

Fiji Labour Party's Economic Outlook for FIJI

Fiji Labour Party
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INTRODUCTION

The coalition government has shown that they will continue down the same economic path as Fiji First. Their ideology is that if the rich get richer, wealth will trickle down to the rest. This is called 'trickle-down' economics. Unfortunately, throughout the world this has only led to people getting poorer and countries like Fiji remaining underdeveloped.

Trickle-down economics is based on reducing the role of government and transferring the role of development to the private sector. This seems like a good idea, but in reality, small businesses are rarely supported while big businesses and overseas investors are unduly privileged. These larger businesses usually keep wages low, stifle competition and expatriate profits overseas.

Government's role (macro-stability policy) is primarily to keep budget deficits low and to enable commercial bank lending to drive private sector led economic growth. They also focus on privatisation (or PPPs), reducing regulation for the private sector, public investment using large private firms and market liberalisation (boosting imports, keeping exchange rates low and pushing for foreign investment).

"...development strategies focusing around privatization, liberalization, and macro-stability ...reducing, or even minimizing, the role of government... did not provide the answer. Its recipes were neither necessary nor sufficient for successful growth", (Stiglitz 2004)

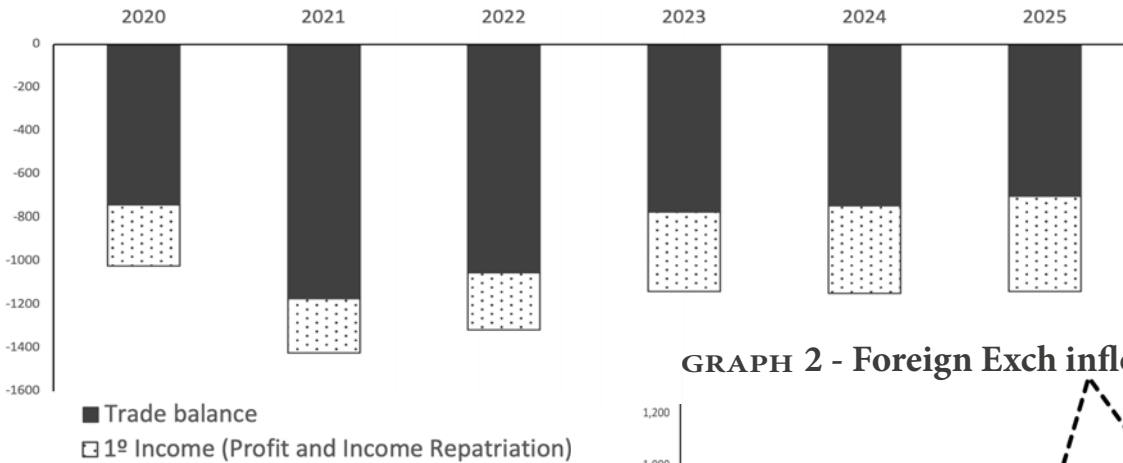


"Once you realize that trickle-down economics does not work, you will see the excessive tax cuts for the rich as what they are -- a simple upward redistribution of income, rather than a way to make all of us richer, as we were told."

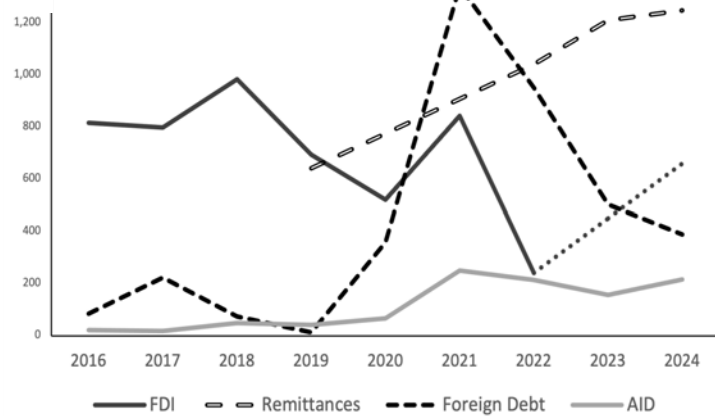
Ha-Joon Chang
Faculty of Economics,
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GRAPH 1 - Current Account (FJDm)



GRAPH 2 - Foreign Exch inflow (FJDm)



What is the coalition's strategy?

• **“Growth Re-Set Package”**

- Boost foreign investment in land, buildings and infrastructure (*increase foreign ownership of local assets*)
- Reduce foreign investment regulation (*increase FDI*)
- Support investment into electricity and energy sector (*privatisation*)
- Facilitate overseas workers coming to Fiji (*will affect net remittances*)

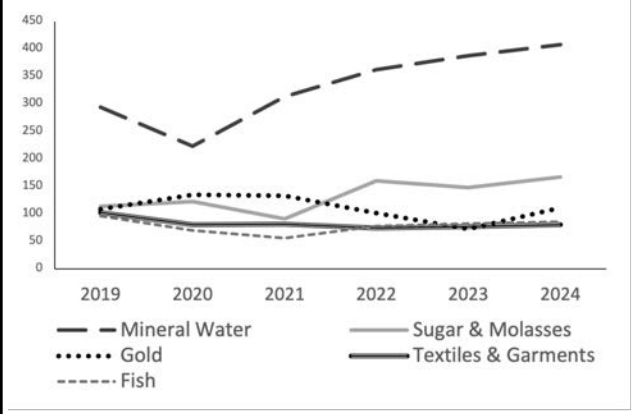
• **Increase Foreign Debt**

- Multilateral debt (World Bank) for tourism development in Vanua Levu
- Blue Bonds, Climate finance
- Bilateral loans (China, Australia)

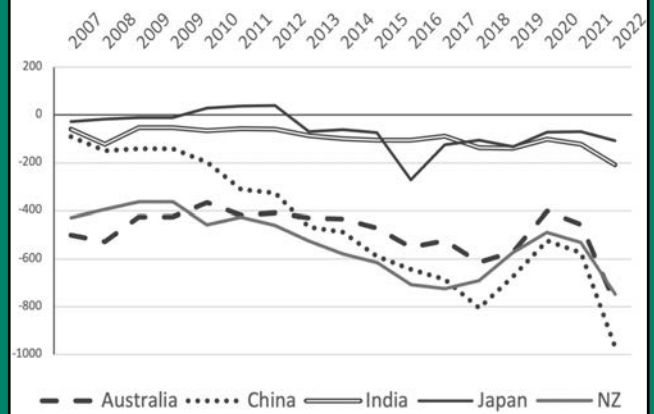
• **Rely on AID (Beggar nation)**

- \$100FJDm Aust. budget support
- AID from ‘development partners’

GRAPH 3 - Commodity Exports (FJDm)



GRAPH 4 - Trading Partners Net trade (FJDm)



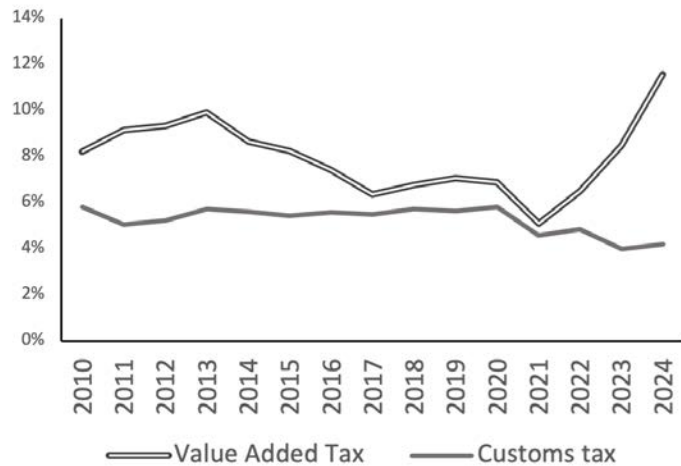
!Hole in the bucket economy!



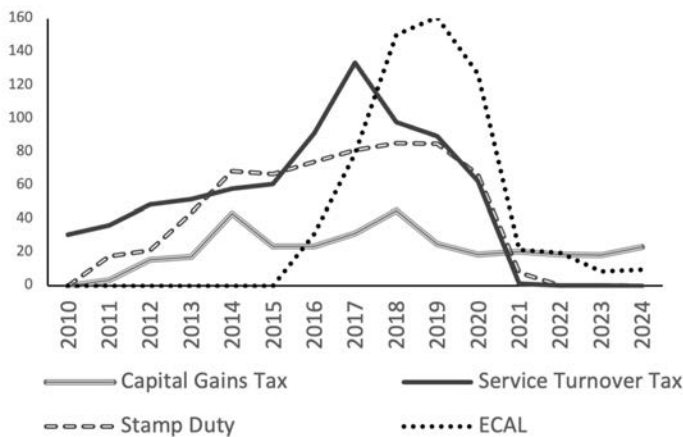
the Trickle down IDEOLOGY

- ◆ Low budget deficits
- ◆ Reduce trade taxes
- ◆ Low national debt to GDP
- ◆ Low interest rates
- ◆ Inflation at around 2-3%
- ◆ Handouts for the poor

GRAPH 5 - Govt Tax revenue (%GDP)



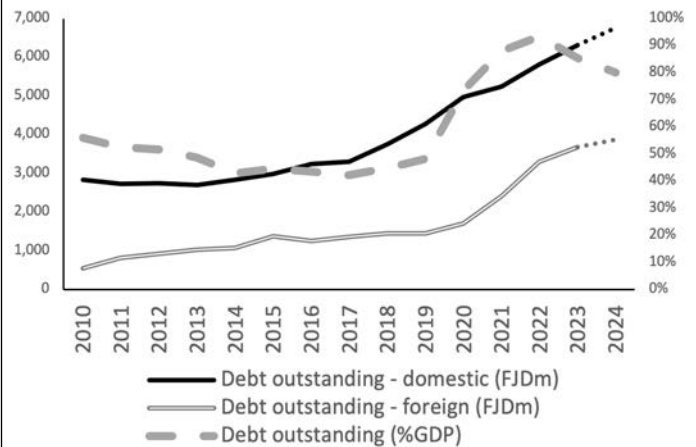
GRAPH 6 - Other taxes (FJDm)



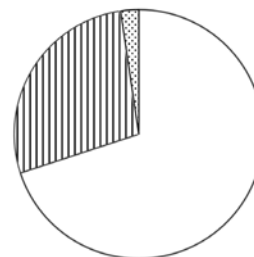
Other taxes can be raised to increase government revenue AND:

- ✓ redistribute wealth - CGT, Stamp duty, progressive PIT, dividends tax
- ✓ increase competitive markets - STT, ECAL
- ✓ reduce the cost of living - increase trade taxes to protect and support local production

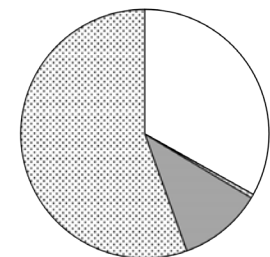
GRAPH 7 - Governmental Debt



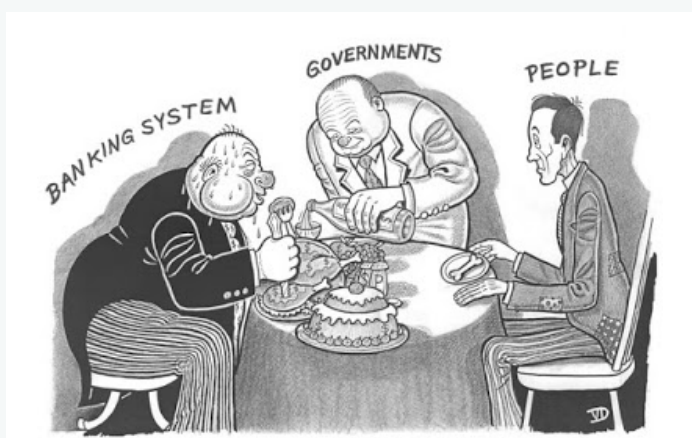
Source of debt 1999



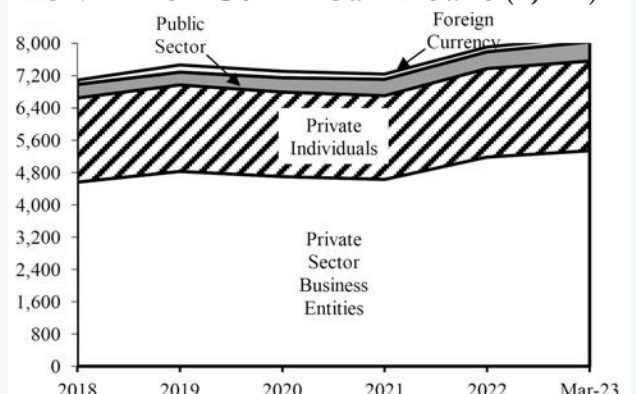
Source of debt 2022



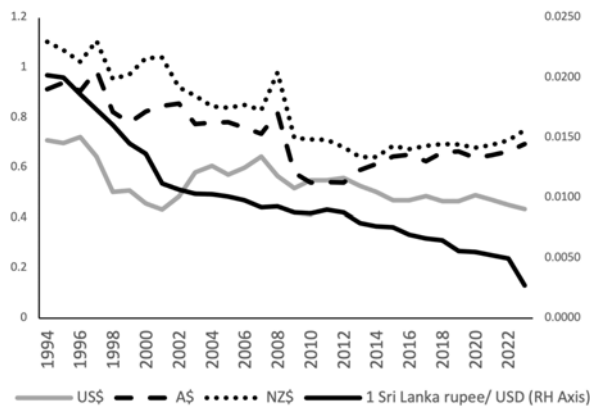
□ FNFP ▨ Commercial Banks ■ Bilateral ▩ Multilateral



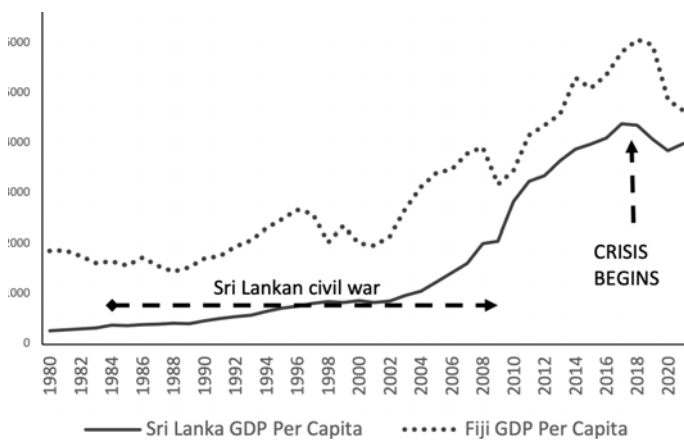
GRAPH 8 - Comm bank loans (FJDm)



GRAPH 9 - FJD Exchange Rate



GRAPH 10 - GDP/ Capita, Sri Lanka vs Fiji (USDm)



!HOUSE OF CARDS!

- **Global risks affecting Fijians:**
 - Increase in commodity prices
 - Persistent global inflation and recession
 - Geopolitical instability (War)
 - Unstable financial markets
- **Domestic concerns:**
 - **Workers**
 - Wage suppression
 - Depressed business environment
 - Lower PIT threshold
 - **Consumers**
 - Removal of 0-VAT
 - Interest rate hike
 - Devaluation of FJD (*floating?*)
 - Inadequate welfare & token handouts
 - **Everyone**
 - Labour shortage affecting health and education
 - Privatisation
 - Government propaganda
 - Vulnerability to crisis

CONCLUSION

Fiji First began to change the economic outlook for Fiji in 2009 by engaging in trickle-down economics. They devalued the dollar, engaged in a pro-tourism agenda while reducing support for agriculture. They boosted commercial bank lending and reduced trade taxes which increased the reliance on imports. Their excessive borrowing has led to a debt and currency crisis.

Fiji is now ever reliant on foreign tourists, foreign investment and foreign currency - this is what made the economy defenceless against a shock like COVID. The coalition has continued where Fiji First left off. They have amplified the problem by increasing VAT and corporate tax and the nominal debt figure keeps rising.

The cost of living has now reached unprecedented levels and poverty has hit crisis point. Many Fijians endure hardship and more and more are leaving our shores. Yet the same old economic rationalism is being explored by this government.

Finding solutions to the problems that people face will be the blueprint to an economic recovery. Not the predictable recipe of trickle-down economics. Like the previous government, the coalition has been bereft of ideas and lack the courage to make meaningful changes.