light of recent political events.

Overall, macroeconomic management in the past two decades has not fostered an adequate level of savings or investment. While gross domestic savings have been less than 10 per cent of GDP since 1990, gross domestic investment as a ratio of GDP declined from an average of 20.6 per cent during 1981–90 to 13 per cent during 1991–2005, and has remained at low levels since then.

Inflation has generally declined over time and has not been serious except for the occasional increase—for example, due to the 1987 coups, when it rose to 11.7 per cent, and more recently, in September 2008, when it stood at a 20-year high of 9.8 per cent due to high oil and food prices. Since July 2008, the government has removed fiscal duties on a number of basic food items such as rice, edible oil and tinned fish to cushion the inflationary pressures arising from the hike in these commodities. The recent fall in commodity prices has provided welcome relief; however, the floods in January and February 2009¹ will exert inflationary pressure for some time. In a press release in April, the Reserve Bank of Fiji announced its expectation that domestic prices would be relatively contained and predicted inflation to be about 4.5 per cent in 2009. The 20 per cent devaluation on 15 April 2009, however, is likely to see prices increase.

Fiji is a small economy with a high level of imports, and about two-thirds of its inflation is imported (Ministry of Finance and National Planning 2008b). Fiji keeps a close check on imported inflation through its managed exchange rate system, with the Fijian dollar tied to a basket of foreign currencies. The Reserve Bank's aim is therefore to maintain monetary and financial stability without undermining its priority of safeguarding foreign reserves—estimated to be about F\$761.2 million at the end of 2008.

After the December 2006 coup, the Reserve Bank imposed a ceiling on commercial banks' lending and this remained throughout 2007. In 2008, to encourage investment, the credit ceiling was relaxed selectively—but, in the second half of 2008, the Reserve Bank tightened monetary policy to safeguard foreign reserves and ward off imported inflation due to high global food and fuel prices. The position of foreign reserves is a concern due to the widening trade deficit. Merchandise trade increased from F\$1.68 billion in 2007 to F\$2.1 billion (34.7 per cent of GDP) in 2008, with rising domestic exports of 18.6 per cent more than matched by the 23 per cent increase in imports (Reserve Bank of Fiji 2009b).

Sectoral growth prospects

Fiji's main export sectors are agriculture (in particular, sugar), garments, fisheries and tourism (Table 2). As a ratio of total exports, however, there is a declining trend in sugar and garments exports.

The sugar sector

Although sugar has declined in importance—from contributing 13.1 per cent of GDP in 2000 to about 6 per cent and making up 25 per cent of exports—it remains the most important agribusiness in Fiji, providing employment to about 200,000 people (Ministry of Finance and National Planning 2008b). Some 80 per cent of the crop, however, is produced by 20 per cent of the farmers, as the majority of farms are small-scale. Mahadevan (2009) shows that larger farms (of more than 8 hectares) are significantly more efficient than smaller-sized farms, as larger areas are more amenable to more effective utilisation of inputs—and they are also more likely to be used as security for loans from banks. The Fiji Sugar Corporation's (FSC) recent

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Table 2 Exports of Fiji's key industries, 1985–2008 (F\$million)

Industry	Year				
	1985	1995	2001	2005	2008 ^a
Tourism	161.4	405	496	733.2	753.7 ^b
Sugar	111.8	276.1	221.6	217.9	248.1
Fish	11.7	113	91.2	82.9	134.2
Garments	2.1	185	305.2	120.4	100.1

^a provisional estimates

^b forecast

Sources: Fiji Islands Bureau of Statistics, 2009. *Statistical News*, (09/2009), Fiji Islands Bureau of Statistics, Suva; Reserve Bank of Fiji, various years. *Quarterly Review*, Reserve Bank of Fiji, Suva, Fiji Islands.

decision to acquire idle land for larger-scale farming and the introduction of modern methods of harvesting and loading is therefore a good move to cut costs. As the millers (the FSC) will then also be the growers, this will further lessen problems.² The FSC also intends to concentrate efforts on farm extension and advisory services to larger farms. Small-scale cane farmers need to move away from cane to other crops or undertake intercropping to maximise their farm earnings. Empirical results from Mahadevan and Asafu-Adjaye (forthcoming) show that the non-sugar agricultural sector holds promise for absorbing workers displaced from the sugar industry.

There is concern that the average technical efficiency of a cane farmer is only 70 per cent, which means that potentially 30 per cent less inputs could be used to produce the current level of output (Mahadevan 2008). There is therefore room to improve efficiency and hence the competitiveness of farmers, although their problems are compounded by frequent mill stoppages and poor transport services. About 70 per cent of an F\$86 million loan from India has now been used to carry out about 85 per cent of planned mill repairs and upgrades—after a delay of two years. An unforeseen problem was that the mills would be running at no more than

65 per cent of their capacity because they were equipped to crush about 3.6 million tonnes of cane but production levels were expected to be about 2.3 million tonnes this year.³ As far as the transport of cane is concerned, although F\$1.8 million has been allocated to upgrading and maintaining cane access roads, this work has not begun in some areas or has progressed only very slowly in others—with only a few weeks left before crushing begins. In short, moves to eliminate well-known problems are lagging and the lack of coherent implementation of planned refurbishments on all fronts will produce suboptimal results.

The reduction of the European Union's preferential price for sugar since 2006⁴—with the first cut of 5.1 per cent in 2007 and further cuts, of 9.2 per cent in 2008 and 21.7 per cent in 2009—has also cast a dark cloud over the sustainability of Fiji's sugar industry. The reduced EU price is, however, still higher than the world sugar price and the price Fiji receives will increase once it becomes a certified Fairtrade supplier of sugar to the European Union.⁵ In addition, a contract to deliver 250,000 tonnes of sugar to the current buyer, Tate and Lyle, has been secured from 1 March 2008 to 30 September 2015—this contract effectively replaces the previous EU quota. Only time will tell whether Fiji

will use this to increase productivity or whether it will allow this assured market opportunity to slip by—as it did with the EU preferential price quota before the price cuts. There was, however, one noteworthy outcome from the intervention of the military government, which took sugar under its directive in late 2008. There has been progress in the government's attempt to do away with some sugar organisations and to streamline the activities of the remainder to make them less politicised and hence more effective.⁶

The neglected non-sugar agricultural sector

The Fijian economy relies heavily on two sectors—tourism and sugar. A collapse in either of these sectors will have negative flow-on effects throughout the economy. There is therefore a great need for diversification into non-sugar agricultural crops, which is a very credible option for several reasons. First, the huge potential in this area remains unexploited. Non-sugar agricultural production, which contributes about 6 per cent of GDP (EC 2008), includes important export crops such as pawpaw, ginger, kava and taro, as well as commodities mainly for domestic consumption, such as cassava, pineapple, mango, okra, eggplant, chillies and goat, sheep and poultry meat.

Second, about 50 per cent of the population lives in rural areas and undertakes farming. Creation of employment opportunities is necessary (although not always sufficient) to lift them out of poverty. Third, local production is insufficient—and cannot be depended on to meet the high standards required by the tourism sector, which continues to import food, due to poor quality and lack of continuity in supply—and the food import bill has increased significantly over the years. It was valued at about 9 per cent of GDP in 2007. Fourth, for reasons of global food insecurity, Fiji should capitalise on its comparative advantage in agricultural production. Fifth, opportunities exist for

agro-processing that have not been sufficiently exploited due to lack of investment and the lack of bilateral quarantine agreements for undisrupted export to Australia, the United States, Canada and China (EC 2008) to create forward linkages to the manufacturing industry to increase value added and create employment.

Numerous other problems exist in this sector, preventing its expansion. For instance, similar to sugar, non-sugar agricultural production in Fiji is very labour intensive and the majority of farmers work on small plots. There are therefore low levels of modernisation and commercialisation, as subsistence is the main objective, not profit. Given the significant out-migration from rural areas, there is a lack of skilled labour in agriculture and this affects productivity. Fleming (2007) provides evidence of Fiji's agricultural total factor productivity as being one of substantial fluctuation around a declining trend.

Other problems facing the non-sugar alternatives are the uncertainties in market conditions related to the produce, and farmers being ill informed about crop prices, thus leaving them vulnerable to exploitation by wholesalers and exporters. The incentive to grow non-sugar crops is further hampered by the lack of support in terms of marketing and selling points, steady markets to supply to, and poor transportation for getting produce to markets. Currently, these market support structures do not exist or are fragmented and haphazard, with little monitoring. Due to the lack of secure individual land tenure, start-up credit is not readily available, as banks are reluctant to provide loans without collateral and microfinance schemes remain poorly established in Fiji.

There needs to be more commitment on the part of government to act quickly to address problems in the agricultural sector—namely, ensuring quality, volume

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and continuity of supply of agricultural produce for export. Unfortunately, the Ministry of Agriculture is heavily under-resourced in terms of skilled manpower and funds. The stop-start nature of some of Fiji's agricultural development initiatives—under which production of particular commodities expands for some time, only to subsequently decline—must be avoided.

Another potential area of growth is the mahogany sector. Fiji has the largest mahogany resource in the world (Ministry of Finance and National Planning 2008a) but, on average, this sector contributes only 1.3 per cent of GDP and 3.5 per cent of export earnings (Ministry of Finance, National Planning and Sugar Industry 2007). Mahogany harvesting began in 2003 but the sector has experienced erratic growth since then and the poor licensing schemes and underdeveloped markets and downstream processing, as well as lack of information, remain major obstacles. Also, the largest producer of mahogany, the Fiji Hardwood Corporation, is 90 per cent government owned and there is not much in the way of competition in this sector.

The fisheries sector

The fisheries sector's contribution to GDP in 2007 was 2.5 per cent. This sector also has potential, although its production has been unstable since 1999 and has suffered a significant decline in recent years. Some of the decline in fishing has been attributed to lower catch rates as a result of over-fishing within Fiji's exclusive economic zone and adverse climatic conditions. There could be some hope in the recent landmark decision by Pacific island countries to restrict tuna fishing by foreign fleets by imposing a limit on fishing in 560,000 square miles of ocean surrounding their shores, in order to reverse the decline in Pacific tuna stocks. It remains to be seen how effective monitoring and compliance will be.

The restriction on foreign fishing fleets does not, however, solve the problem of the lack of domestic fishing fleets—as local producers do not have the capacity to acquire purse-seiners and longliners and therefore do not fish in the extended economic zone. The majority of fishing is instead done by foreign boats and access fees paid by foreign vessels amount to about only 5 per cent of the value of fish caught in Pacific waters, which earns about US\$2 billion for the foreign fleets (Gillet and Santen 2008).

Due to Fiji's remoteness from major markets, high transportation costs make it difficult for Fiji to compete in the traditional processed-fish markets and thus 80 per cent of the fish exported is fresh fish. It is nevertheless possible for Fiji to give more consideration to product differentiation as an alternative strategy by targeting niche markets for processed fish products (smoked, flavoured and prepared fillets) that produce more value added. Fiji cannot afford to ignore this sector as the European Union is the world's largest tuna market and has a vested interest in the continuing negotiations of a regional fisheries agreement with the African, Caribbean and Pacific (ACP) economies to promote more sustainable fisheries in the Pacific region.⁷ This is an important issue given the recently stalled World Trade Organization (WTO) talks in which fisheries subsidies were to be discussed. Another obstacle to Fiji's exports is the application of increasingly stringent food safety standards, which act as a trade barrier as well as encouraging the Pacific to export only raw or semi-processed fish products in order to avoid compliance costs.⁸

Although there has been some expansion in the fisheries sector in the past few years, private investment has remained sluggish despite the numerous incentives provided (Government of Fiji 2006). It is therefore unclear whether the incentives provided in the 2009 budget will encourage

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investment. According to the director of Fiji Fish, the largest domestic company in this sector, the fact that the industry has barely broken even in the past five years and the huge lack of research and development programs in new fisheries and products mean that it will take some time for this industry to become a vibrant contributor to the economy (*Fiji Times*, 17 April 2009).

The outdated *Fishers Act 1942* is said to be unclear about poaching and enforcement issues, leaving stakeholders unaware of their roles. The Fijian government is, however, well aware of the need to review the outdated legislation governing this sector and it intends to explore the relaxation of licensing requirements for fishing vessels and enable the issuance of longer-term licences with yearly reviews (*Fiji Times*, 6 March 2009).

The garment sector

This sector has evolved on the back of various schemes since 1980.⁹ With the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) extended from 2004 to 2011, the garment industry is barely surviving because of increasing competition from China, Indonesia and Bangladesh. Furthermore, New Zealand has signed a free trade agreement with China and the United States is intending to lift safeguard measures imposed on certain Chinese exports this year (WTO 2009). From 2009 to 2011, however, the garment industry will be able to enjoy further concessions from Australia as the minimum local area content requirement has been reduced from 35 per cent to 25 per cent. If Australia signs a bilateral free trade agreement with China, however, Fiji will not necessarily have any advantage.

Not only has the industry's employed workforce fallen from 18,000 before the 2000 coup to less than 5,000, but garment workers have remained among the lowest

paid in Fiji—with an average wage rate of F\$60 a week, compared with F\$120 for the average wage earner.¹⁰ There are concerns that the proposed minimum wage of F\$164 a week will hurt garment employers significantly. While the motive behind this policy is to raise garment workers' standard of living, the wage increase is not driven by productivity increases and hence will only reduce international competitiveness.

Other problems with this sector have been the over reliance on trade preferences and few attempts to move up the value chain while protection is in place. Today, the sector remains low in skills, wages and technology, with a cut, make and trim focus and very limited backward and forward supply linkages apparent in the lack of fabric making and dyeing capacity. Small-scale producers survive by charging a premium for catering to relatively small orders (not handled by their large-scale foreign competitors) and a quick turn around to niche markets. To ensure the survival and success of this industry, Fiji's trade offices in New Zealand and Australia must seek contracts to provide apparel to leading brands and companies, while large orders such as uniforms for the police force, airport workers and hospital staff from other Pacific island countries must be secured.

Navigating the rough tide of the global economic crisis

Fiji is not expected to experience any direct effects from the global financial crisis, as its banks are to a large extent insulated from the global financial markets, as they have virtually no direct exposure to US sub-prime mortgages or related credit products.¹¹ Fiji's financial system is sound (World Bank 2007) and banks' non-performing loans as a ratio of total loans stand at 6 per cent—low by international standards. Unlike the foreign

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banking system, the domestic financial system is financed from local depositors and credit is extended to domestic entities. There are, however, a number of ways in which Fiji could be affected indirectly by the global economic crisis.

At the G-20 meeting in London in April 2009, the World Bank predicted that global GDP would contract by 1.7 per cent in 2009 and world trade in goods and services would contract by 6.1 per cent—and economic distress was expected to remain acute for the next two years. As the prospects for global growth in 2009 continue to deteriorate, most of Fiji's trading partners, such as Australia, New Zealand, Japan and Europe, will contract¹²—and this will adversely affect demand for exports and tourism. Despite the financial crisis originating in the United States, the US dollar is strengthening against Fiji's major trading partners. The weakening of currencies in these economies will further dampen demand for Fiji's goods such as garments and mineral water.

Although tourism showed some signs of recovery at the end of 2008 (with visitor arrivals for 2008 totalling 584,796 compared with 539,255 in 2007), this was attributed largely to highly discounted holiday packages offered by hotels and resorts—and is unsustainable in the long term. Potential tourists from Australia and New Zealand who still have the funds to go on holiday might, however, choose to go to short-haul rather than long-haul destinations such as Europe and the United States, and thus Fiji could become more attractive. The current signs, however, do not look good—the hotel occupancy rate is about 30 per cent and, of the 10,000 workers in the tourism industry, of which casual workers form 30–40 per cent, a significant number are on reduced hours or have been laid off (*Fiji Times*, 6 April 2009). Visitor arrivals for the first quarter of 2009 were likely to decline by 30 per cent from the 2008 figures, according to

the board of Tourism Fiji (*Fiji Post*, 15 April 2009). In addition, with foreign governments issuing travel warnings because of political uncertainty in Fiji, the country's tourist industry could be hit hard. The World Travel and Tourism Council's (WTTC 2009) forecast for Fiji is a 3.3 per cent decline in contribution to real GDP from travel and tourism for this year.

Given that Fiji has been experiencing low foreign direct investment (FDI), it is unlikely that the crisis will cause a significant fall in FDI. The shock is more likely to create a delay in the pick-up of FDI. Local private investment in tourism and hence in the construction sector will, however, likely decrease due to the expected decline in tourism.

With economic growth set to decline in Australia and New Zealand—two important destinations for Fijian citizens choosing to emigrate—this will have a negative impact on overseas remittance inflows. Official remittances have been on a downward trend since 2005, falling by 22 per cent in 2007 and by 20 per cent in 2008 (Reserve Bank of Fiji 2008). The continuing global crisis will reduce remittance flows further and, coupled with the fall in tourism services, this will put pressure on the trade deficit, as the surplus in services has largely been a result of tourism and remittance flows—Fiji's highest foreign exchange earners.

Given the current economic climate, it is no surprise that the Reserve Bank has significantly revised its growth forecast for 2009 downwards from 2.4 per cent to –0.3 per cent. Given the political events occurring after this revised growth announcement, however, one can expect the growth rate to decline further—possibly leading to a contraction of about 6.6 per cent, similar to that in 2007. At that time, the poor performance was a result of the 2006 coup and the global environment was nowhere near a crisis. The global economic downturn could, however,

slow the brain drain and emigration from Fiji as job opportunities overseas dry up.¹³

Policy options

Monetary policy and budget financing

The global economic crisis—with falling exports, declining remittances, lower tourism receipts and reduced FDI inflows—will put pressure on foreign reserves. While the low inflationary expectations, in line with lower commodity prices, take some pressure off the need to build foreign reserves to maintain the exchange rate, the government's global bond¹⁴ repayment scheduled for 2011 does call for the conservation of foreign reserves.

Tight monetary conditions have prevailed in Fiji since late 2008. According to a major bank in Fiji,¹⁵ total banking liquidity was said to be less than F\$50 million and this was expected to put upward pressure on interest rates in the short to medium term. The Reserve Bank of Fiji (2009a) has therefore eased credit¹⁶ to allow the financial system to operate smoothly and without undermining its priority of protecting foreign reserves. The cautious approach of the Reserve Bank is justified, as an overly expansionary monetary policy will further weaken the devalued Fijian dollar.

The global downturn and its repercussions on the Fijian economy will reduce government revenue and constrain crucial fiscal spending on public services, infrastructure and telecommunication projects that are necessary to stimulate the economy in the current climate. The forecast budget deficit for 2009 is 3 per cent of GDP (compared with 1.5 per cent in 2008), but this is likely to be exceeded as the budget was formulated before the full extent of the global crisis was known and a bigger fiscal stimulus might be warranted. Opinion is

divided, however, about whether domestic liquidity or external borrowing should be used to finance the budget deficit. The government's external debt is currently about only 7 per cent of GDP and external debt servicing is low at 2.7 per cent of Fiji's export earnings—this allows capacity for the government to borrow externally (Reserve Bank of Fiji 2009a). On the other hand, domestic liquidity is arguably a safer bet as it minimises exchange rate risks in today's volatile conditions, although increased demand for domestic liquidity would put pressure on domestic interest rates.

Another cause for concern arising from a fiscal stimulus package designed to weather external conditions by creating internal demand is the high import ratio of goods and services of about 70 per cent of GDP (ADB 2009b). Imports have the potential to cause a substantial leak from the domestic economy. The high multiplier of 0.74 (0.89) for private (government) final consumption expenditure is, however, encouraging and gives confidence that an increased fiscal stimulus will be beneficial (ADB 2009b).

In the current global downturn, it is also advisable that excessive spending is trimmed by using existing resources more efficiently to fund a stimulus to combat the impact of the crisis (ADB 2009b). In this respect, Fiji has relatively high government pay rates—typically associated with relatively small public services (ADB 2009b). Although the military government has taken positive steps in this direction (a second public service pay cut has been announced for this year), the lowering of the retirement age from 60 to 55 years, made effective almost immediately, will have repercussions on the lives of civil servants and, via the reductions in the teaching and nursing professions for instance, on living standards more generally.

Was devaluation the right choice?

The real effective exchange rate has been trending upwards since 2006 (Reserve Bank of Fiji 2008), signalling a fall in Fiji's international competitiveness against its major trading partners, whose currencies have weakened due to the global crisis. This does not augur well for Fiji's exports—which are expected to decline by 12.2 per cent in 2009—while imports are cheaper due to the decline in oil and commodity prices. This adverse movement in the trade balance brought about the recent 20 per cent currency devaluation that aimed to restore external balance and boost the economy. Foreign reserves were at a 10-year low of F\$672 million at the end of February 2009—equivalent to only 2.7 months of imports. The ADB (2009b) argues that exchange rate adjustment is warranted if reserves fall substantially or are falling rapidly below the target level of three to four months of imports.

Fiji is no newcomer to currency devaluation. Two rounds of devaluation took place in 1987—the first a devaluation of 17.75 per cent on 30 June and the second of 15.25 per cent on 7 October. The devaluations after the 1987 coups were to shore up the declining economy and reduce political instability.¹⁷ A third devaluation—of 20 per cent—took place on 20 January 1998 to boost the export sector, which was suffering from drought, as well as in response to the 1997 East Asian financial crisis (ADB 2009b).

Although there are benefits to devaluation, the recent devaluation is not an optimal policy choice for several reasons. First, the positive effects might not be the same or might not be achieved as quickly as those after the 1998 devaluation, as the current economic crisis is global and is likely to be more severe than the 1997 regional crisis. The demand for Fiji's exports might therefore not receive the needed boost in the recessionary

environment. Also, the extent of the increase in foreign exchange earnings will depend on the elasticity of demand for Fiji's exports. This response is limited, as Fiji is a small economy with a small range of exports and it relies heavily on imported inputs, which will become more expensive due to devaluation. Third, the supply response of agricultural exports to price changes is not rapid given the supply-side constraints such as insecure land tenure and limited credit.

Fourth, it would have been better to take a wait-and-see approach, as the foreign exchange rate market is rather volatile and it is unclear which path the currencies of Fiji's trade partners will take. Fifth, Fijians will face higher prices for imported goods such as food and fuel, causing greater hardship in the current difficult climate. Last but not least, the expected boost in exports can easily shift the focus away from undertaking necessary reforms in various sectors to raise productivity and competitiveness.

It can be argued that by boosting exports the devaluation will buy Fiji time to address the needed reforms, as this will reduce the pain of adjustment in the reform process. This will work, however, only if there is strong political will to strike the right balance between the reform agenda and boosting exports to ensure the best outcome.

Managing aid money

Official development assistance and grant-in-aid are also likely to be affected during the crisis, as donors can be expected to revise spending allocations and cut back on aid. It is therefore more important now than before that the government acts cautiously to spend aid money appropriately and to be accountable and efficient in its use of aid. During trying times, donors often take stock of their aid commitments and evaluate their effectiveness, given the high opportunity cost of aid money.

There is evidence to suggest that some good has come out of aid programs in Fiji in the past (Feeny and Clarke 2008)¹⁸—however, since the 2006 coup, there has been slow progress on the aid front. For instance, the European Union has suspended aid assistance of €60 million (F\$132 million) for Fiji's 2008–10 Multi-Annual Indicative Program¹⁹ until a commitment is given to stage democratic elections. There has also been no action on an ADB economic restructuring program from April 2006, while the bank's Alternative Livelihood Program, which began in early 2006, was suspended soon after the December 2006 coup.

Fiji does not have access to loans from the World Bank and is the least aid-dependent Pacific economy due to its middle-income development status. Grants-in-aid come in cash, but 90 per cent is in the form of aid-in-kind. Official development assistance as a percentage of GDP has declined from 3.7 per cent in 1990 to less than 2.5 per cent since 2005 (UNDP 2008). Arguably, it is not the amount of aid that matters as much as the quality of aid and how well it is managed to provide long-term benefits. Feeny and Rogers (2008) find that the quality of governance is a robust determinant of the impact of aid on public sector efficiency. They joined a call by others for aid to make indirect contributions by helping to improve the quality of governance through effective monitoring processes—although recipient countries could see this as meddling in internal affairs.

Other continuing challenges

Lack of private investment

Low levels of investment, especially from the private sector, have long been a problem in Fiji. The ratio of private investment to GDP has been well below 10 per cent since

the late 1980s and FDI flows into Fiji²⁰ have been erratic, with the coups in 2000 and 2006 hampering efforts to create an environment conducive to private investment. A study by Read (2008) ranks Fiji as the seventh-lowest among 50 small island developing states for its attractiveness and success in securing FDI and it has been argued that anything less than 25 per cent of FDI as a proportion of GDP is a relative failure in attracting FDI and/or is a policy stance unfavourable to such inflows. The proportion of FDI to GDP averaged about 5.5 per cent for the period 2000–07.

Singh (2007), on the other hand, warns that the tight monetary policy²¹ stance in Fiji is a possible deterrent to private investment, while the ADB (2006) notes that other constraints to private sector development include high transaction costs, lack of micro-economic incentives to promote the efficient allocation of resources, weak property rights and an outdated commercial legal system for private sector activity. So far, there has been little improvement in these areas, although there have been other attempts (Ministry of Finance and National Planning 2008b). These efforts cannot be expected to attract investment—partly because of the great uncertainty associated with the current government, delaying potential investors who will be cautious and take a wait-and-see approach in assessing Fiji's business and investment climate. It is also unclear whether the reduction in corporate tax from 31 per cent in 2008 to 29 per cent in 2009 and a further reduction to 28 per cent in 2010 will have an impact, as this is above the average rate of 20 per cent for East Asia and the Pacific (World Bank 2008a).

Fiji remains a costly place to do business. Starting and running businesses, enforcing contracts and closing businesses are complex and time-consuming processes for local entrepreneurs and even more so for foreigners. The government can take

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more than a year to approve foreign permits for investment, as there are 22 agencies involved in the related approvals that an investor needs and there is no one-stop centre where all required processing can be done (Ministry of Finance and National Planning 2008b).

As measured by the World Bank (2008a), Fiji was ranked 39 in 2009 for the ease of doing business there. While it takes 68 days just to register a property in Fiji, starting a business in Fiji after registration takes about six weeks (Figure 1) compared with the industrialised economies, where it takes less than five days. This puts Fiji in eighty-seventh position among 181 economies.

Finally, the government is overly pervasive in many sectors—making up about 70 per cent of total investment in Fiji—and it has a major ownership share in many companies and public corporations. The inefficient use of capital by the public sector drags down the growth rate (Xavier, Doppelhofer and Miller 2004),²² but putting the private sector at the heart of Fiji's economy will require courage, leadership and political will.

Telecommunications and infrastructure

The information and communications technology (ICT) sector is an area of potential growth, given the importance of connectivity in the Pacific for tourism, keeping overseas communities connected, providing access to work, enabling trade, connecting remote communities and helping governments to govern and firms to conduct business efficiently. The contribution of the communications sector to GDP has averaged about 3.4 per cent since 2005 and there has been good progress in the use of computers and mobile phones (a fourfold increase) and in Internet penetration (Table 3).

The interim government did well to kick start the liberalisation of the telecommunications sector in January 2008. There

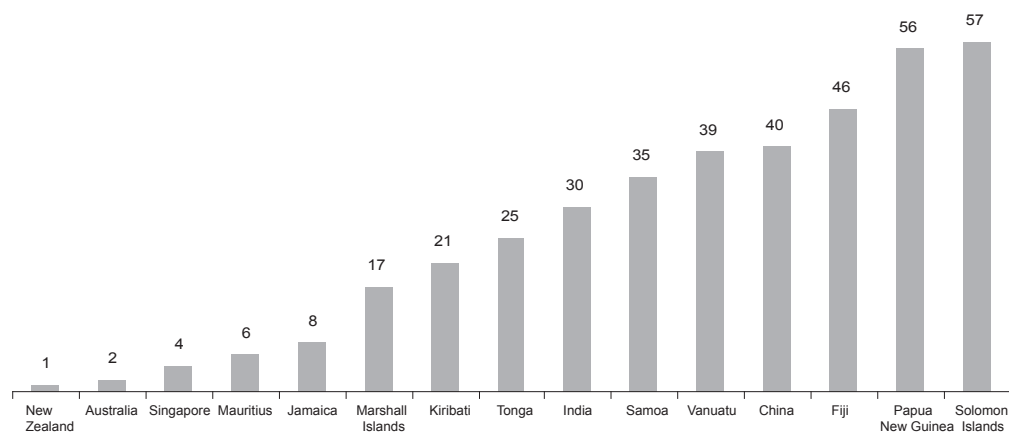
are at least three broadband Internet service providers (although dial-up access is still monopolised) and two providers in mobile services that provide competition to the government enterprise. With the opening up of (currently monopolised) international telecommunications for leased lines as well as voice and data communications from 1 July 2009 (Ministry of Finance and National Planning 2008a), it is hoped that Fiji will enjoy further reductions in telecommunications costs.

Apart from the Kalabo ICT economic free zone—which enjoys a 13-year tax holiday—the government has approved an ICT park at the University of the South Pacific and a technology park in Suva. If, however, the unsuccessful experiences of similar parks and various incentives for ICT in Malaysia (Mahadevan 2007) are anything to go by, one must be careful to ensure that supporting infrastructure is present to enable the success of this industry. For instance, in terms of skilled labour, Fiji was ranked eighty-seventh among 154 economies on the International Telecommunications Union's ICT skill index in 2007 (ITU 2009) and although Fiji is the leader of the pack in the Pacific region, the cost of doing business (as explained earlier) and its ICT products are not competitive. The value of the ICT price basket²³ in Fiji is about 2.7 times that in Malaysia and 5.8 times more than in Australia (Figure 2).

Where infrastructure is concerned, government efforts to upgrade ports and roads have been riddled with long delays and incomplete contracts. Although infrastructure development is a major thrust of the 2009 budget, given that capital expenditure is less than 20 per cent of the government's budget, it is doubtful that the thrust will make a difference. It is often the neglect of maintenance of infrastructure in the first place that has led to a lot more money being needed to improve it.

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Figure 1 Time needed to start a business (days)



Source: World Bank, 2008a. *Doing Business 2009*, The World Bank, Washington, DC, and Palgrave, Basingstoke.

Table 3 Telecommunications activities in Fiji, 2002 and 2007

	Year	
	2002	2007
Telephones, fixed line per 100 inhabitants	11.8	14.5
Mobile phones per 100 inhabitants	10.9	63.2
Internet users per 100 inhabitants	6.1	10.9
Broadband subscribers per 100 inhabitants	..	1.4
Proportion of households with computer (%)	8.9	18.2
Proportion of households with internet (%)	1.3	11.5

.. not available

Source: International Telecommunications Union (ITU), 2009. *Measuring the Information Society: the ICT development index*, International Telecommunications Union, Geneva.

Governance

Part of the government's failure to provide an environment conducive to investment, to improve telecommunications and infrastructure and to raise productivity in the key growth sectors is due to poor governance. This has been widely documented (Duncan 2007; Mahadevan and Asafu-Adjaye 2008; Larmour 2009). The World Bank (2008b) reports a consistent decline in government effectiveness²⁴—from 0.19 in 2002 to -0.52 in 2007—and there has been weakening control of corruption in Fiji over time (Figure 3).

While the other dimensions of governance—such as voice, accountability and regulatory quality—have seen no improvements since 2005 (World Bank 2008b), the rule of law and political stability have clearly plummeted in recent months because of the government's failure to hold elections in March 2009, its unwillingness to cooperate with the Commonwealth Ministerial Action Group to hold elections by the end of 2009, the High Court's ruling in March 2009 that the military government is legal and the abrogation of the 1997 Constitution by Fiji's President, who appointed himself head of state, revoked the appointment of all judicial officers under a new legal order and reinstated the interim military government as the caretaker government when the Appeals Court ruled the military commander's appointment as Prime Minister illegal in April 2009.

These events do not provide any hope that the longstanding land lease problem will be resolved.²⁵ The land rights issue is extremely sensitive and is unlikely to be discussed by any political party or government until it has guaranteed control over the political situation. The lack of clear property rights to land has long had serious repercussions for private investment in all sectors in Fiji. There has, however, been some progress by the Committee for Better Utilisation, set

up in 2007, to revert 80 per cent of expired sugarcane leases under the *Agricultural Landlord and Tenant Act* to farmers, after the landowning units gave approval in June 2008 (FSC 2008). The criticism levied against this action was that any progress was due to the huge subsidy provided by the government to compensate for the revalued land when the cost should have been borne by the farmers themselves.

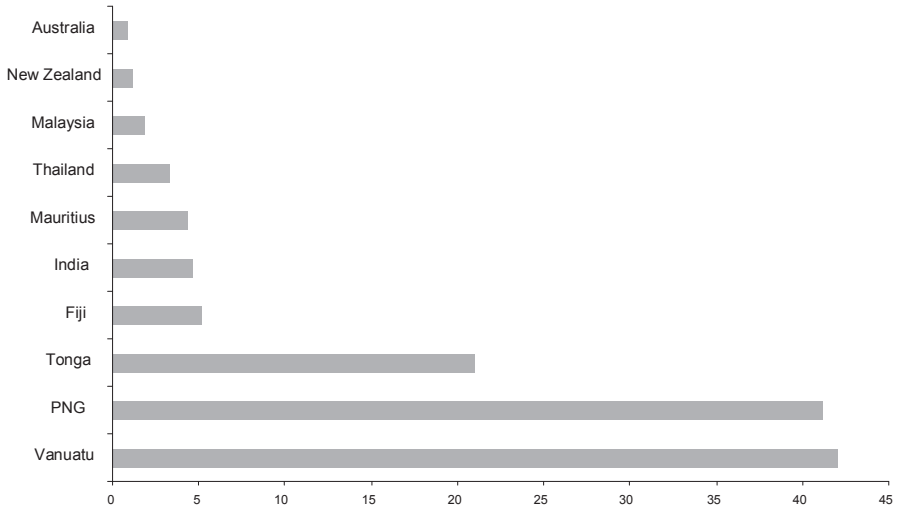
Poverty

The extent of poverty has increased consistently in Fiji (Table 4). In 1977, about 15 per cent of households lived below the poverty line. This figure rose to 25.5 per cent in 1990–91 and to 34.4 per cent in 2002–03—the date of the most recent household expenditure survey. This figure is, however, an underestimate as intra-household poverty is not taken into account.²⁶ If intra-household poverty is considered, the true poverty incidence can be expected to be more than 37.5 per cent. Kumar and Mahadevan (2009) show that poverty is underestimated by at least 3.1 percentage points if measures based on consumption inequality among individuals in the same household are not used.

The fact is that poverty in Fiji today is far worse than in 2002–03—for two reasons. First, 2002–03 was a relatively better year for Fiji, with GDP growth of 2.1 per cent averaged over 2002 and 2003, while 2007 was relatively worse, with -6.6 per cent. Second, there has been a declining trend in remittances in recent years. Brown and Jimenez (2008) provided evidence of the significant impact of remittances on poverty in their sample of 1,937 households in 2005. Drawing on analysis by the UNDP of the Pacific region's household income and expenditure surveys, as reported in ADB (2009b), a 1 per cent decline in real income can increase poverty incidence by

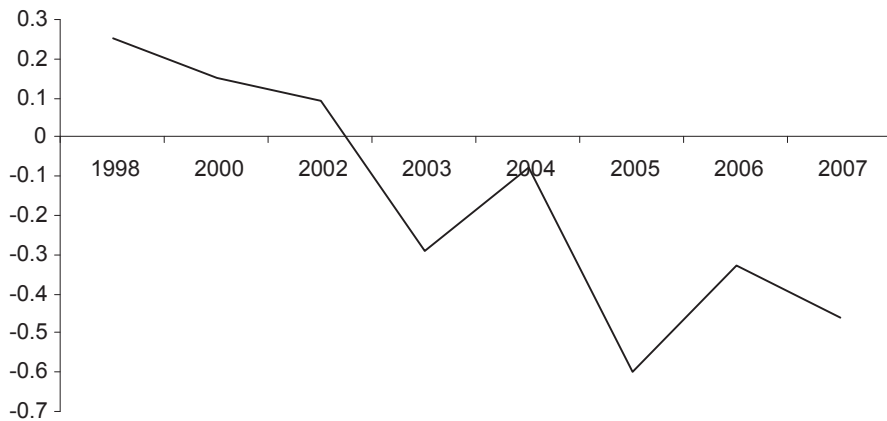
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Figure 2 ICT price basket value, 2008



Source: International Telecommunications Union (ITU), 2009. *Measuring the Information Society: the ICT development index*, International Telecommunications Union, Geneva.

Figure 3 Control of corruption index



Source: World Bank, 2008b. *World Governance Indicators 1996–2007*, The World Bank, Washington, DC.

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Table 4 Poverty in Fiji, 1977, 1990–91, 2002–03

	1977	1990–91	2002–03
Poverty incidence			
National average	15.0	25.5	34.4
Urban average	12.0	27.6	31.8
Rural average	20.0	24.3	38.1
Poverty line	F\$1,460	F\$4,316	F\$9,776
Poverty gap	F\$666	F\$1,377	F\$4,330
Poverty gap/GDP (%)	1.9	2.4	5.2
Resources needed to close poverty gap	F\$11.5m	F\$43.33m	F\$181m

Sources: For 1977: Stavenuiter, S., 1983. *Income distribution in Fiji: an analysis of its various dimensions with implications for future employment, basic needs and income policies*, WEP Research Working Paper, International Labor Organization, Geneva; for 1990–91: Ahlburg, D., 1995. *Income distribution and poverty in Fiji*, Mimeo., Pacific Regional Equitable and Sustainable Human Development Programme/United Nations Development Programme, Suva; and for 2002–03: Abbott, D.F., 2006. *Estimation of basic needs poverty lines and incidence of poverty in Fiji*, Draft final report on analysis of the 2002–03 Household Income and Expenditure Surveys, United Nations Development Programme, Pacific Sub-Regional Centre, Suva.

0.5 percentage points. Poverty incidence is conservatively estimated to be 41 per cent at the very least for 2009.²⁷ These effects will be amplified for rural poverty and for households headed by women and the elderly.

The depth of poverty as measured by the poverty gap is based on the average gap between the poverty line and the income of the poor. This has worsened more than threefold in the past decade. From these data, the cost of closing the poverty gap was estimated to have risen from 1.9 per cent of GDP in 1977 to 5.2 per cent in 2002–03. The cost of eradicating poverty was therefore a staggering F\$181 million a year at the very least. Globally, Fiji's ranking on the Human Poverty Index has fallen from forty-second in 2002 to seventy-eighth among 135 developing countries in 2006 (UNDP 2008).

The Strategic Development Plan 2003–05 gave prominence to the need to alleviate poverty and improve economic growth in Fiji (which was also the focus of the 2009 budget), but to date, there has been little to

show in this regard. In fact, there has been very heavy criticism of the government's poverty-alleviation schemes since the mid 1980s (Chand 2007b; Kumar and Prasad 2004; Prasad 1998). The racial bias of government assistance towards indigenous Fijians has been questioned and, it is argued, is ineffective (Chand 2007b). In addition, assistance has not reached the poorest of this group (Kaitani 2007).

What is surprising is that the allocation of F\$41.72 million in the 2009 budget to government assistance for poverty alleviation is significantly less than the F\$60 million allocated in 2008 while F\$54.56 million was said to have been spent in 2007 for this purpose. Likewise, the amount for rural and outer island development in the current budget is only F\$71.95 million compared to F\$117.53 million allocated in 2008 and the expenditure of F\$112.22 million in 2007. There is little reason to believe that the poverty focus of the current budget will deliver when past efforts with a similar focus have produced unsatisfactory outcomes.

Efforts need to be intensified in the current economic climate, which is already leading to rising debt levels—with more than 50 per cent of the Housing Authority Board's 18,000 clients in arrears (*Fiji Times*, 6 April 2009). Poverty was on the rise even before the global crisis, which is expected to weaken the informal and formal sectors (ADB 2009b). In times of stress, generalised interventions might be needed as stop-gap measures until targeted interventions can be developed (Sudgen 2009). The ADB (2009b) further warns that there will be slow progress in achieving the millennium development goals and that earlier progress towards these in the Pacific could even be reversed if the global crisis is severe enough.

Environmental sustainability

Environmental sustainability has been a low priority on the government's list of things to do. An earlier report (Leslie and Ratukalou 2002) documents serious under-resourcing of the ministries with responsibilities for agriculture and forestry and a lack of expertise in the extension services to combat environmental problems.

The land area protected to maintain biological diversity has been increased by less than 2 per cent since 1990, but forest degradation through unsustainable logging is continuing throughout large areas of the remaining tropical rainforests of Fiji (Austral Foundation 2007). Logging is of concern for species and habitat conservation because it can cause ecosystem degradation and predator and weed invasion. Further diminished by fire and conversion to agriculture, the total remaining forest area of Fiji is declining—with 70,000 hectares lost in the past 15 years (Austral Foundation 2007). While there is a long list of plans and policies²⁸ to provide a framework for sustainable

management of land and water resources, little has been effectively implemented and there is no mechanism in place to monitor progress.

Soil erosion has been identified as one of the major problems of land degradation in Fiji. When steep land is used for farming, surface run-off is high, resulting in higher soil erosion. It is worrying that currently 58 per cent of land under sugar cane is cropped on slopes of more than 12 degrees (EC 2008).²⁹ Soil erosion not only costs millions of dollars because of the need to dredge rivers, it has been estimated to cause a 9 per cent loss in cane output—which translates to a loss of US\$12 million in sugar sales (Mahadevan 2008). Soil erosion on ginger farms resulted in a 6.8 per cent loss in ginger output (Mahadevan and Gonemaituba 2009).

The choice facing the caretaker government—exit or isolate Fiji

After the Court of Appeal ruling that the military government was illegal, it came as a shock when the President abrogated Fiji's 1997 Constitution and reinstated the military government as the caretaker government. The unwillingness of the interim government to hold elections by the end of 2009, as pressed for by the Commonwealth Secretariat and the Pacific Islands Forum before April 2009, is dwarfed by the fact that elections might now be delayed until September 2014. The interim Prime Minister's actions—such as the unprecedented censorship of the media, the deportation of veteran Australian journalist Sean Dorney, the sacking of the Judicial Commission and removal (without good reason) of the Reserve Bank Governor—have further entrenched Fiji as a military dictatorship. This has prompted the Pacific Islands Forum to suspend Fiji's membership and the Commonwealth's decision to do likewise is pending.

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If the military government is not keen to stabilise the political landscape, the risk of Fiji being isolated from the outside world is quite certain. Regional commentators have observed that although the people of Fiji appear unconcerned on the outside, in reality there is a situation of despair, fear and intimidation. Jones (2009) warns of the possibility of civil unrest, particularly when job losses increase, service delivery declines further and poverty becomes a greater problem.

Conclusion

Fiji is facing one of the toughest times in its economic and political history and the economy is facing challenges on more than one front. First, it is unclear when elections will be held—and even if they are held in 2010 or later, time will be needed for the difficulties arising from the period of military rule to pass. This is the longest period of government by an administration that came to power through a coup, which sends a negative message to the world that the coup culture in Fiji is becoming stronger. Such an environment will have repercussions for investment, tourism, trade and the general confidence of the people in the state.

Second, reforms are required in many areas—agriculture, trade, infrastructure, institutions and governance. The fact that these reforms were long overdue before the 2006 coup intensifies the depth of the current problems. The complex task ahead for the government is therefore to undertake a coherent and well-coordinated policy approach coupled with speedy and effective implementation to deal with the multifaceted domestic reform process. Systemic corruption, low levels of transparency and accountability and abuse of positions and privileges have long been features of Fiji's economic and political landscape (with or

without the coups). It is necessary to stamp out these major sources of development failure, and to maintain social and political stability, which are the basic prerequisites for growth.

Third, the global economic crisis has arrived with awful timing, making the situation in Fiji nothing less than the perfect storm, compounded as it is by the recent political turmoil. The policy reform agenda therefore needs to be undertaken in conjunction with counter-cyclical demand-management strategies in relation to the crisis. The rapidly evolving impact of the global crisis means that any policy response needs to be revisited frequently through a proactive and forward-looking approach to economic management. For instance, a fiscal stimulus might be necessary as a lesser evil in the long term, although this could raise the budget deficit in the short term.

Most nations are busy staying afloat in the current economic tsunami and little help can be expected from them, especially when Fiji has moved further away from democratic rule. Fiji is in deep, choppy waters due to the indirect impact of the global tide. The only way to ride out the rough seas is to do two things—swim with a different stroke and swim hard and fast to get to shore.

Notes

- ¹ The Asian Development Bank (ADB 2009a) reported that the floods caused US\$60 million (about 2.2 per cent of GDP) worth of damage to sugar and other crops and livestock, as well as to physical infrastructure. This damage will result in lower exports, which will place additional stress on foreign reserves. Unplanned expenditure on rehabilitation and humanitarian support in the wake of the floods also made government service delivery more difficult.

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- ² Unlike in many other sugar-producing countries, in Fiji, growers are not the millers and this has resulted in the two groups blaming one another for poor cane quality and supply, mill stoppages and poor harvest and transportation.
- ³ In the past two years, the industry was forced to import sugar from India to supply the domestic and regional markets, as total output was sufficient only to meet the EU quota.
- ⁴ Since 1975, Fiji's sugar has often been sold to the European Union at prices much higher than the world price.
- ⁵ The Sugar Cane Growers Council has initiated negotiations with the Fairtrade Labelling Organizations International and, once it is certified, the premium on sales of sugar under the Fairtrade label will be paid to the growers' body for use in agreed projects for the common economic and social benefit of the cane-growing community.
- ⁶ This was agreed to unanimously by the various stakeholders in my personal communication with them in April 2009. The Fiji Sugar Marketing organisation has been dissolved and the number of board members on the Sugar Cane Growers Council has been reduced. Some staff members from the Sugar Commission of Fiji (which is to be dissolved in June 2009) have been redeployed and extension and farm assistance services of the Sugar Research Institute of Fiji have been transferred to the FSC, which deals directly with farmers.
- ⁷ The European Union has bilateral fisheries agreements with Kiribati, Federal States of Micronesia and Solomon Islands.
- ⁸ The European Union imposed a ban on fish from Fiji on 22 May 2008 on the basis that Fiji's competent authority did not meet EU health standards.
- ⁹ The South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) allowed garment manufacturers in Fiji preferential but non-reciprocal access to the markets of Australia and New Zealand in the form of duty-free and unrestricted or concessional access. The tax-free factory scheme in 1987 included various incentive packages and the import credit scheme in 1991 allowed Australian fabric to be shipped to Fiji at a competitive price, where it was then used in goods re-imported to the Australian market. The MFA was a global agreement whereby Fijian garments entered the United States under export quotas until 2004.
- ¹⁰ Personal communication in April 2009 with Mark Halabe, President of the Garment Association in Fiji.
- ¹¹ The majority of commercial banks in Fiji have their parent companies in Australia, India or Papua New Guinea—all of which are also relatively safe from the financial crisis.
- ¹² The ADB's (2009a) growth projection is -2.4 per cent for the United States, -2.6 per cent for the Euro Zone and -3.5 per cent for Japan.
- ¹³ Emigrant transfers can be significant, making up an estimated 2 per cent of GDP (Ghani 2005).
- ¹⁴ Global bonds worth US\$150 million make up 60 per cent of external debt. The decline in the credit ratings given to Fiji in April by international credit agencies such as Standard and Poor's (from B to B minus) and Moody's (from B1 to BA2) does not augur well for the cost of renewing these bonds or for future borrowing. The ratings were lowered due to the political situation in Fiji. I thank Ron Duncan for drawing this to my attention.
- ¹⁵ The general manager of the Australia and New Zealand Bank (ANZ), Robert Bell, quoted in *Fiji Times*, 27 March 2009.
- ¹⁶ The minimum lending rate for commercial banks has been halved from 6 per cent to 3 per cent and, under the Export Finance Facility, commercial banks can borrow from the Reserve Bank at a maximum of 2 per cent and lend at concessional rates to eligible exporters. The reserve deposit requirement for commercial banks has also been reduced—from 6 per cent to 5 per cent.
- ¹⁷ I would like to thank Ron Duncan for raising the point that devaluation soon after the 2006 coup could, however, have helped the tourism sector, as it did in the 1987 situation due to the absence of a global financial crisis then.
- ¹⁸ Personal communication in April 2009 with officials from the Ministry of Agriculture confirmed this.

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- ¹⁹ The European Union has approved the disbursement of €4 million (of the €64 million agreed on earlier; ADB 2009a) for this program, which is aimed at helping restore a sustainable and competitive sugar sector, promoting diversified, market-driven agriculture and validating an integrated approach to addressing socioeconomic development needs at the local level.
- ²⁰ Net foreign direct inflows were highest at 8 per cent of GDP in 1990 and, since 1998, have not exceeded 5 per cent (World Bank 2008b).
- ²¹ Domestic lending interest rates averaged 7.5 per cent from 2004 to 2008.
- ²² This study investigated the determinants of economic growth across a large number of countries and concluded that the higher public sector investment was as a share of total investment and the larger was the share of the government in the economy, the lower was the long-run growth rate.
- ²³ This value is computed as the sum of the monthly price of fixed telephone, mobile cellular and fixed broadband Internet as a percentage of a country's monthly gross national income.
- ²⁴ The score ranges from -2.5 to 2.5 and, in 2007, 36 per cent of countries worldwide were rated below Fiji, compared with 65 per cent in 2002.
- ²⁵ The expiration of land leases since 1997 has yet to trigger any policy resolve about renewal and there is continued disagreement about rental charges and the government's rental subsidy under the *Agricultural Landlord and Tenant Act* and the Native Lands Trust Board under the *Native Land Trust Act*.
- ²⁶ It has long been argued that intra-household inequality is important for accurate policy formulation where poverty is concerned (Haddad and Kanbur 1990; Phipps and Burton 1995; Blundell, Chiappori and Meghir 2005).
- ²⁷ This is conservative because it assumes that there has been no increase in the 37.5 per cent (including intra-household inequality) poverty incidence of 2002–03. In 2007, the GDP growth rate was -6.6 per cent, reflecting the effects of the 2006 coup, but there was no global crisis then. This, coupled with the

expected -0.3 per cent growth for 2009 in light of the global crisis, gives a crude estimate of -6.9 per cent growth for Fiji—if it is assumed that the recent military action will bring negative growth similar to that after the 2006 coup.

- ²⁸ These include Fiji's National Environment Strategy, State of the Environment Report, Biodiversity Strategy and Action Plan 2003, National Land Use Policy 2005, First National Communication on Climate Change Strategic Actions 2005, *Environment Management Act 2005*, National Forest Policy 2007 and *National Solid and Liquid Waste and Litter Act 2008*.
- ²⁹ By world standards, land with a slope of more than 8 degrees is unsuitable for growing sugar cane because of unacceptable damage to the environment (Galletly and Swartz 1974).

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