Economic nationalism and communal consolidation: economic affirmative action in Fiji, 1987–2002

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Economic affirmative action is usually driven by political imperatives and is aimed at addressing the question of equality. ‘Equality’ is the most common moral justification for affirmative action in most countries around the world, but how it is conceptualised and the methods used to achieve it remain contentious. Affirmative action is a form of preferential governance because it involves state intervention in designing and implementing policies which favour a state-designated group. But economic affirmative action can be a form of economic nationalism, if it is driven by political forces and justified by political ideology aimed at consolidating the interests of a particular ethnic group.

The experiences of countries like Fiji, Malaysia, United States and South Africa show that affirmative action is more than just a normal economic policy prescription, because it encompasses a broader socio-economic and political process involving preferential economic planning, preferential governance, socioeconomic restructuring and political reform. As an economic means to political stability, the underlying logic is that political tension has roots in economic grievances and equitable distribution of resources and development would create the conditions for greater trust and mutual relationship. Equality is the moral discourse around which affirmative action is justified and legitimised. Equality itself is a subjective term, which is subject to different interpretations and contextualisations. There is always a fundamental practical difficulty in achieving equity targets due to interacting socioeconomic and political factors.

In the United States pro-black affirmative action was a direct result of the civil rights movement and the enactment of the Civil Rights Act of 1964. It was also a means of absorbing radical black leaders into institutionalised politics and mainstream capitalism through the creation of ‘black capitalism’. Over the years, the main beneficiaries have been the black middle class. In India affirmative action is aimed at mainstreaming marginalised minorities such as the ‘untouchables’. In a country of more than a billion people the process of administering the affirmative action regime has been problematic, especially in terms of trying to identify ‘genuine’ members of the officially designated categories, amidst false claims and endemic corruption.

Affirmative action in South Africa came to be associated with the 1994 liberation and socioeconomic reconstruction to address the massive socioeconomic inequality which apartheid created, and a means by which blacks were to secure a place in the mainstream economy. But redistribution was
overtaken by neo-liberal policies and compromises had to be made. The main beneficiaries became the emerging black middle class, linked to state bureaucracy.

Malaysia’s affirmative policies which came into being in 1970 under the New Economic Policy addressed the massive socioeconomic inequality which had provoked political grievances amongst the majority Malays, culminating in the ethnic violence of 1969. Malaysia’s affirmative action policies were very much driven by the phenomenal economic growth in the 1970s, 1980s and early 1990s. While the main designated categories were Malays as a group, the main beneficiaries were the Malay middle class, Chinese businessmen and politicians linked together in a complex network of political and economic patronage.

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The Malaysian affirmative action regime was seen by countries such as Fiji and South Africa as the panacea for economic development and political stability while at the same time sustaining a globally competitive economy. Fiji started emulating the Malaysian affirmative action model as early as the 1980s when the Fijian Holdings Company was conceived by the then Prime Minister, Ratu Sir Kamisese Mara, a close friend of Mahathir of Malaysia. After the military coups in 1987 Fiji embraced the Malaysian model with religious commitment. Since the coups in 1987 and again after the 2000 putsch, Fiji’s economic affirmative action policies, targeted at indigenous Fijians, have been driven by the belief that political stability can only be attained through economic equality between the various ethnic groups. Fiji’s affirmative action policies have been, by and large, ethnic in nature and have been geared towards addressing inter-ethnic inequality. This has been in response to indigenous Fijian perceptions that their socioeconomic positions are disadvantaged relative to other ethnic groups. In 1987 and 2000 these grievances became the basis for ethno-nationalist mobilisation and political violence. Attempts at addressing the economic situation of Fijians began seriously after independence in 1970 but it was only after the 1987 military coups that a much more coherent affirmative action policy was put into place. This has continued in earnest after the 2000 putsch. The post-2000 affirmative action policies are encapsulated in the draft 20-Year Development Plan to be introduced shortly in the form of a bill in Parliament.

**Fiji’s post 1987 affirmative action policies**

The post 1987 affirmative action policies in Fiji were driven by the political justification that political stability was only possible if outstanding socioeconomic inequality and resulting grievances were adequately addressed. These were encapsulated in the 1990 Constitution, promulgated to consolidate the post-coup indigenous state. Under the 1990 Constitution, Parliament could enact laws to facilitate the economic, political and social advancement of Fijians. This broad provision provided the framework for government to give directives to any state institution to carry out affirmative action policies. This provision was based on the Malaysian Constitution, which vested power in the President to safeguard the special position of the indigenous Malays. The most specific preferential provision in the 1990 Fijian Constitution was the quota allocation for the public service which
provided that it should consist of not less than 50 per cent indigenous Fijians.

However, the 1997 Constitution extended the definition of the target group to ‘all groups or categories of persons who are disadvantaged’. The shift in definition reflected a shift in thinking towards a more reconciliatory spirit and consociationalist political arrangement suggested by the new Constitution. Affirmative action incorporated a larger and more diverse group defined not by ethnicity alone but by their being ‘disadvantaged’ in socioeconomic terms.

The initial affirmative action policies after 1987 were contained in the ‘Nine Points Plan’ produced in 1988 by the Fijian Initiative Group (a group of indigenous Fijian professionals, civil servants and entrepreneurs). The major proposals of the plan were that

- F$20 million equity was to be injected from the Fijian Affairs Board to the Fijian Holdings Company
- a Unit Trust for Fijians was to be established
- a Compulsory Savings Scheme for Fijians was to be set up
- Government concessions to Fijian business were to be enhanced
- a Management Advisory Services Department was to be established in the Fijian Affairs Board
- Fijians should have a minimum ownership of resource-based industries.

Furthermore, certain sectors of the economy were to be reserved for indigenous Fijian investment; there should be ownership of a daily newspaper by indigenous Fijians; and the Fijian Affairs Board should be restructured and strengthened.

As a result of these recommendations, the government allocated a F$20 million grant to Fijian Holdings via the Fijian Affairs Board. In addition, the Fiji Development Bank bought shares in the Daily Post, an indigenous Fijian-owned daily newspaper, which was transferred to government ownership in February 1999. Also, in the 1990s, there was an increase in indigenous Fijian shares in the Unit Trust of Fiji. A New Zealand company, Hays Consultant undertook a review of the Fijian Affairs Board structure in 1993 and suggested recommendations for making the Board more independent of the Ministry of Fijian Affairs to make it more responsive to ongoing changes. A number of these recommendations were accepted and were implemented in early 1999.

Following the Nine Points Plan was the more comprehensive Ten Year Plan for Fijian Participation in Business. Amongst other things, the Ten Year Plan suggested that affirmative action should be targeted at achieving economic parity between indigenous Fijians and other communities within a very short time and should ensure that indigenous Fijians achieve 50 per cent ownership of the corporate sector and other business sectors by the year 2005. Five strategies were recommended

- enactment of appropriate legislation with the object of promoting and safeguarding the interest of indigenous Fijians
- reorganisation and strengthening of the Fijian Administration
- accumulation of savings to provide investment capital
- encouragement of indigenous Fijians in investment
- development of indigenous Fijian entrepreneurship, business education and training.

These strategies were very much parallel to those of the Nine Points Plan.

The Ten Year Plan identified a number of government controlled industries for privatisation, with government shares to be transferred to Fijian Holdings and other indigenous Fijian corporations. These included big monopolies such as the Fiji Post and Telecom, Fiji International Telecommunications Limited, Fiji Forest Industries Limited, Fiji Pine Limited, Tropic
Woods Limited, Pacific Fisheries Company, and the National Bank of Fiji, the crisis ridden state-owned bank.

A number of Ten Year Plan recommendations have been implemented. Some of these, similar to some of those implemented in the earlier plan, included the reorganisation of the Fijian Administration, expansion of Fijian Holdings Limited, continuation of the Commercial Loans to Fijians Scheme, Unit Trust investment, establishment of a Small Equity Fund within the Ministry of Fijian Affairs and a management training scheme for indigenous Fijians in the private sector.

The reorganisation of the Fijian Administration needs special mention because it supports my argument that the modernisation process as required by affirmative action went hand in hand with the consolidation of communalism. By making the Fijian Affairs Board separate from the Ministry of Fijian Affairs (one of the major reorganisations), it was hoped that interference by the central government in the communal affairs of the Fijian Administration would be minimised, thus providing the latter with the necessary autonomy to streamline its communal organisational role and maintain cohesion within the indigenous Fijian community. However, on the other hand, in the drive for investment were measures clearly designed to create a competitive indigenous Fijian middle class.

The thrust of the post 1987 affirmative action was investment in the area of finance and equity. This was a significant shift from the primary commodity production strategy of the 1970s and early 1980s. Both the Nine Points Plan and the Ten Year Plan were implemented in earnest.

One of the most important actions was the government grant of F$20 million to indigenous Fijian business in 1992. The amount was given to the Fijian Affairs Board to buy ‘B’ Class shares from Fijian Holdings Limited and hold them in trust for indigenous Fijians. These shares were to be sold to indigenous Fijian shareholders later. Since 1987, the operation of Fijian Holdings has been aggressively extended to buying shares in many leading corporations in Fiji. Again, the involvement of the Fijian Affairs Board indicated the degree of importance put on the role of communal mobilisation, even in the realm of capitalist investment.

The post-coup government in 1989 provided two major concessions for the Commercial Loans to Fijians Scheme (CLFS), which was set up in 1975, by the Fiji Development Bank to assist indigenous Fijians in business. The concessions were an increased subsidy of 5.5 per cent per annum on loans up to F$200,000, giving an effective interest rate of 8 per cent per annum to borrowers; and a cash grant equivalent to 10 per cent of the fixed assets cost, with a maximum grant of F$20,000 for each project. Through government encouragement, loans under the CLFS increased dramatically after the coups. For instance, in the 11 years between 1975 and 1988 there were only 4,720 loans totaling about F$25 million. But in the five years from 1989 to 1994, there were 6,189 loans totaling F$99 million. The upsurge in loan approvals reflects the impact of Government concessions. Despite the initial optimism, however, CLFS had a high failure rate, with arrears averaging between 19 and 23 per cent.

Perhaps the area where the quota system was most pronounced was in the taxi business, which had always been dominated by Indo-Fijians. But on 22 October 1993, there was a ministerial directive stating that Indo-Fijians were not to be issued new permits. Since 1990 there had been a deliberate policy to increase the issue of new permits to indigenous Fijians. In 1990, 17 permits were issued to indigenous Fijians, and these steadily increased over the years, so that by June 1994 there was an increase of 240 new permits from the 748 existing in 1993. By the end of December 1994, there were 1,289 indigenous Fijian taxi permits. In comparison, within the same period, Indo-Fijian taxi...
permits declined from 2,265 in 1989 to 2,239 in June 1994. As a result of the ministerial directive in 1993, no new permits were issued to Indo-Fijians from 1994 onwards.

The issue of taxi permits was a clear case of reverse discrimination where, while there was a genuine need to increase indigenous Fijians’ share of the taxi business, there was at the same time a deliberate policy to minimise the Indo-Fijian share. Funding for new indigenous Fijian taxis was provided by the CLFS, but in 1995 funding for new permits was suspended due to the high rate of arrears.

One of the main indigenous Fijian commercial acquisitions was the Fiji Television Limited (FTL). The government granted a 12-year exclusive television broadcast license to FTL on the understanding that indigenous Fijian control of FTL will increase. In 1995, the main shareholders in FTL were Fiji Development Bank 51 per cent, Television New Zealand 15 per cent, Fiji Post and Telecom (FPTL) 14 per cent, and the general public 20 per cent. The 51 per cent Fiji Development Bank shares were held in trust on behalf of indigenous Fijians, represented by the 14 Provincial Councils. The Provincial Councils owned the Yasana Holdings Limited, a company established by the Fijian Affairs Board to look after provincial investment.

The Village Housing Scheme was set up by the Fiji National Provident Fund in 1987 to provide homes for rural villages. A total of 27,373 applications amounting to F$53.91 million were approved and paid out.

The Small Business Equity Scheme was set up by the Fiji National Provident Fund in 1990 to provide finance for small businesses, especially indigenous Fijians. Since it started, a total of 4,621 members have been assisted, representing F$17.22 million in payments. In 1996, a total of 1,379 applications amounting to F$3.5 million were approved. Of these, indigenous Fijians constituted about 90 per cent or 1,200 applications totaling F$2.76 million in payment.

Apart from the above, indigenous Fijians were encouraged to join together as part of communal groupings to set up companies, with government’s support. One such company was the Gaunavou Investments Company Limited (GICL). The GICL was set up by the Suva City Fijian Urban Constituency branch of the ruling SVT Party with the positive intention to start and promote indigenous Fijian enterprise and business activities. Amongst the shareholders were the then Prime Minister Rabuka and a number of government cabinet ministers. The GICL, which was concerned with family-based shareholding, was meant to supplement Yasana Holdings (which dealt with provincial investments) and Fijian Holdings, which dealt with bigger shareholders.

In all of the above economic affirmative action projects, three main strategies can be identified:

- an emphasis on communal investment, such as Fijian Holdings, Yasana Holdings and involvement of the Fijian Affairs Board
- small-scale investment
- ethnic marginalisation as a result of strict quotas as in the taxi permits.

The first two largely involved communal capitalism. Communal capitalism was an adaptation of neo-traditional communalism in the new context of commerce, and as such posed a fundamental contradiction; on the one hand there was the need to create an independent indigenous Fijian entrepreneurial class, and on the other, the use of neo-traditional communal arrangements in this process. The latter provided an inhibiting environment for the former.

Given the contradiction between communal organisation and capitalist accumulation, there have been obvious difficulties in indigenous Fijians making headway into mainstream commerce. The efforts directed at affirmative action over the few decades since independence and
especially within the 10 years after the 1987 coup had led to some improvement in Fijian participation in commerce, but by and large Fijians still lag behind other ethnic groups in individually owned corporate enterprises. For instance, the 1996 Census figures show that in the Corporate Managerial category Fijians are still disadvantaged by a factor of 1:6.

Post 2000 affirmative action policies

After the violent putsch in May 2000, Fiji went through a period of political turmoil and economic crisis and one of the major responses was economic reform aimed at stabilising the Fiji economy and politics. The interim government, under Laisenia Qarase, installed by the military after the May 2000 putsch, put in place a document called The Blueprint and Government’s policy for the Enhancement of Indigenous Fijians/Rotumans Participation in Commerce and Business (the ‘Blueprint’). The Blueprint aimed to address Fiji’s economic problems with a seven-prong approach: economic growth and expansion; employment creation; affirmative action for Fijians and Rotumans; poverty alleviation; equitable wealth distribution; maintenance of law and order; and return to democracy and constitutional reform. These approaches were aimed at achieving the ‘National Vision’.

To build a united Fiji with a multi-ethnic and multi-cultural society where all different communities live together in peace, harmony and prosperity; where the aspirations of the Fijians and Rotumans are realised and the paramuntry of their interests is secure, and where the provisions of important social services such as education and health to all our communities will be a priority, so that the quality of life of our people is continuously improving (Fiji, Ministry of Information 2001:2).

Theoretically, the Blueprint attempted a reconciliation between creating a ‘multi-ethnic and multi-cultural society’ with fulfilling the ‘aspirations of the Fijians and Rotumans’ and ‘the paramuntry of their interests’. In fact, this seemingly contradictory principle is at the heart of affirmative action policies. It has also been the basis for debate. Some critics argue that the Blueprint, by upholding the paramuntry of Fijian and Rotuman interests, contradicted the goal of a multi-ethnic and multi-cultural society. But advocates of the Blueprint argue that Fiji’s cycle of political instability, driven by Fijian nationalism, will continue unless drastic measures are put into place to address the Fijians’ economic grievances. Thus, the affirmative action proposals in the Blueprint were economic means by which Fiji’s political problems were to be addressed. These proposals were further developed in a document called the Twenty Year Development Plan.

The Twenty Year Development Plan

The Twenty Year Development Plan (20-Y-Plan) sets out the broad framework and specific strategies for affirmative action in Fiji. The two fundamental concerns of the plan are how to address the socioeconomic disparities between ethnic groups through more equitable sharing of resources and socioeconomic restructuring and how to maximise Fijian economic productivity. Two approaches are suggested: first, ethnic equity through redistribution of resources and economic restructuring; and second, intra-communal distribution of resources to ensure socioeconomic equity within the Fijian community itself. The plan aims to achieve a 50:50 share of the economy by Fijians and other ethnic groups by the year 2020.

The 20-Y-Plan attempts to learn from the mistakes of the previous affirmative action programs by suggesting implementation and monitoring mechanisms to ensure greater transparency and accountability. Previous affirmative action policies, especially those
implemented after the 1987 military coups, were criticised as undermining the rights of other ethnic groups. As a pre-emptive approach, the 20-Y-Plan argues that because the affirmative action policies were geared towards achieving ethnic parity and equity, the fundamental philosophies were not in contravention but compatible with international conventions such as the United National Declaration of Human Rights, International Labour Organization Conventions Concerning Indigenous and Tribal Peoples, Vienna Declaration and Program of Action and the United Nations Draft Declaration on the Rights of Indigenous Peoples.

The 20-Y-Plan identifies a number of important sectors for affirmative action. These are education, human resource development, commerce and finance, public enterprise reforms, health, primary industries and rural development. The plan links all these sectors into an integrated and coherent approach. Although the plan is still to be legislated and implemented, there are a number of critical issues which need to be examined. These are the viability of addressing poverty, questions of accountability and transparency and mechanisms for monitoring. One of the approaches of the 20-Y-Plan is the elimination of poverty within the Fijian community. This is one of the strengths of the plan, and the lack of this approach has been a major shortcoming of the various affirmative action plans since 1987. Research has shown that the post 1987 coups’ affirmative action plans were largely geared towards consolidating the wealth of a privileged Fijian elite and the benefits hardly trickled down to ordinary Fijians in whose name affirmative action policies were justified. The ordinary Fijian people’s participation in the affirmative action process was largely through symbolic and paternalistic institutional means. For instance, the F$20 million provided by the government was packaged as Fijian Affairs Board shares on behalf of Fijians. This was invested in the Fijian Holdings Company, the flagship affirmative action corporation. Other Fijian investments were through communal companies in what I have referred to as ‘communal capitalism’—the use of existing communal sociocultural structures as a means of mobilising resources for investment in communally owned companies. Communal capitalism was geared fundamentally towards assimilating Fijians into mainstream commerce instead of addressing the basic question of poverty and, as a result, it has done very little to improve the socioeconomic conditions of ordinary Fijians. The 20-Y-Plan attempts to address the problem of poverty through a much more comprehensive development strategy. There is also the need to extend the poverty eradication policy to other ethnic groups. However, the question of monitoring and accountability remain.

Controversy surrounding previous affirmative action plans in many ways had to do with the viability of the monitoring process because this is important for transparency and accountability. Since 1987, affirmative action policies have been largely driven by political considerations and there have been no institutional mechanisms for monitoring the allocation and use of public funds. As a result there were abuses and losses amounting to an estimated $F400–500 million. The National Bank of Fiji saga alone cost the country at least $F200 million.\(^1\)

The workability and credibility of the 20-Y-Plan will depend very much on its monitoring mechanism. This requires creating a comprehensive database for the various designated categories and sub-categories, resource input and flows, implementation logistics and progress measurement. There should be constant monitoring and a transparent reporting process to be facilitated by a clearly defined system. Above all, there should be honesty and integrity and a commitment to good governance.
Conclusion

Since 1987 there has been a kind of development duality in Fiji. On the one hand, there was the government’s national development policy and, on the other, the affirmative action policy for indigenous Fijians. The latter has been a form of economic nationalism and was largely driven by political imperatives. Since 1987 there have been success stories from affirmative action, but at the same time there has been a lot of wastage. Affirmative action took on a new dimension after the 2000 putsch when the government put together a comprehensive plan for the next 20 years. The justification was that Fiji’s political problems could only be effectively addressed through economic means. Affirmative action can only be credible if it is rooted in the moral desire to achieve equity between ethnic groups and between other groups in society. It must be a tool for socioeconomic and cultural empowerment for minorities, women and those who have been marginalised over the years by structural and ideological forces. Affirmative action in Fiji must extend to these groups as well. But a number of challenges remain, amongst them the question of monitoring and accountability. In the final analysis, affirmative action is a form of governance and as such it must incorporate values of good governance.

Note

1 The National Bank of Fiji was not officially designated as an instrument of affirmative action but its pro-Fijian lending policies after the 1987 coups were, in practice, affirmative action.

References


