



## Redistribution Gone Wrong in Fiji

*On current trends, more than half the Fiji population will be in poverty by 2020.... Yet a common economic myth is that indigenous Fijians are poor, while Indo-Fijians are rich*

**Satish Chand argues that the activist State-sponsored affirmative action policies of post-coup governments in Fiji has depressed the economy, lowered incomes and raised poverty. If Australia and the donor community do not ensure racial equity in post-conflict Fiji, the impact on the poor could be devastating.**

Poverty in Fiji has made a steady march, from some 11.6% of the population having an income insufficient to meet the basic necessities in 1977 to some 25.5% by 1996 and a whopping 34.4% by 2002. This finding runs across the population, with the number of Indo-Fijian households in poverty at least equal to that of the indigenous population. On current trends, more than half the Fiji population will be in poverty by 2020.

A common misconception, particularly amongst foreign commentators on Fiji, is that indigenous Fijians are poor while Indo-Fijians are rich. Some have even suggested that the indigenous population is poor because of rich Indians – that the wealth of Indo-Fijians has been accumulated at the expense of the poor indigenous population. These claims are simply wrong.

But even so, first impressions leave an imprint that is hard to erase. I recall a close Australian friend of mine, having returned from a holiday in Fiji on my recommendation, musing over the differences in living standards between the Indo-Fijians and the indigenous Fijians. Her point of reference was Australia and particularly the gulf in living standards between the aboriginal population and the rest. She was drawing the same parallels, but between indigenous Fijians and Indo-Fijians. Nothing could be further from the truth. I was both perplexed and amused by her misunderstandings.

On further questioning, I understood the reasons for the misinformation. My good and well-meaning friend left her 5-Star hotel on Denarau Island to visit a village as part of her tour package. What she saw there disturbed her. Back at the resort, the gardeners, cleaning ladies and waitresses were ethnic Fijian. Her only contact with Indo-Fijians was during shopping escapades to Nadi. The taxi driver with the new air-conditioned car was Indo-Fijian. The duty-free dealer in Nadi, laden with gold jewellery, was also Indo-Fijian. The contrast could not have been greater.

### **POLICY RECOMMENDATIONS**

#### **1. Ethnic Redistribution Must Stop**

The use of ethnicity as an instrument for redistribution has lent itself to abuse. Not only will transfers aimed squarely at poverty reduction, devoid of ethnicity, be more effective, they will also encourage a shared, community-wide response to poverty alleviation. Instead, the existing policies serve to reinforce negative stereotypes and ultimately result in only the rich getting richer.

#### **2. Ethnic Divisions in Politics Must End**

The politics of redistribution on the basis of ethnicity remain compelling for many aspiring leaders. This is particularly so when seats in the national parliament are allocated on the basis of ethnicity. Ethnic-based politics, must end if discriminatory practices are to cease. The international community must ensure that ethnic divisions end when Fiji returns to democracy.

#### **3. Fiji Must Become a United Country**

The belief that the rich have done well at the expense of the poor can easily fracture ethnically-divided communities and feed to political instability. The notion that the incomes of the more prosperous groups is achieved at the expense of the less prosperous is one of the most pernicious misconceptions in economics. This, as history has reminded us several times over, has led to persecution of economically productive but powerless minorities throughout human history.

Post-coup Fiji is doomed to repeat the past if it does not overcome these entrenched beliefs. The international community must ensure a united Fiji, where ethnicity is no help or hinderance to gainful employment and where discrimination of all forms is no longer enshrined in legislation.

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It was long and painful to point out that what she saw gave a highly distorted view of the living standards of the two groups. It was an even harder struggle to explain that ethnic Indians were brought to Fiji as indentured labourers to protect the indigenous population from exploitation. Today, the indigenous population has the first call on all unskilled and semi-skilled jobs on any resource project in Fiji.

Notions of redistribution in Fiji are entrenched, and have been since 1874 when Governor Gordon took office as the first colonial governor. He, having seen the plight of indigenous populations in other colonies, was determined to make Fiji a showpiece of protective/paternalistic colonialism. He quarantined the indigenous population from exploitation by the planters and the forces of modern commerce. He banned the alienation of land and introduced indentured labour, first from neighbouring Pacific islands and then from India. Some 60,000 Indians were brought in, from the first arrivals in 1879 to the suspension of the scheme in 1916 due to pressure from the Indian colonial government.

The thumbprints of Governor Gordon remain, with some 90% of the total land area restricted to indigenous ownership and all remaining natural resources, including the foreshores, are the property of the indigenous population. Resource investors must use indigenous labour and must ensure that the indigenous population benefits from resource use. This explains why nearly every unskilled and semi-skilled position in the tourism industry is held by indigenous Fijians.

Redistribution policies in Fiji have become increasing overt. Indigenisation of the public service has been aggressively pursued since 1987, often at the expense of the meritocracy. Worse, the private sector was told in no uncertain terms to do the same. Indo-Fijians, particularly those with internationally marketable skills, left in droves during the 1990s, mostly to Australia, Canada, New Zealand, and the USA. For them, the choice was between being unemployed and poor in Fiji versus work and wealth in other countries: not a difficult choice for most. Some 100,000 of the best and the brightest left the shores of Fiji in the aftermath of the first coup in 1987, and many more sent their savings overseas.

The loss of both human and financial capital has had a catastrophic impact on the economy. GDP has contracted with each coup, and foreign investment has trended down for the past two decades. While remittances have grown with increased emigration, the poorest, those without skills and resources, have been left behind.

The brunt of the costs of the redistributive policies has fallen on immobile (unskilled and semi-skilled) labour and land. Workers have lost jobs with each downturn while the poor have missed out on income earning opportunities as a result of fewer investments. They have also suffered the consequence of deteriorating access to public services. The aggressive use of affirmative action programs have necessarily compromised the quality of the workforce, which in turn has led to a deterioration in the quality of public services, including health and education.

These are challenges that even a well-meaning program of affirmative action cannot totally avoid. In the case of Fiji, there is strong anecdotal evidence to suggest that the affirmative action programs were captured by the elite and used to legitimise transfers that were poverty-raising. Thus the redistributive policies produced a double whammy by both lowering income and reducing access to quality public services.

The '50/50 by 2020' blueprint launched by the Qarase government in 2002 is the most brazen and ambitious of redistributive policies yet. It espouses a vision where 50% of all income and wealth in the nation will be owned by the indigenous population by 2020. It spells out in minute detail how this target will be met. But it is more likely that 50% of the population will be in poverty if these misguided policies continue. The affirmative action programs tax growth whilst transferring income from the poor to the rich, thus directly contributing to increased poverty in this 'island paradise'.

That the international community allowed this to happen shows, at best, benign neglect and at worse an outrageous oversight in donor governance. While redistribution based on social equity is not unique to Fiji, in this case redistributions are anti-poor. Further, it has been claimed that the findings of the United Nations Development Program (UNDP) supported these policies. But the 1996 UNDP Poverty study referred to by Qarase categorically states that "[p]overty is not concentrated in any particular sector of Fiji society but is an under-current across all communities." The use of ethnicity as an instrument for redistribution was doomed to failure from the start. And the UNDP looks less credible for its association with this agenda.

There is strong anecdotal evidence to suggest that beneficiaries of the affirmative action programs in Fiji have been anything but the poor, even the poor within the indigenous population. For progress to be made in Fiji, the international community must ensure that these discriminatory practices cease, and that Fiji's economy is built to the benefit of all.