

A Pattern of Failed Policies?

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Introduction

Economists agree that poverty in Fiji has increased since the 1970s. The health system has deteriorated as has national infrastructure, especially water infrastructure. Small businesses continue to struggle, and wages for most Fijians fall further and further behind inflation. NCDs continue to rise and access to nutritious food is more difficult. Most Fijians are mired in debt - as is the government, more than ever before. Many of our most qualified Fijians choose to leave for greener pastures overseas. So where did it all go so wrong?

The problem has been a pattern of the same failed economic policies that began under the Alliance government in the early 1980's that have been perpetuated ever since. Understandably, these policies have been prescribed by the International Monetary Fund (IMF), however, they have failed to understand the unique economic needs of small island states like Fiji.

Failed policies

In the years leading to Fiji's independence, development policy under the British began to involve greater private sector growth and foreign investment, increased commercial bank lending, more reliance on importation, and the transition of labour from agriculture to services. Such government policy has been labelled 'structural change', which refers to a 'change' from a more government-centred economy to greater market liberalisation. The rhetoric is powerful, and many economists shout its praises. But it has not entirely worked in Fiji.

It is important to note that policy directed towards 'private sector growth' in developing nations is a reference to the support of big businesses rather than the small business (SME) sector.

‘Private sector growth’ models in Fiji usually involve increased commercial bank lending which SMEs do not have easy access to; privatisation which is only open to big businesses; infrastructure development to support the tourism sector; and encouraging investment, mainly foreign investment and again, especially for tourism. The ideology is ‘trickle down economics’ – i.e., the hope that the wealth amassed by big businesses ‘trickles down’ to the rest of the population.

The problem is that big businesses and foreign investment seek to exploit wage labour; commercial bank credit does not necessarily target productive areas of the economy while also causing inflation; and an over reliance on imports results in unsustainable trade deficits and growing foreign debt, vulnerability to global shocks and low domestic productivity.

Furthermore, labour transitioning from agriculture has caused urbanisation and the neglect of the rural economy. It has also moved labour from domestic industries like farming to foreign owned industries like tourism. As we have seen in Fiji and many other developing contexts, structural change policy has led to increased poverty and deprivation over time.

Ratu Mara’s import substitution policy

Ratu Mara’s post-independence economic strategy was different. It was centred around import substitution and state intervention to increase Fijian productivity and reduce the reliance on imports and the overseas ownership of production. Import substitution meant that Fiji would attempt to become more self-reliant in certain areas, such as food. Mara attempted to engage Indigenous Fijians in sugar cane farming and transition subsistence farmers to small scale commercial farmers.

At the same time, he encouraged foreign investment in tourism providing Fijians with formal employment while also supporting the Indo-Fijian dominated sugarcane sector including nationalising the foreign owned Colonial Sugar Refinery. He also established several new state-owned enterprises and Indigenous investment companies. He commissioned the Monasavu project providing Viti Levu with almost 100% renewable energy. Mara labelled his economic strategy ‘the Pacific way meets the market way’. However, this began to unravel in the 1980’s as the Alliance government turned to structural change policy under directives from the IMF.

Yet, it was the Fiji Labour Party (FLP) that won the 1987 elections and their sentiments mirrored those of post-independence Mara alongside a strong anti-colonial stance. A month later, though, they were ousted in a military coup led by Sitiveni Rabuka. It was not long before Rabuka's military government continued to roll out IMF prescribed structural change policy. As the development scholar Robertson described in 1993: "Devaluation, deregulation, privatization, and foreign investment quickly became the catchwords of the postcoup regime".

Any semblance of Mara's import substitution policy made way for commercial bank funded, private sector and import based open market policy beginning with devaluations of the currency and government deregulation – signals of imminent structural change policy as seen in 1987 and 2009. Suppressed wages and tax holidays followed to create the inflationary and low-cost environment for foreign investment. The reduction in government revenue caused by reduced trade and income taxes was compensated by the introduction of VAT in 1992 which has since been increased in 2016 and 2023, yet more tell-tale signs of structural change policy in action.

Strong government and domestic market

It is unmistakeable that small nations like Fiji need strong, competent, well-resourced and fiercely self-determining governments to ensure that wealth is equitably distributed throughout the economy and that opportunities are created for all and not for the privileged few. It will need to negotiate with powerful international institutions on the best interests of the Fijian people and not behave obsequiously to international interests.

Austerity is not the answer. The government must also spend. But where does the money come from? Solution: it comes from a robust economy and domestic (as opposed to foreign) lending. In essence Fiji must reduce its reliance on imports and increase local production. This is to ensure that money that enters the economy circulates more effectively throughout the economy, i.e., increasing the 'velocity' of money – the amount of times money changes hands. Wealth is created in this way and it boosts productively and government revenue.

Currently, money that enters the economy is quickly redirected to imports or foreign-owned enterprises and leaves the domestic market akin to water flowing out of a bucket with many

holes. For this reason, the Fijian economy lacks productivity and competition and as a result, opportunity and innovation.

Furthermore, the Reserve Bank of Fiji has the capacity for domestic lending to fund government budgets. The reliance on commercial bank credit must be lessened and other avenues of domestic lending facilitated.

Much needed policy reform

There needs to be a return to common sense economic policy and a revisiting of Mara's post-independence ideology.

Taxes should incentivise against unnecessary imports and support emerging industries and local production and to shift the economy away from its reliance on services. It is essential that VAT and company taxes are reduced to generate better movements of money throughout the economy and support SMEs.

Furthermore, there must be greater government investment in local industries, especially agriculture. This would reduce food imports, which was over \$1 billion in the last year, and improve food security. Government investment, or a private-public-partnership, in an ethanol factory, for example, would boost renewable energy reducing the \$1.5 billion annual fuel imports.

Conclusion

Development in Fiji has been sluggish because of a pattern of failed economic policies centred around structural change, except for interludes involving The Alliance Party and the FLP. The results have been increased poverty, declining infrastructure and a failing economy. The good news is that the failures are easy to identify which means they can be fixed. With the 2026 elections around the corner, the voter must choose a government that will opt against structural change and trickle-down economics and embrace more common-sense economic policies.