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The State of the Economy and Parliament – what does this mean to ordinary people?

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1. Introduction

This is an interesting topic for me to speak on. Economy and parliament inevitably means economy and democracy. The health of an economy measured by GDP growth has an important link with democracy in any country. In most cases countries which are prosperous are also countries with genuine democracy. Fiji's tragedy has been that we have disrupted democracy and we have suffered economically. While return to parliamentary democracy based on a forced constitution is a good beginning we remain far away from achieving genuine democracy in Fiji. Unless we are able to address the issue of the Constitution and remove the draconian decrees which are all in place and part of the Constitution the return to sustainable economic growth will remain elusive. However, before I explain this further, let me say a little bit about the economy and then relate them to parliamentary democracy and the operation of the parliament.

2. Economic performance

Fiji's economy has been estimated to have grown by 4.6% in 2013 and 4.2% percent in 2014. This followed recovery since 2010 from the dismal economic performance between 2007 and 2009. We have to understand that the recent growth is a result of increased government capital expenditure and higher remittance income. The expectation of the business sector seems to have improved as a result of the preparations for the 2014 election and the conduct of the election did bring some confidence into the country and investors. These also contributed to positive growth in the economy.

The bottom line, however, remains that much of the growth over the last two years have been consumption driven supported by remittances and borrowing due to cheaper borrowing rates and due to excess liquidity in the banking system. The increase capital spending on infrastructure has also been based on borrowing. The question we have to ask is the following: Is growth inclusive? Has it created many jobs? Is it coming from our local businesses, big, medium and small? It is clear that much of the growth between 2012 and 2014 has been borrowed growth. The Government has freely borrowed from FNPF (whose board it totally controls), and even increased our borrowings from abroad, thereby increasing our overseas expenditure.

The growth of the real sector of the economy such as sugar, gold, fish and garment production has been poor. Sugar production increased in 2014 compared to 2013 but the future prospects for the industry looks bleak. Already farmers are struggling without the special cane payment and now a reduction in the price of sugar down to about $73 per tonne. The situation in the industry is grim. By 2017 when the EU sugar quota no longer available, the industry will find it difficult to survive.

The average cost of production of one tonne of cane is $45. This includes all farm, harvesting and delivery costs.
For 2013 season farmers received a little less than $89 per tonne. If one removes the cost of production, harvesting and delivery of cane of $45, the net income that farmers get from a tonne of cane is $44.

70 percent of farmers produce an average of 200 tonnes of cane. No doubt this has fallen to 150 tonnes last year. A little over 13,000 farmers are active growers. That leaves 9200 farmers in this category of average producers.

Their net income at $44 by 200 tonnes is $8800 in a season. And farmers receive this money over a period of 14 months. This is well below the tax threshold of $16,000. No other commercial business can survive on this.

To add salt to injury, there is a $15 per tonne reduction in the price of cane for the 2014 season with the expected announced final price of $73. This equates to a direct loss of $F27 million dollars for farmers.

And at $73 the net income of farmers will be $27 per tonne based on the production cost of $45. For 70% of farmers producing an average of 200 tonnes of cane annually, their net income will be $5,400 per season. And this too is paid over a 14 month period. This is $10,600 below the tax threshold of $16,000. This will be the meagre income of some 9,200 farmers this year.

That is why we have been calling for the implementation of a minimum guaranteed price of $85 per tonne for the next four years so that we can instil confidence in farmers so that the industry cane be resuscitated. We have repeatedly asked for a parliamentary select committee on sugar that a bi-partisan approach is adopted to ensure the viability of an industry that directly and indirectly supports 200,000 Fijians. But the Prime Minister has flatly rejected this. If the sugar industry collapses, then this government will be responsible for its demise.

Other sectors such as gold, fish and garments production and exports fell in 2014. Tourism and remittance receipts show an increase in 2014 but this is very unstable. The target for million tourist arriving in Fiji remain elusive and much effort will be needed to achieve sustainable growth in the industry. Business as usual will not suffice. New and better strategies to get more airlines to fly to Fiji should help boost visitor arrivals. I note that Jetstar is flying to Fiji now and more should be allowed to increase our visitor arrivals.

The only thing unprecedented and historical about these past 8 years, apart from the propaganda and hype from government ministers, is the increasing bondage of debt our people have been placed under, and sweetened only by the meagre freebies that are not really free but paid for by themselves, and VAT in particular whose burden falls on the poor and middle classes. Never in the history of this country have we used such unprecedented expansionary policies based on borrowing. The Honourable Prime Minister keeps talking about the NBF saga and he is right in saying that we should not repeat that. The $220 million loss from the NBF saga indeed was a big hole in the nation's coffers and had to be paid for by increased public debt, financed by the $253 million sale of government's ownership in ATH shares.

But we have to also understand that the massive infrastructure spending last year and the allocation of more than $F630 million for 2015 funded through borrowing and planned asset sales of more than 590 million could leave the biggest dent yet in our budget and it is our people who will be shackled by the burden of debt. This is unprecedented.

Also unprecedented and bigger than the NBF disaster, is the massive losses made by government controlled boards of FNPF investments at Natadola and Momi, where more than $350 million have already been written down, and more will probably be written down in the future, as this government experiments with building five star resorts, which function should be left to our tourism industry and the private sector. It will be interesting if not painful for taxpayers to see if this Government will lose more of their money in the investments at Momi.

If we analyse the revenue and expenditure policy between 2009-2013 we find that government has increasingly relied on indirect taxes. In 2011 government increased the VAT to 15%. VAT is a regressive tax and the burden of this tax falls more heavily on the poor. In addition, from 2010 government also increased fees, fines and charges, import duties, which are again a huge burden on the everyday person in this country. The low wages, high cost of food and utilities has put many families under extreme hardship and many find it difficult to put decent food on the table for their children.

In 2013, the capital budget was underspent by $140 million and similar patterns are bound to be found in 2015. I expect that in 2015, the $653 million allocated to Fiji Roads Authority will not be spent and if it is spent it will be spent in a hurry at the end of the year, just as it was done this year, with much wastage. I know the Minister of Infrastructure is aware of this and to his credit he has assured that the allocation would be efficiently handled. I hope that he is successful.

Inflating expenditure and not delivering has been the strategy used by this government to take the people for a ride. The 2015 budget priority must ensure that the bulk of these funds remain in Fiji and the money is used for the purposed that it was intended.

In 2014 for example, the $415 million from asset sales has not been realized. But we have had a deficit of 2% of GDP. How did they arrive at that? The only conclusion we can draw is that they would not have spent what they told the people in the budget. Most funds are under requisition and government has used that to withhold expenditure and probably used that to manage its cash flow. For example, the $10m for first home buyers in 2014 was not used by many people and I am aware that just prior to Election's there were showy newspaper advertisement but there was never any intention to actually spend that money.

Government debt increased by $1.136 billion between 2006 and 2014. This represents a 39 percent increase over that 8 year period. Debt as a percent of GDP has fluctuated between 48 to 53 percent during the same 8 year period.

There was a sharp increase in deficit (as compared to previous years) in 2009. This increase also reflects the fact that the government moved away from a position of fiscal consolidation adopted in 2007 and 2008.

Government guarantees and contingent liabilities are fiscal obligations contingent on the occurrence of particular events. These obligations are not budgeted and accounted for or considered in conventional fiscal analysis. However, to have a complete scenario of the fiscal position, government obligations outside its budgetary system should be considered.

Between 2006 and 2012, guarantees and contingent liabilities have increased by $748 million or 56 percent. In 2012, it stood at 28.8 percent of GDP. Therefore, one can add 50.9 percent (% debt to GDP) and 28.8 (% guarantees and contingent liabilities to GDP) and argue that total stands at 79.7 percent of GDP.

Although the debt (without contingent liabilities) should not raise immediate concerns, the government should outline a debt policy for sound and effective management of public debt to a sustainable debt position in the medium to long term.

In 2014, the government expected to raise $415m in revenue through the sale of government assets. However, a large part of this expected revenue has not been realized in 2014 due to the government's inability to sell these assets at the price expected. What is the government's backup plan aimed at containing the deficit due to unrealized revenue? How will the government meet its medium term debt and deficit targets if the sale of government assets does not materialize in 2015? In the first place, they should not have included this as part of their revenue measures.

There is another serious question to the government's contention that the deficit for 2014 is 1.9 percent of GDP. If we exclude the revenue from the sale of government assets, the budget deficit would be 7.8 percent of GDP. Is the government deliberately using the old Government Financial Statistics (GFS) standards instead of new Financial Statistics? This is a pertinent question because if the government had used the new Government Financial Statistics of 2001, then the sale of government assets would not have been treated as revenue and the budget deficit would be 7.8 percent of GDP in 2014, not the 2.5 percent they are boasting about.

Another notable trend is the steady increase in overseas borrowings. Repayments for these borrowings would have to be in foreign exchange. The global bonds of USD $150 million was a standby facility at 6% interest rate under the SDL government. The interim government used it. When it was time to pay, they went and borrowed an additional USD$250 (F$452) million at an interest rate of 9% when there were clearly options for it to borrow at a lower interest. This bond payment is due in 2016. By 2016 government would have paid $207 million in interest alone. This is $207 million that would have gone a long way towards state services such as education and health, or welfare payments. The continued overseas borrowing will require additional foreign exchange earnings as foreign debt increases. In 2013, 44% of the foreign debt went to budget support, 32% for road and transport and 12% went to water and sanitation sector.

Government's own projection shows that in 2016 more than $F500 million would needed for debt servicing and on average $400 million per annum until 2020.

The long and short of this is that the people of this country are and will continue to pay for it. Based on 2013 figures, each woman, man and child had a debt burden of about $4,440. A child born today automatically inherits a debt of $4,440 upon birth – before they've even opened their eyes, grown their first tooth or taken their first steps. Each household would have a debt burden of more than $20,000. Every family will forego the opportunity to buy a $20,000 car or invest $20,000 in a house because they presently and against their will owe and be indirectly paying off $20,000 towards the servicing of these loans. They are already paying for it from increased prices, poor health services etc because large amounts of funds are going towards paying our debt including interest payments.

3. Parliamentary democracy versus economy

Parliamentary democracy and economic growth are intrinsically linked. Genuine parliamentary democracy is a pre-requisite for sound and sensible economic policies that is vital for genuine economic growth and not a consumption-driven economy that we are currently witnessing.

Most importantly the people must enjoy unfettered fundamental freedoms. Unfortunately, this is not the case. Regressive and draconian decrees are still in force. The 2013 Constitution is even subservient to these Decrees, especially Chapter 2, which is the Bill of Rights.

Therefore the claim that the Constitution is the supreme law of the land is a farcical. Section 173 (subsection 4) of the Constitution prohibits any legal challenge to the validity of the Decrees and Promulgations made between 5th December 2006 and the first siting of Parliament, which was 6th October 2014. And no decisions made under the Decrees and Promulgations can be challenged.

Section 173 (subsection 3) of the Constitution stipulates how Decrees can be amended by Parliament. But at the same time no such amendments shall have retrospective effect, nullify any decision made under the Decrees and Promulgations, or grant any compensation, damages, relief, remedy or reparation to any person affected by these laws.

Therefore the notion that the Constitution is supreme is meaningless. We have a parliamentary democracy established under a Constitution that basically plays the role of bridesmaid to Decrees and Promulgations.

The Decrees and Promulgations that erode fundamental rights and freedoms are the Essential National Industries (Employment Decree of 2011; The Political Parties (Registration, Conduct, Funding &

Disclosures) Decree of 2013, The Electoral Decree of 2014 and the Media Industry Development Authority Decree of 2010.

The ENI Decree has severely eroded the rights of workers and the role of trade unions and trade unionists. The airline industry, banking and finance sector, communications sector, local government or municipal councils, are severely affected by this Decree. The Decree encourages workplace or in-house unions in the form of Bargaining Units which must comprise a minimum of 75 workers.

As a result workplaces with less than 75 workers in the designated industries cannot be part of any union. The Decree prohibits trade union leaders from negotiating working conditions on behalf of the workers. In most cases Collective Agreements that were painstakingly negotiated by trade unions over many years have been either changed or discarded.

A good example of this is Fiji Airways, which recently paid a lump sum bonus of $3000 to every employee. It was a one-off payment and not added to the wages and salaries of these workers as part of Cost of Living Adjustment or COLA. Indeed one may ask what percentage of the bonus or the airline's profit comprises of benefits snatched away from the workers like overtime, allowances and reduction in retirement age.

Similarly, the Political Parties Decree and the Electoral Decree prohibit trade unionists and employees of unions from contesting elections. They have to resign their positions in order to do so. They are ridiculously classified as public officers.

At the same time, two unsuccessful candidates in the general elections who contested for the governing Fiji First Party have been appointed to influential positions. It seems the rules are different for people of different political ideologies other than Fiji First. The continuation of the Media Industry Development Decree will render meaningless all talk of Fiji once again being a genuinely democratic nation. In a real democracy people have the liberty to speak openly and candidly. The Government of the day listens and the media exercises its role as the messenger and watchdog of democracy, and as an independent institution, responsibly asserts the right to speak, criticize and agree, without fear of favour, and not merely echoing the voice of Parliament or the Executive Government.

The media must be allowed to freely scrutinize the consequences of actions and decisions of all of us as their representatives in the highest court of the land and Government on ordinary people, while consciously representing the interests of the disadvantaged and downtrodden in society and not just the powerful and wealthy or its owners and advertisers.

It is essential in this regard that the government treats all the media on a level playing field. We know that one newspaper, which is little more than a propaganda arm of this government, receives more than 3.5 million dollars of government advertisements denied to the competing newspaper. Proof of it is that this newspaper has barely carried any stories on the revelations of the Auditor General Reports. One television station has its license ridiculously renewed on a six monthly basis, while the other government station not only enjoys security of license but preferential funding and loans from tax-payer funded sources.

Therefore, freedom to scrutinize and make known to all, if available to Fiji's entire media, will ensure that the accountability, transparency and good governance. Currently, this is sadly lacking.

4. Conclusion

Six months after the general elections, this government thinks it is still in election and campaign mode. It is indulging in fear mongering and "My Way or the Highway" style of rhetoric in an attempt to promote dislike of the Opposition amongst the people of Fiji.

All these are nothing but an attempt to disguise the fundamental concerns affecting the country like continuing suppression of freedom of speech and freedom of association. Extra-ordinary sums of money like $653 million for infrastructure development are being promoted via our pliant media.

The two parliamentary sittings in February and March respectively this year were each of five days only. They were rendered to a question and answer session including questions from Government backbenchers and ministerial statements aimed at glorifying government's policies like free milk, free water and electricity subsidy to name a few.

On the other hand questions from the Opposition have been labeled anti-Fiji even though they sought answers on restoration of rights of our citizens eroded through Decrees and Promulgations. In one case a question by a fellow Opposition parliamentary colleague seeking statistics as to the number of civil servants by ethnicity namely I-taukei, Fijians of Indian descent, Fijians of Rotuman descent and Fijians of General descent was thrown out on the pretext it was unconstitutional. Yet last Saturday, the Fiji Corrections Service, through The Fiji Times revealed the composition of our prison population by ethnicity!

And on instances when Government has provided answers, it has rejected outright suggestions and policies on the pretext that the Opposition does not know the reality. At times therefore I wonder if our restoration of democracy has basically been a transformation from military dictatorship to parliamentary dictatorship.

We cannot continue like this any longer. The notion that a single individual, one party or one organization knows all the answers has not worked anywhere in the democratic world. Similarly, "I know it all" will have to end in Fiji.

The Prime Minister has to honour his pledge of working together with the Opposition, made during his maiden address in Parliament last October if he genuinely believes in common and equal citizenry and building lasting social, economic and political stability.

Last week the Government was forced to back-pedal and endorse an agreement with the Trade Unions, Employers and the International Labour Organisation to review Fiji's labour laws by August this year. Failure or refusal would have seen the initiation of a Committee of Inquiry by the ILO.

This Agreement has been hailed by the Prime Minister as being good for the conduct of industrial relations. In the same manner he must accept that the draconian and regressive Decrees and Promulgations that erode Chapter 2 or the Bill of Rights in the Constitution should be amended or better still repealed. The Prime Minister must accept the fact that the salient provisions of the Constitution that he espouses as the way forward for Fiji are subservient to these Decrees and Promulgations.

Therefore, this necessitates a bi-partisan approach in Parliament to amend and repeal these and at the same time establish a Commission to review the contentious provisions of the Constitution as highlighted by the Working Group of the United Nations Human Rights Council late last year.

There is no other alternative apart from this noble and sensible approach to curing the social, economic and political ills of our nation.