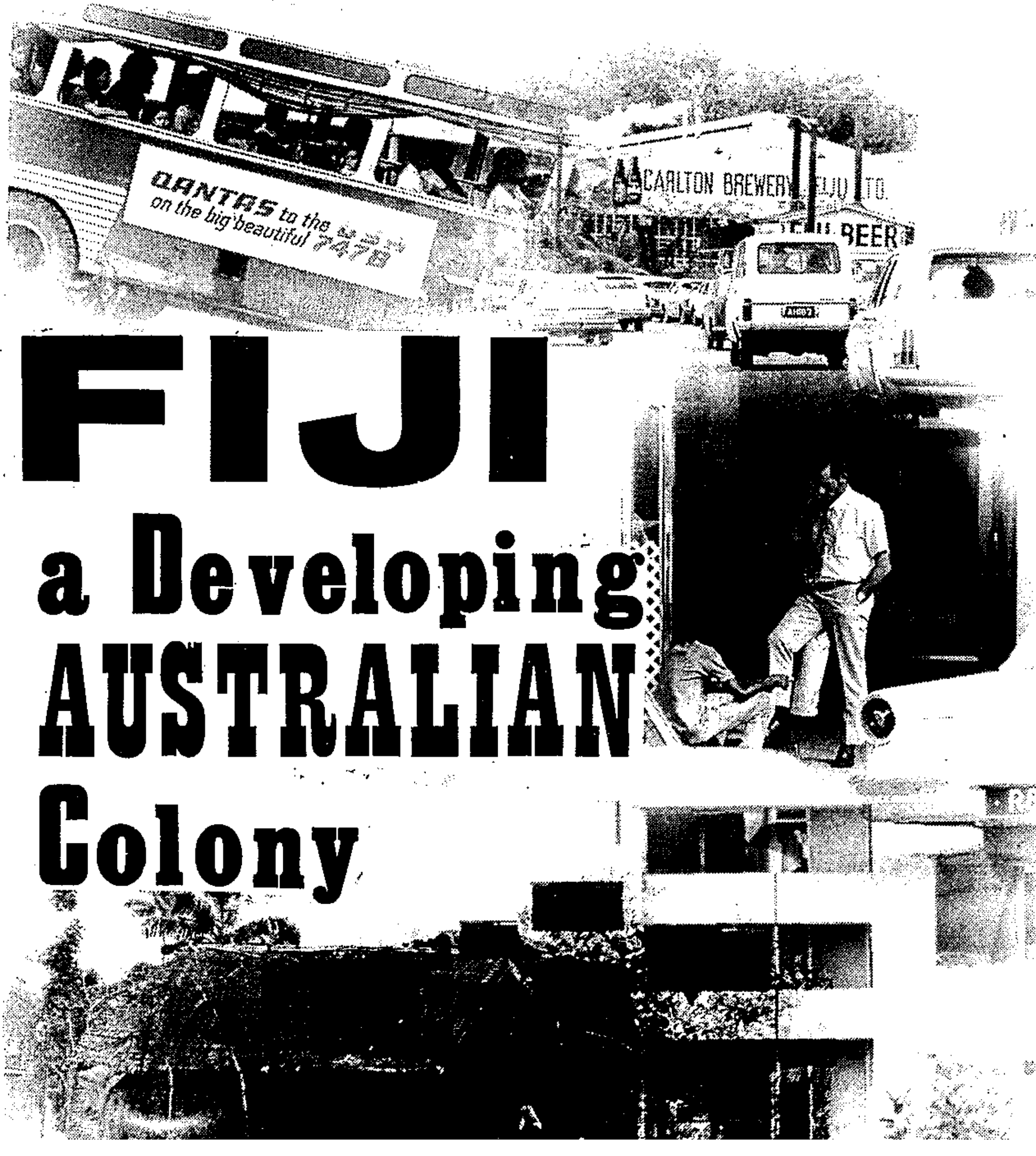
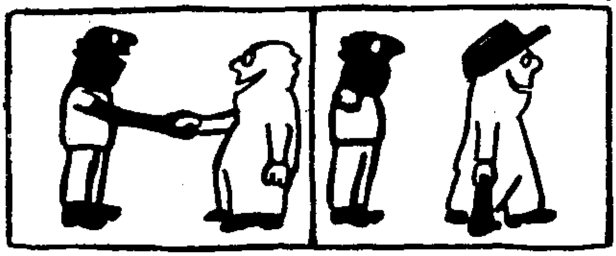
FIJI
a Developing AUSTRALIAN Colony



FIJI A DEVELOPING AUSTRALIAN COLONY

This booklet is a critical re-evaluation of Fiji's development in the light of the fact that Australian companies own and control about two-thirds of the Fijian business world. It is suggested that Fiji's newly won independence is in danger of being totally lost.

Australian companies are increasing their monopoly control over large sections of the Fijian economy. This type of western "investment" development, our research suggests, will impoverish the majority of the population, while enriching the Australian companies. It is proposed that only specifically Fijian and self-reliant modes of development can lead to a prosperous Fiji. The present path of developing Fiji as "the Miami of the Pacific" hand in glove with the Australian Multinational corporations, can only lead to economic disaster and a westernised Fiji.



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This booklet is the result of the work of a group in Fiji and the International Development Action (IDA) group in Melbourne, Australia. The initial proposal to launch this research project was made in late 1972 by the IDA group in Melbourne and actively taken up at the beginning of 1973 by the Fiji group.

This study is aimed at informing the public of Australia about the scope of their country's activities , both the private sector and government, in Fiji. It is also an attempt to explain the effects and influence of such activities. More importantly, this study is meant for the public of Fiji, in the hope that it would help in re-evaluating the current trend of development. The sources of information range from official government publications, various newspapers and magazines, research papers, books on the region, private conversations both with people in the public and private sectors, and with individuals; to personal observations of members of the Fiji group.

Only certain aspects are examined in this report. It makes no pretense at being a comprehensive study of Fiji or of Fijian-Australian relations. Important aspects such as land, immigration, the role of the Australian banks, especially the Bank of N.S.W., have not been dealt with here.

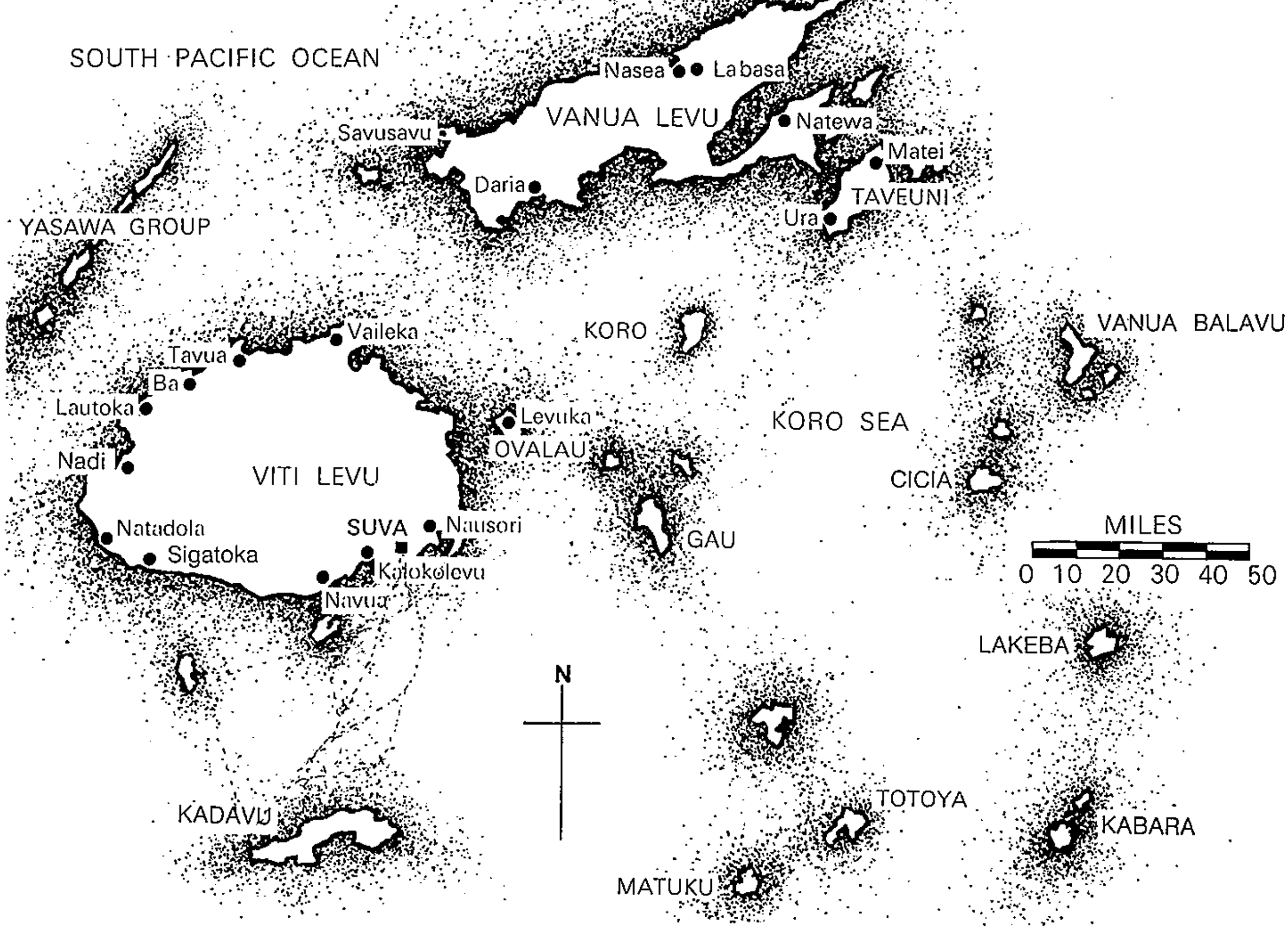
The work of collecting and collating this booklet of information has been done by a group in Fiji formed by members of the University of the South Pacific Students' Association, Fiji Students' Christian Movement, Young Women's Christian Association and other interested individuals; and the IDA group in Australia. Greatly appreciated financial support has come from Freedom From Hunger, Australian Union of Students, and Community Aid Abroad, in Australia.

FIJI - GEOGRAPHY

The Fiji Islands lie between latitude 15^{0} and 22^{0} south and between longitude 177^{0} west and 175^{0} east. The group consists of 844 islands and islets with a total land mass of 7,055 square miles including the dependency of Rotuma.

The Fiji Group is about 1,700 miles north east of Sydney, is centrally placed amongst the island territories of the South Pacific and in many cases acts as the gateway. Fiji lies on the main route between the continent of America (Canada and USA particularly) and Australia and New Zealand. Suva the capital is also a chief sea port on the same route.

FIJI ISLANDS



are of limestone and coral. The Fiji Group is surrounded by an area of coral reef with navigable passages.

Because of its relief the Fiji Group is clearly divided into the wet and the dry zones with marked differentiation on the big islands. Temperatures and rainfall vary greatly but the climate is tropical without the extremes in heat. The wet side has a heavy rainfall as indicated by the high annual average of 123 inches in Suva. The south easterly trade winds blow over the islands at most times, hence having a moderating effect over the climate. In the wet zone of the group the vegetable growth is dense. The hills of this zone are usually heavily forested while the plains are good dairy lands. The dry leeward side has scattered, stunted tree growth and arid grassland with some alluvial plains.

HISTORICAL EXPERIENCE

Popular books on Fiji tell us that the history of our islands began about 300 years ago when certain European explorers "discovered" us. But the history of Fiji goes much further back for at least about 5,000 years B.C.

Before the likes of European explorers such as Abel Tasman and James Cook ever ventured beyond the horizons of European ports, some of the bravest and most skilled navigators in the world had been traversing the vast expanse of the Pacific from Indonesia to South America for thousands of years. It is these original explorers who must be attributed as the discoverers and settlers of the Fiji Islands.

Contact with the white people became intense in the latter part of the 19th century, when ship-wrecked sailors, missionaries, traders and other adventurers came to the islands in increasing numbers. Exploitation of Fiji began with these early contacts.-- economically, politically and culturally. While righteous missionaries from the working and middle-class suburbs of Victorian Britain converted heathens in grass skirts to Christians in suits and Mother Hubbards, lawless "beach combers", sandalwood traders and land-hungry planters exploited the traditional rivalries of Fijian chiefs with sales of firearms, alcohol and other cheap goods which were novel to Fijians.

Exploited and ravaged by new diseases, the Fiji Islands were ceded by the powerful paramount chief, Ratu Seru Cakabau and other chiefs, to Britain on the 10th of October, 1874. Fiji then became a British colony until it gained political independence and dominion status 96 years later on October 10th, 1970.

POPULATION

The population of Fiji today is estimated to be over half a million people of varied historical backgrounds and origins. There are two major races: the indegenous Fijians who comprise about 230,000 and the Indo-Fijians making up over half the total population at 270,000. The Indo-Fijians are a more recent immigrant community of varied cultural religious, linguistic and regional backgrounds from mainland India. The majority of the first generation Indo-Fijians was brought to Fiji by the Colonial Government on the infamous indenture system of the late 19th and early 20th century whereby Indian scab labour was transported to various parts of the British Empire to work the sugar and other primary produce plantations that supplied the British and European markets. The majority of Indo-Fijians chose to make Fiji their homeland at the end of their labour contracts. In economic activities, they are significant in the sugar industry (still the most important primary industry in Fiji) and in the small to middle level private businesses and professional and skilled vocations.

Most indigenous Fijians still live semi-subsistence in the villages today but the numbers are quickly decreasing under the universal pressure of "urban drift". Although the Fijians own most of the land as their last economic and cultural security, they have not made significant headway into the commercial world of urban secular life.

Apart from the two major races, there are other minority groups: 14,000 Europeans, 10,000 Part-Europeans, 5,000 Chinese, and 14,000 Others of mainly Pacific Island origin. The Europeans and Part-Europeans too, are predominant in the professions, forming a significant class of managers and supervisors of the major commercial and industrial enterprises (which are mainly foreign owned) in Fiji. The Chinese, like the Indians, are mainly engaged in small to medium size private businesses. The other Pacific Islanders are mainly urban wage and salary earners in commerce and Government.

Population increase is a major problem because it exacerbates the existing problems of the plural society in Fiji; the drift into the urban areas, the lack of land available to Indians, the lack of jobs and job-creating opportunities, the monetary and other costs of providing social services, the psychological frustrations that arise out of cultural disorientation and unrealised aspirations, and the overall racial overtones of not only economic but also political activities.

POLITICAL STRUCTURE

Fiji has dominion status in the Commonwealth. Institutionally, Fiji's Government system is based on the British Westminster model, with special constitutional and electoral adaptations to certain sensitive political problems that are inherent in Fiji's plural society.

There are two houses in Parliament: the Senate and the House of Representatives. The Senate is composed of 22 members who are appointed every six years by the Prime Minister, Ratu Sir K.K.T. Mara (who chooses 7), the Leader of the Opposition, Mr Siddiq Koya (5 members), the Fijian Council of Chiefs (8 members) and the Council of Rotuma (1 member). This is mainly a deliberative body with limited constitutional powers of review and veto.

The lower House of Representatives is composed of 52 elected members and is the main legislative body invested with most of the traditional parliamentary powers and practices.

The complexity of the electoral system is again an attempt to accommodate the peculiarities of the political situation in Fiji. Out of the 52 seats in Parliament, the two major races, the indigenous


BANK OF NEW SOUTH

Elections are normally held every five years. Since Independence in 1970, there has been one General Election in which the ruling Alliance Party won 33 seats to the Opposition National Federation Party's 19. The Alliance Party is in the main an alliance of the majority of Fijians, Europeans, Part-Europeans, and a minority of Indians. The opposition N.F.P., although having Members of Parliament of other races, is mainly an Indian-dominated and Indian-supported Party. The racial nature of the voting has not changed significantly as was evident in the 1972 General Elections. Political party differences on ideologies and policy issues are less important than the underlying factors such as land and racial identification in determining voting behaviour.

Relations between the two major groups are harmonious at present. However several issues are capable of arousing strong feeling during future elections. One of these is related to land: to the limited opportunity of Indian farmers to acquire title to land they rent from Fijians. (Fijian ownership of land is guaranteed in the present Constitution. Any Constitutional Amendment will have to carry ¾ majority in both Houses). Another cause for friction could be the growth of economic imbalance between the races, and especially the two major ones.

How are these potential internal causes of friction related to the issues of Australian involvement in Fiji that are dealt with in this booklet? It has bearing on these problems because Australia, of all outside metropolitan countries, economically has had the longest and most involved association with Fiji. Australian-owned multinational companies have featured prominently in the development of the economy of the country since the late 19th century. It was an Australian company, C.S.R. for example, which monopolised one of Fiji's major primary industries, sugar, for more than 70 years until the mills were bought by the Fiji Government early in 1973. Australian firms continue to dominate and monopolise other sectors. The fact that Australia continues to be the dominant economic power in Fiji today, has a bearing not only on existing problems but may contribute to exacerbating them in the future.

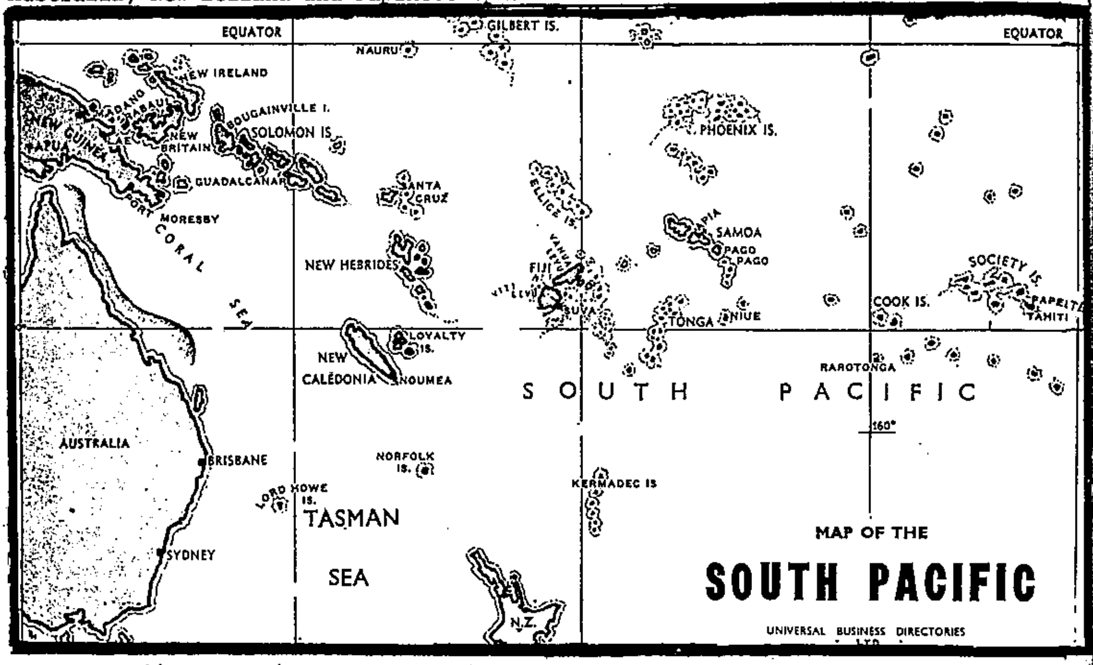
Whenever the alarming issue of foreign ownership is talked about in Australia, Australians tend to think only in terms of what is happening in Australia. It hardly ever occurs to Australians that the people in smaller countries may also think about the same issues in self-centred terms, the difference being that it is not American/British dominance in Australia that is the issue, but Australian dominance in Fiji.

We hope that there is no double standard on such matters. In fairness, both Australians and Fijians need to be made aware of the issues involved in their neo-colonial relationships since there is so much ignorance on both sides. This booklet is only a beginning of what is hoped will be a more searching, thorough

"Nations should develop if they must, but they should also arm them-
selves with safeguards lest they gain a pyrrhic victory". Denis Goulet.

After 96 years as a colony of Britain, Fiji became independent with Dominion status in the Commonwealth of Nations in 1970. Fiji's ties with the mother country were stronger on the administrative and political level than on the economic level. Geographically, and economically, what Britain had to gain from Fiji as a colony was relatively insignificant.

However, Australia, through the operation of important corporations such as the Colonial Sugar Refining Company, W.R. Carpenters, Burns Philip and others has had a long historical association with Fiji. Thus in a very real sense, Fiji was merely an administrative colony of Britain and an economic colony of Australia. Independence for Fiji has meant in terms of international relations, freedom from the Colonial Office in Britain and passage into the Australia, New Zealand and Japanese sphere of domination in the Pacific.



The economic and geographical proximity of Fiji to Australia has not always been obvious to most Australians - a fact that has often irked people of Fiji - expressed in various signigicant ways in the past. Australia has over $100 million worth of investments in Fiji, yet in foreign policy her focus has been concentrated more on New Guinea and her Asian neighbours. However, Australia has begun to show more interest in her smaller Pacific neighbours and this is evident in her involvement in the South Pacific Forum, in the increase in her external aid arrangements ($15 million for the next 3 years), and in leading the protest against French nuclear testing.

This renewed interest in the Pacific is encouraging because we in newly independent Fiji have aspirations and problems related to the nature of our relationship with our close metropolitan neighbours, which a larger number of people in both countries need to be made aware of, since in Fiji the thinking and attitude of our more powerful neighbours, in regard to these issues are so important to our future.

POST-INDEPENDENCE COLONIAL RULE IS THROUGH CORPORATIONS

As a new nation, Fiji has become 'independent' in the conventional way that most other former colonies had followed. There have not really been any structural changes in the society. We have all the trappings of international sovereignity but the neo-colonial ties continue. Post-independence colonial rule is through corporations rather than nation states, 'though the two often work hand in hand. Up to date, Australian firms have the heaviest component of

foreign investment in Fiji. It is therefore important to present it on the agenda of political dialogue eary since the issue of neo-colonialism is a world-wide post-independence concern of third world nations.

Through direct encouragement by the government, multi-national corporations such as Travelodge, Slater Walker, American Airlines, Mitsubishi, National Citibank and numerous others are moving into Fiji through subsidiaries and merger companies. At the same time the older-established monopolies such as W.R.Carpenters and Burns Philp - octopus like - are ploughing back their undistributed profits in takeovers and expansion into various sectors of the economy.

Although the roots of foreign capitalism in Fiji are historical and continuous, Fiji can still be viewed as in the early stages of the post-independence conventional path of development. The structural determinism with the attendant human and political costs involved in this type of development has not been experienced in a manifestly drastic form in Fiji. However, we are probably in a slightly better position to take stock of our situation now, for we have the benefit of experience of other countries before us.

DEVELOPMENT!

This is not the time for complacency, we have to rethink very seriously what type of society to which we in Fiji aspire to have. We have to define our goals of development because development essentially deals with the question of "What is the good life?" We have to constantly and vigilantly relate these goals to the actuality of development in our country, to estimate the human costs: mass unemployment, frustrated aspirations, and cultural disorientation that we are prepared to undergo in pursuance of our goal and then make the necessary adjustment in the priority of our means. This is not the job of development planners only, it is everybody's responsibility.

(b) To create or improve material conditions of life in some way related to a perceived need for identity and self respect.

(c) To free men from servitude (to nature, to ignorance, to other men, to institutions, to beliefs etc.) considered oppressive so as to release them for positive actualization.

If we accept these goals, we have to pose the question of whether they are consistent with the current trend of development in Fiji?

UNCRITICAL LEADERS

The first reality we have to face is that people who have a stake in increased foreign investment are usually the least critical and bound to be the most reactionary in defence. The present ruling economic and political elite conceive 'development' as emanating only from more industrialised countries. Hence our Minister of Finance is led to boast smugly:

"You have only to look around at what is going on at present - there are more hotels now being built than ever before .... and more construction of commercial buildings than at any one time .... critics are saying that there will be a slow down when they are finished, as far as I am concerned, I am expecting a continued growth in the inflow of capital".[2]

There are some hard questions that need to be addressed to this type of smug complacency:

(a) Who owns these new growth industries?

(b) How much of local capital participation is involved in them?

(c) Do the contributions of foreign investment to development merit the high profits earned?

(d) What is the effect of the presence of foreign investment on local competition? Isn't there a danger that the presence of foreign investors with their superior financial and technical abilities may in the long run effectively stunt the growth of local entrepreneurial groups?

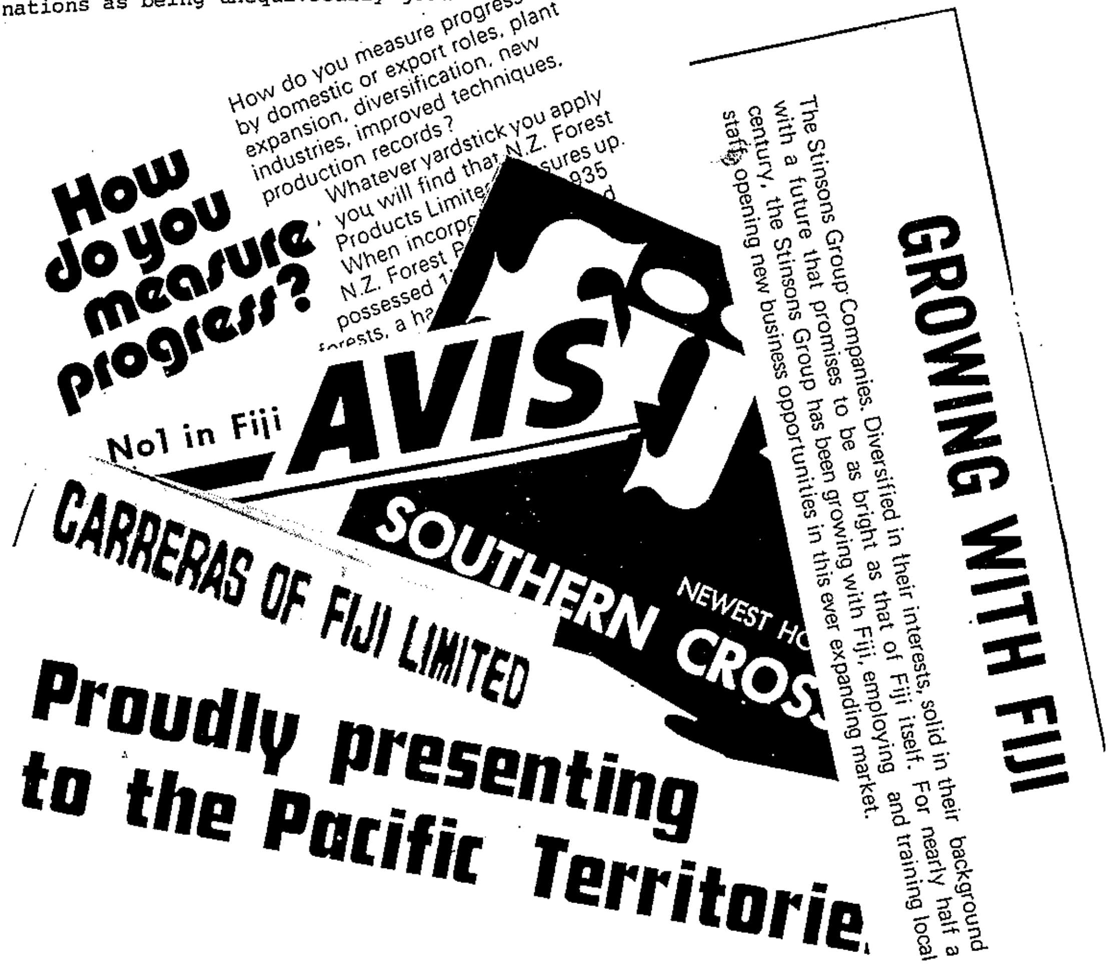
(e) Won't increasing dependence on foreigners result in a corresponding decrease in autonomy for economic growth so that a vicious circle is set whereby more growth implies less autonomy?

(f) What of the aspirations of the future generation of Fiji whose future would seem to be of only servicing foreign corporations who exploit and take away their own resources?

1 Goulet D. "Development for What" Comparative Political Studies Vol page 300.

2 Fiji Times 18th July, 1973. page 16

It is clear that the benefits of foreign investment are usually exaggerated by those who stand to gain from them. Since they are at best, short-run, they must be weighed against factors working to retard meaningful independent development in Fiji. Newly 'independent" countries are often catapulted into development by modernizing leaders who pay little attention to criticizing the goals of the development process. Their oversight can prove costly because the goals and the process itself are generally "advertised" to non-developed nations as being unequivocally good.



DEVELOPMENT IS DEHUMANIZING

Development as currently conducted in Fiji will increasingly be a dehumanzing process. It will increase the power of the strong over the weak, will breed more frustrated unemployed people and exercebate income and other disparities between the few rich and the mass of people. Professor Herbert Feith reflecting on the Indonesian situation observed "Development has been taking place alright .... a certain type of development .... thanks largely to foreign aid and large scale investments..... National product has been growing at about 7% ...... which economists find very impressive. Business has been brisk in many sectors of the economy and quite a few factories have gone up. But what does it all mean in distributive terms? It means many generals have become rich ...... that some businessmen are doing better than ever and that some members of the urban middle class have become noticeably

Granted that cynics may argue that Fiji is not Indonesia, the important point is that we should not be too complacent and ignore the experience of other countries. If we continue to develop in this way, we cannot ignore the price, hence it is so important that we should define clearly in our goals the sort of things we cherish and do not want to loose too much of.

(1) Are we prepared to breed more urban wretchedness?

(2) Are we prepared to dislocate our existing forms of family and other social solidarities?

(3) Are we going to allow the few already in advantageous positions economically to maximize their greed?

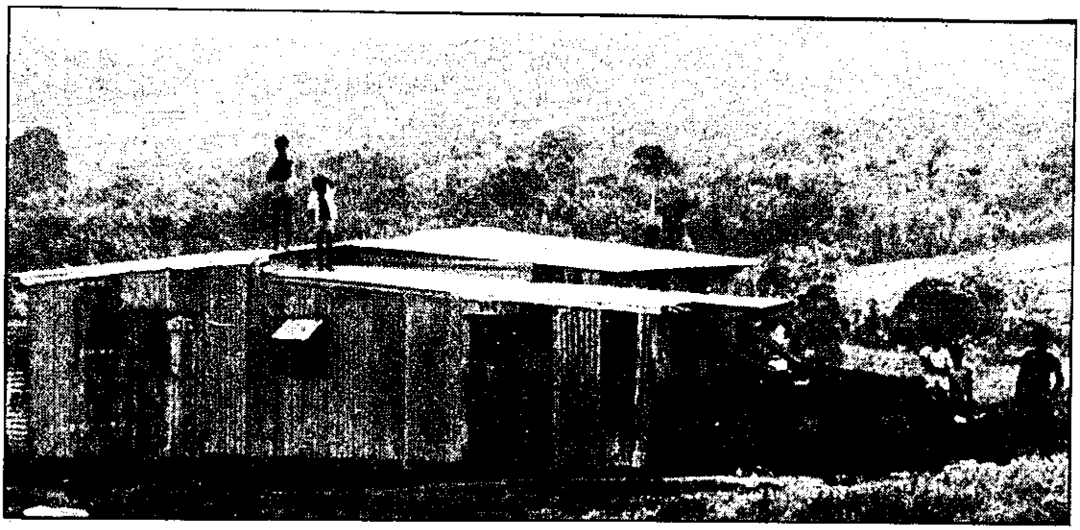
(4) Should we hurry to enter the system of mass consumption of unessential goods and services?

(5) What should be the meaning of economic growth for us in Fiji?

(6) What type of technology do we want?

(7) Do we have a scarcity of resources?

(8) What are our criteria of "efficiency" etc.?



3 Goulet D. Comparative Political Studies Vol p. 313

4 Research and Information, Asian Information Bureau, Australia.

These questions have a direct bearing on the sort of development plans we have. For the planners and those who make the important political decisions, it may imply a reordering of priorities and an expansion of mental categories in the search for problem solutions. It is useless writing up plans with impressive goals of income equalisation etc. when the actuality of development taking place wholly contradicts the stated goals. We do not want political lip-service. We want some real attempt at defining an ideology of development that relates closely to our problems and needs.

PEOPLE VS FOREIGN INVESTORS

It must be faced squarely, that increase in foreign investment in Fiji both in the short-term and long term, are inconsistent with the goals of our development plans. Consistency of goals as related to means may not always be possible but it is not unreasonable to demand that the issue be taken seriously. AFTER ALL IT IS THE ASPIRATIONS AND NEEDS OF THE PEOPLE OF FIJI THAT DEVELOPMENT PLANS HAVE TO RELATE TO.

The benefits of foreign investment are pretty well advertised: more jobs, roads, government income etc. But it is important to have as clear a picture as possible of the costs of the foreign investment so that we can balance them against the more noisely "advertised" benefits.

The foreign investor of course is usually more expert at this than we are. Foreign investors want a quick return on their capital and it is fairly obvious that in this respect many foreign hotels in Fiji have succeeded.

Worse still, the government of Fiji encourages foreign investors through tax and other concessions and channels large sums of its capital and recurrent budget in building roads (Suva/Nadi Highway), advertising and numerous other services to them. Besides the social costs such as loss of confidence, social dislocation, cultural exploitation and others, these services provided by government to the foreign investors and especially the tourist industry - are real calculable costs to the people of Fiji in terms of governmental expenditure of their money which are not recovered fully because foreign hotels to date have paid no taxes to the government.

The proper approach of a government to foreign investment is to reduce its costs to zero by insisting that the foreign investors pay the full cost of services they need - even outside any taxation arrangement. At present, the exact opposite is happening in Fiji. In other words, THIS COUNTRY IS NOT BEING DEVELOPED FOR ITS PEOPLE, BUT RATHER FOR ABSENTEE OWNERS OF FOREIGN ENTERPRISES.

The question of consistency between goals and means as indicated earlier must be taken seriously. Our development plans must say quite definitely that, for example, over the next ten years we intend to ensure that investment and managerial policies are consistent with national objectives. This implies a reordering of priorities not only on paper but in actual development.

Legislation should be devised to restrict the purchasing of local companies by external interests. Also existing foreign firms must be persuaded to allow substantial local capital participation in their businesses and for those considered vital, there should be clear arrangements that eventually the people will take over once foreign interests have acquired a fair return on their capital investment. The Fiji Government must not only be critically selective of the type of investment it allows into the country but also regulate the expansion of extablished foreign firms into other sectors of the economy where local entrepreneurship have possibilities of growth. It would be wise for the

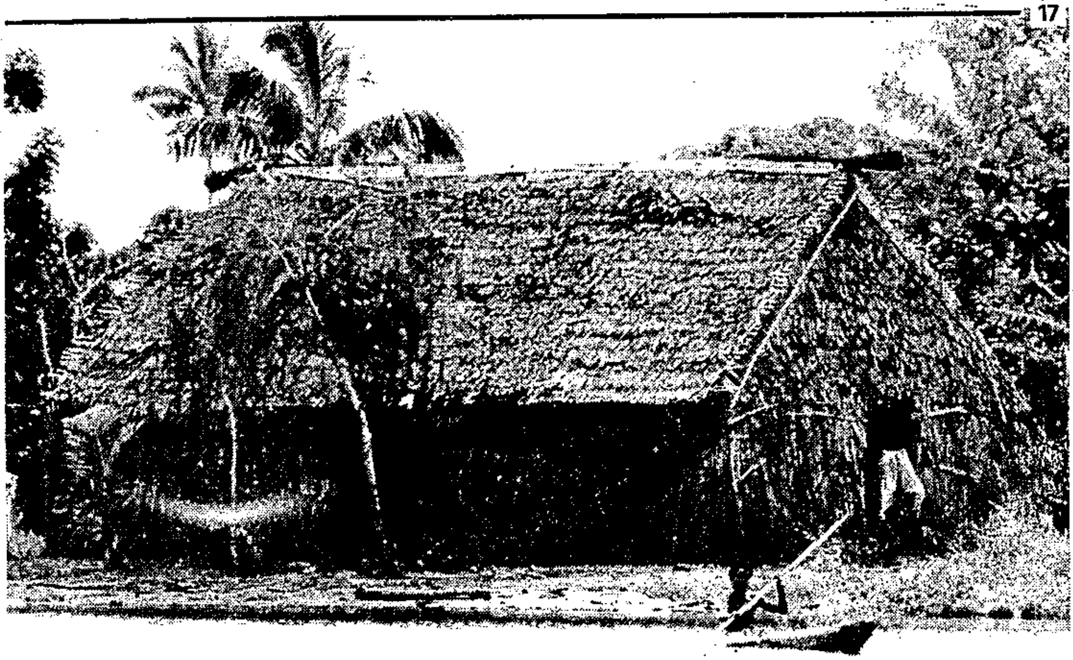
What are our criteria of efficiency? When Morris Hedstrom Ltd (a subsidiary of Carpenters) introduces a mechanical cane harvesters for the Fiji Sugar Corporation, hundreds of Fijian and Indian cane cutters face the possibility of being denied their source of income. This type of slavish importation of technology and ideas of efficiency are dangerous. Foreign firms come from economic systems which function on the assumption that there is a "scarcity of resources" hence for 'efficient' utilisation of these resources, industries have to be become more capital intensive.

We in Fiji want industries that utilize labour, not put people out of work. "Imported" solutions are not always the answer to our problems. Both governments and foreign firms have to pay more attention to the social needs of Fiji as a host country. This means restraint about importing capital intensive technology and business techniques that put people out of work.

Fiji is not a poor backward country culturally and economically. We only have to look to find how much potential there is here to develop independently in small ways. We do not have to continue building big hotels which will be out of reach, both financially and organisationally, of locals to take over. There is enough land too, to develop small-scale market farming to satisfy internal demands and save foreign exchange used on imports that we can produce locally. The government has to provide the stimulus financially and institutionally for development projects aimed at self reliance. It is always easier and tempting to put new investment near existing ones because the market is nearer both in cash terms and infrastructure, water, electricity, communication, skilled labour etc. are available. That is why urban areas such as Suva and Lautoka are always first choice. But if the government is serious about rural development, it has to make clear policies that new investments by government and commerce must go to the rural areas. Big projects must be designed so that they can function in small packages, with low level technology in rural areas. Most new projects designed by overseas experts appear splendid and expensive to break up into small units for the rural areas. We must tell them to go away and redesign them, or better still, stay and redesign them on location. The demonstration effects of technology, foreign investment, advertisements, consumer goods, the media, businessmen and tourists continue to convey the message that the Western way of life is th good life. They begin to undermine our traditions, cultural identity and confidence. As we begin to undergo unforeseen disruptions and unanticipated problems, we begin to realise that "modernity" may not after all be the better alternative. We begin to realise that it is a serious mistake to portray the "higher living standards" of the West as unequivocally good because the majority will never attain it.

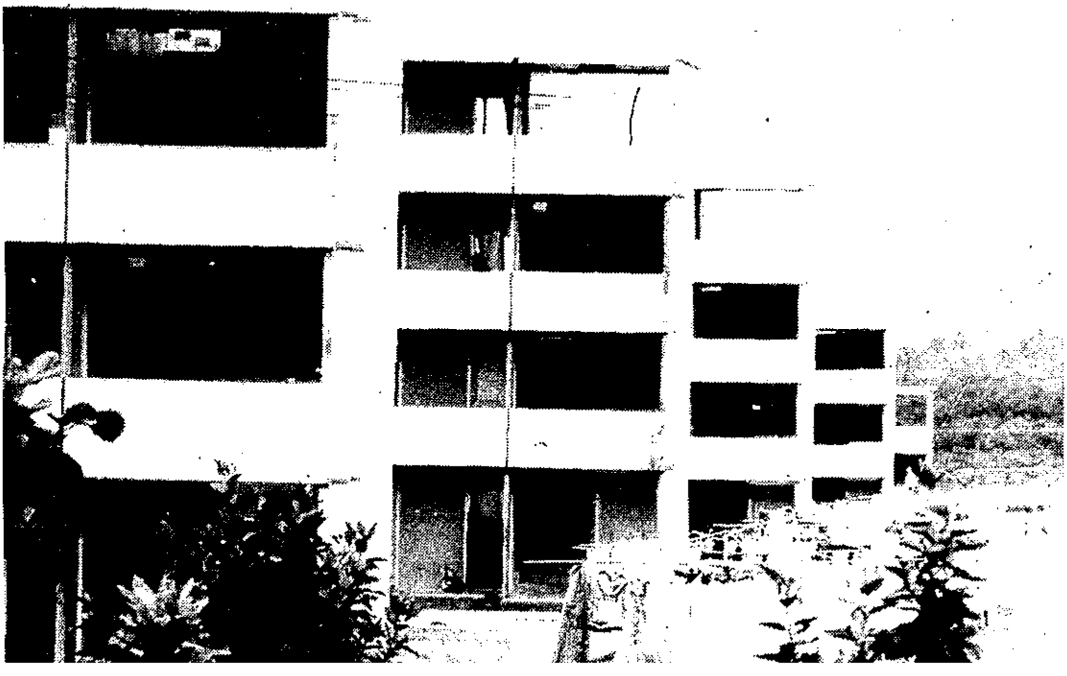
We do not realise that success in the "modern world" is attainable only at the cost of sacrificing other values we cherish: the warmth and strength of our extended family relationships, the respect we have for our elders and chiefs, our tolerance of noise, our freer attitude about time etc. If we do not want to sacrifice too much of our old values on the altar of modernisation, then we should be more careful about equating quality with quantity, of pricing people's worth according to their possessions.

The aim of development is to improve qualities of life. If we want to foster the qualities of life we already possess, then we should redefine the categories of efficiency, complexity, sophistication etc. that make up our current conception of "development." Development has to be defined in normative terms as well, so that we look at our problems from the point of view of the majority of people for whom the advertised "higher living standards" will not be attainable. It is when we mentally as well as physically move in such a direction that we can then claim that we are developing this country, Fiji, for the majority of the people living here.



Village on the Rewa river.

Housing Authority flats at Raiwaqa.

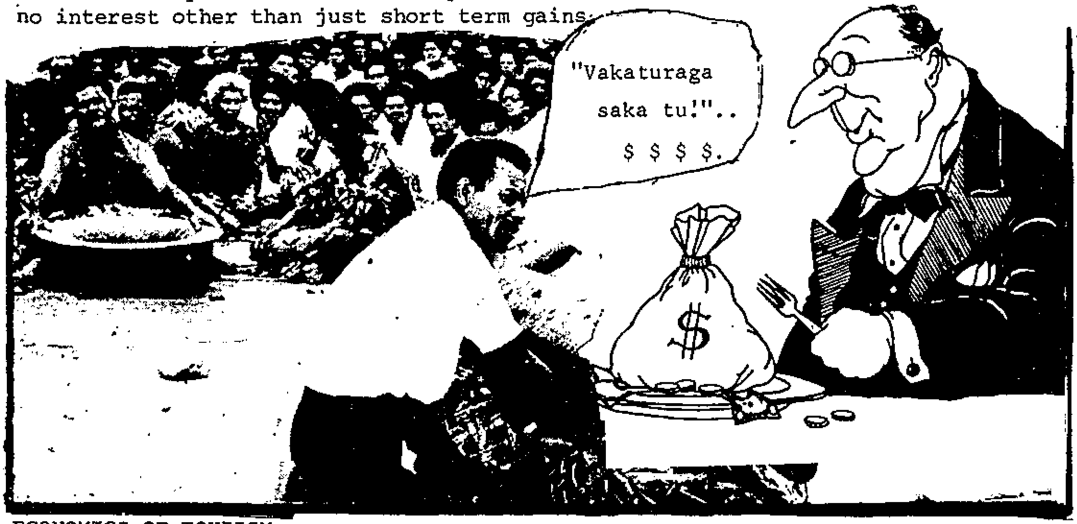


Claire Slatter

Tourism, that magic word and phenomenon supposed to solve Fiji's economic and social problems, has experienced very rapid growth over the past decade except in 1972. Yearly growth rates in the number of visitor arrivals have averaged over 25%. It is obvious that a great deal of Fiji's resources will continue to be directed towards tourism in the future to at least stabilise this growth if not increase it. This study aims to highlight key features of the tourist industry as it is developing at present in Fiji in an attempt to alert the minds of all concerned in its development, operation and programme, to the implications of such continued development.

The significance that tourism is afforded in the Fiji economy is based on a number of factors: the obvious limitations of the sugar industry and the consequent need for a new growth industry to replace it, the already mentioned rapid growth rate of tourism and its importance as principal foreign exchange earner, its value in the creation of employment and the impetus it gives to other associated service industries.

A very sad aspect of Government's attitude towards tourism development is the lack of action and sensitivity at the controlling and decision-making level on the long-term implications of the present nature and scale of tourism. Just as shallow are the Government's display of emotionally satisfying words and mere token attention to issues such as cultural degradation, dislocation and the long-term implications and repercussions of a highly materialistic based industry. In the economic promotion of tourism there seems really to be no interest other than just short term gains.



ECONOMICS OF TOURISM

The economic importance of tourism is always over-emphasized both by the Government, and the agents that must sell tourism for the efficient running of their business interests. There is little doubt the tourism has provided an impetus to the economic development of Fiji. What is not known in sufficient detail is the exact nature of this contribution and the actual and/or likely implications for the immediate as well as long-term economic, social, political, cultural, technological and enviornmental future of Fiji. Statistical information only include gross figures regarding revenue from tourism. We want to know how much actually remains in Fiji and more importantly, how muchof this stays in local hands. That is, after we pay for:

(1) all the various imported goods and facilities needed to service the industry
(2) all the expatriate staff employed in tourism
(3) expropriation of profits
(4) dividends out of Fiji; dividends to expatriates living locally
(5) Government costs in providing infrastructure for transport and other facilities
(6) advertising abroad
(7) the costs of price inflation locally which substantially reduces the purchasing power of locals when their wages do not rise accordingly?

In addition to the above it is obvious although we often hear about the "no-choice" myth of tourism, that Government has not really examined whether we have any other alternative choices of economic activity to tourism, rather than becoming increasingly over-dependent on this industry. In terms of land use, we do not have a clear idea of how far tourism competes with agriculture, forestry and other forms of socio-economic activities.

Many newly independent developing nations of the world are geared to tourism, which is generally a feature of the development of the "capitalist export economy." The principle features of the traditional colonial economy continue as features of the post-independence economies of developing states. These characteristics have been outlined as a dependence on external capital funds, with the dominance of these funds in the export sector and thus the response of this sector almost exclusively to external demand patterns, and the continuing stagnation of the domestic sector. Tourism is but a feature of this continuing economic pattern, a service export industry based on external demand patterns.

DEVELOPMENT VS TOURISM

The emphasis on tourism in developing Fiji's economy does not involve any significant "structured transformation" which would make Fiji's economy less dependent on foreign capital and overseas markets, and more viable and self-sustaining. Fiji's Sixth Development Plan 1971 - 1975 (DP VI) projects that Fiji's G.D.P. or total output will grow at the "relatively rapid rate" of 6.7% per annum over the plan period. However, the agricultural sector will continue to experience further decline in its relative contribution to G.D.P. The same will be true of mining and manufacturing.

BECAUSE TOURISM IS AN EXPORT INDUSTRY - DEPENDENT ON FOREIGN MARKET DEMANDS - ITS CONTRIBUTION TO GROWTH IN THE FIJI ECONOMY IS NOT SIGNIFICANT IN TERMS OF "REAL" ECONOMIC DEVELOPMENT AS IT ONLY INCREASES FIJI'S ECONOMIC DEPENDENCE ON THE TRADE AND SERVICES SECTORS. Often this growth is insignificant in real terms because there was not positive change in the production structure. Indices to measure growth in the economy (e.g. G.D.P., Gross Capital Formation, per capita income) may actually experience increases to "developed country" levels. However, only when the economic structure is transformed will continued high levels of income and rates of growth be maintained. Any boom in exports of an economy so based may be short-lived and the economy is thus very precarious. This is clearly illustrated by the decline in gross earnings from tourism from $33m in 1971 to $31m in 1972. Factors affecting this decline were both internal and external.[1]

Fiji's current Development Plan is highly dependent on a vast amount of imported goods and services for its implementation. Given the current and projected deficit in the balance of trade, the foreign earnings from tourism are understandably welcomed. Nevertheless, it is evident that many of those

2. Dommen, E.K. "The Tourist Industry in the South Pacific." Paper to the Public Administrators Course, U.S.P. 1972.

Figures for 1970 show the percentage of imported goods and services to G.N.P. to be 51.7%, and in 1971 the trade deficit reached $50m. While the emphasis ought to be on developing the agricultural and industrial sectors to effect import-substitution by local produce and to establish a stable economic base, these sectors are being neglected by the emphasis on the service and basic economic facilities sectors - generated by tourism.

The demand for fresh vegetables and other foodstuffs (e.g. eggs, milk) by the tourists require the hotels to buy up a lot of the local produce. Farmers who can earn contracts with tourist hotels see this as a safe market for their produce rather than selling on the open market. The supply of foodstuffs to consumers is consequently restricted and prices forced up, adding to the inflationary tendencies of an already overheated economy.

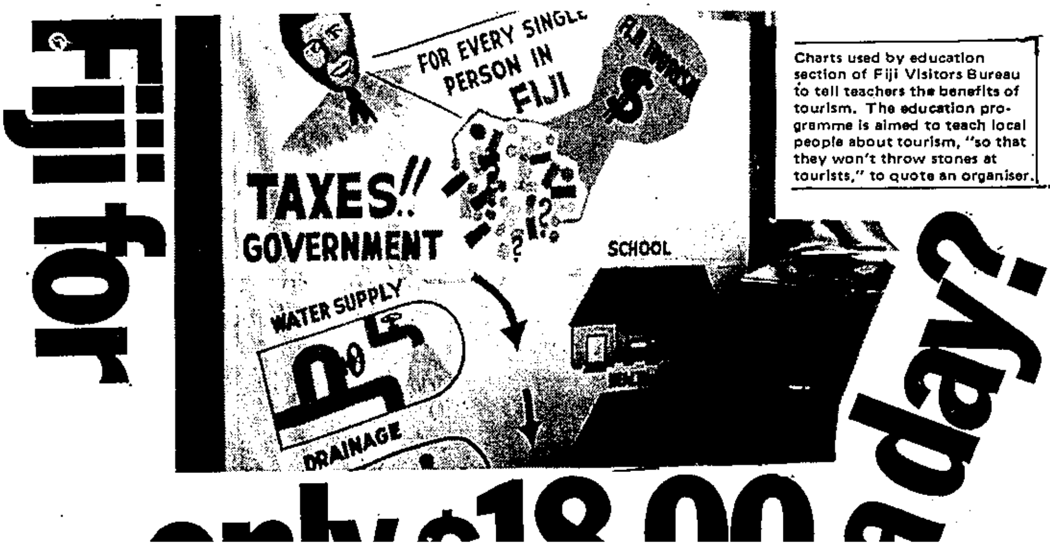
While tourism grows, giving impetus to associated services and industry (e.g. building and construction and transport) it attracts labour away from the commodity production sectors to those sectors associated directly or indirectly with it. The Pacific Harbour project in Deuba and the Navua Rice Scheme have attracted labour away from rural employment. This has resulted in a decline of subsistence activities and thus a lessening of the peoples self-

sufficiency. Also expectations of some people have been raised and to attain this, they are driven to work as wage earners. We shall examine later the nature of employment in tourism in terms of its meaningfulness to those concerned and its implications for continued economic growth.

MONEY FOR WHOM?

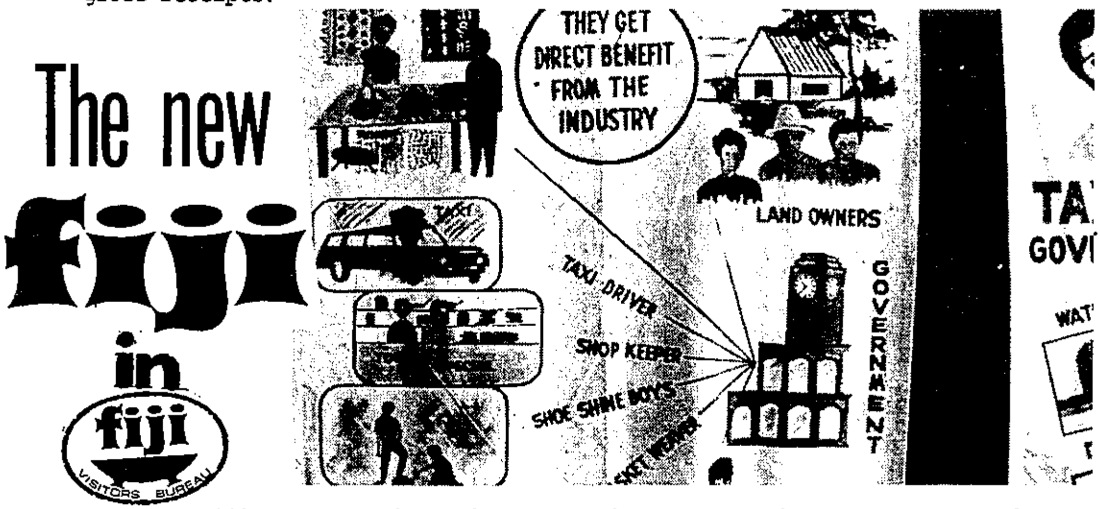
An analysis of the breakdown of tourist spending throws light on the relative economic benefits of tourism to locals as compared with those benefits which accrue to non-locals (foreigners) in whose hands the ownership of the industry is largely concentrated. The recently published Fiji Tourism Development Programme (early this year, 1973) projected that by 1981, $85 million will be spent on hotel bills; $16 million on tours and transport; $35 million on duty-free goods; $7 million on handicrafts and other expenses. We could conclude from the above figures that only $15 million out of a total of some $185 million of gross revenue constitutes an assured income to locals.

The nature of the breakdown of tourist expenditure and of gross receipts from tourism, however, is more complex than this. Policy measures adopted by Government to ensure the largest possible local content of the industry can hardly be restricted to controlling imports and providing incentives to local producers for any significant alteration in the pattern. The situation must be seen in the light of existing Government policy as regards the industry. The following two extracts from DP VI are an indication of Fiji's Government's policy: "Government will continue to offer tax incentives and other assistance to encourage the private sector to invest in facilities for tourists. It will also continue to ensure that the infrastructure necessary for the smooth operation of the private sector is provided. Government does not consider it necessary or desirable to regulate repatriation of profits and capital by foreign enterprises. Instead it will concentrate on building a framework and investment climate which will provide the necessary incentives for foreign investors to voluntarily plough their profits back into further expansion." What must be made clear is who comprises the private sector? That is, what percentage of the private sector which does invest in facilities for tourists are locals and what percentage are foreigners? The supposition behind this crucial question is that the tourist industry is primarily foreign-owned and foreign-operated.



Charts used by education section of Fiji Visitors Bureau to tell teachers the benefits of tourism. The education programme is aimed to teach local people about tourism, "so that they won't throw stones at tourists," to quote an organiser.

which is currently and will ultimately benefit the few rather than the many. More significantly, it may be actively furthering the interests of foreigners and their investment in Fiji, to the detriment of our national sovereignty and our economic and social welfare. In the recently published report, financed by the United Nations Development Programme, it is estimated that by 1981, gross tourism receipt earnings would reach $74 million. These estimates are reached by projected calculations of monthly foreign exchange transactions by trading banks, the payments to firms engaged in the travel industry, and other travel receipts passing through the banks. The profits from these receipts are correspondingly so distributed. It is evident that the bulk of the gross earnings from the tourist industry is being channelled into the accounts of travel agencies, hoteliers and tour operators. In terms of gross receipts from tourism, the payoff to the local sector is by comparison, minimal. Even while it is projected that the percentage that tourism contributes to G.D.P. will almost double by 1975, the figures will remain scant by comparison with the gross receipts.



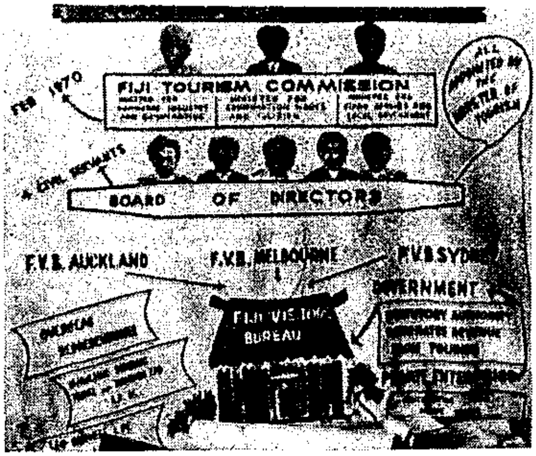
Fiji Government's capital expenditure on tourist development and promotion is exorbitant . Its contribution to Fiji Visitors Bureau, determined by a formula introduced in 1968, under which its contribution in any year is related to the number of visitors in the previous year, in 1972 totalling some $400,000. F.V.B. also receives financial backing from the private sector (i.e. from businesses within the tourist industry). This money is spent primarily on overseas promotion and advertising; F.V.B.'s internal activities are concerned with"planning and implementing programmes designed to increase visitor satisfaction in Fiji." The administration of the Hotel Aids Ordinance and the building of necessary infrastructure, such as water supplies, airports, electricity supplies and telecommunications, are the concern and responsibility of the Ministry of Communication, Works and Tourism and are financed under the Government Capital Expenditure Programme. This amounts to $900,000 over the Plan period. However, the point must be stressed that the Government was also financing a tourist promotion and advertising programme through the F.V.B. to the tune of $400,000 in 1972. The present sum of $3 allocation for each visitor from Government to F.V.B. is subjected to steady increases in the future, assuming a continued tourist inflow at the present rate.

an improvement on paradise..

CONCLUSION

We wish to make it precisely clear that Fiji can benefit from tourism and that we do not reject it as an economic activity. What we are concerned about and therefore assert here is that the people of Fiji do not derive the optimum benefits from it, be it economic or social. The people of Fiji at present get only the crumbs of the tourism cake and in the process are in grave danger of suffering from self-degradation, dislocation in life, and long-term economic deprivation and exploitation.

The tourist industry in its present form and scale is truly an export economy of a few major metropolitan powers, including Australia, Japan and the United States. Foreign investors, tour and bank operators, foreign airlines and foreign personnel reap the major benefits, make most of the decisions outside of Fiji and continue developing institutions and structures of operations that locals are largely not able to or do not have the means to control. In this sense, Fiji is simply used; used by outsiders for the maximum benefit of outsiders.



FOR SOME PEOPLE THERE IS ONLY ONE CHOICE

The problem with the present mode of tourism in Fiji does not lie so much in tourism as an industry in itself. The problem really lies in the nature and scale of tourism that Fiji is presently entertaining without really exploring alternative ways of organising it. It is true that there are certain aspects of the industry that we cannot totally control but we may be in a position to indirectly influence. We have mass tourism which involves multi-million dollar investments to create luxurious, international standard tourism facilities to cater for rich and rather demanding tourists. This involves not only large amounts of capital which Fiji seems obligated to invite from overseas, but also a substantial amount of expertise, know-how and "sophistication". Some of the major implications of this have already been mentioned elsewhere in this project.

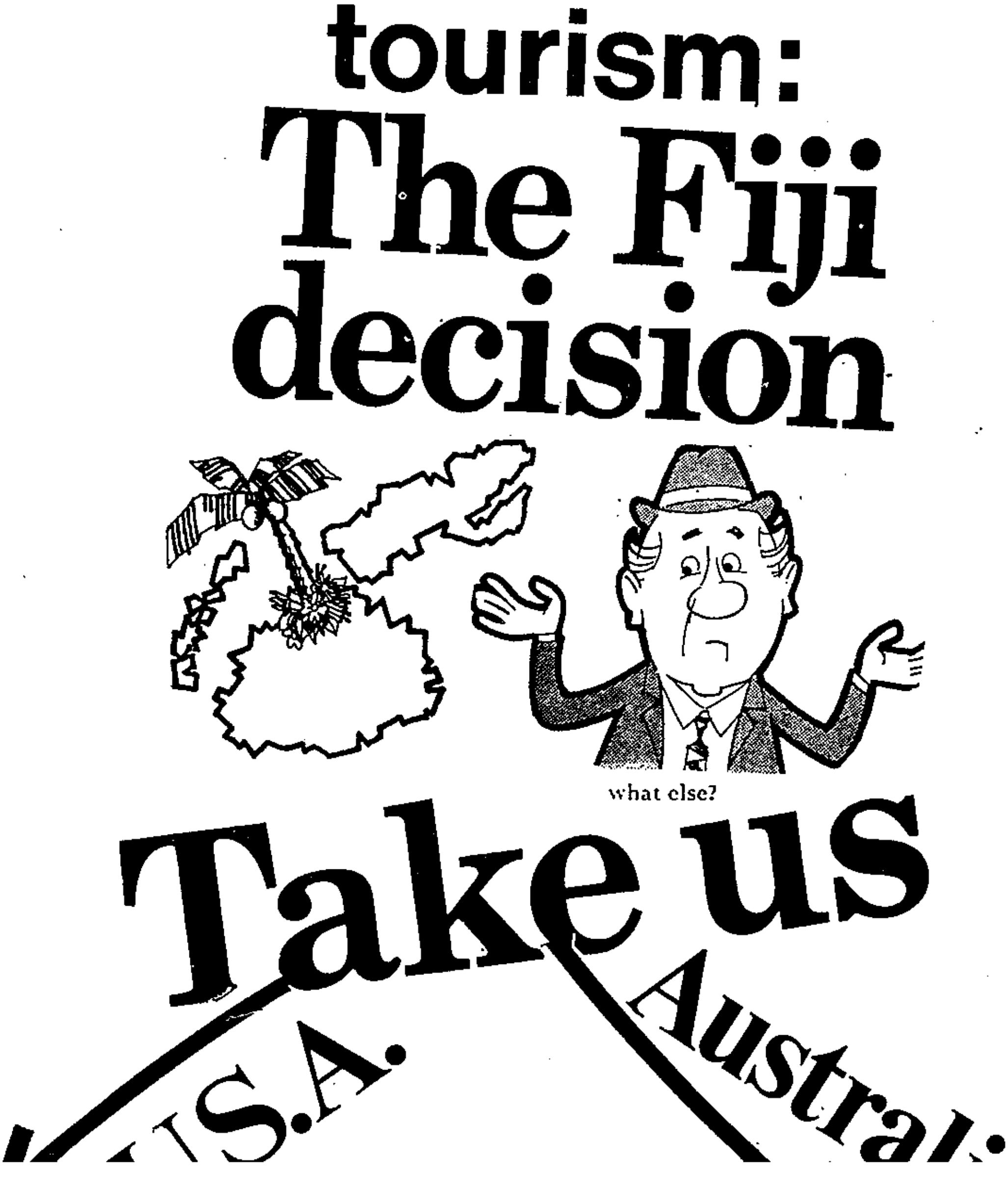
Tourism has been generally regarded as having tremendous potentials for increasing communication between nations and for opening new fields of experience and exploration. In so far as there is a flow of visitors from one country to another basically-similar one (in at least economic terms), these objectives could readily be achieved without substantial dislocation of life in the host society. But where the host society is relatively simple and perhaps "unsophisticated" (as in our case) compared with the highly materialistic life-style and demands of the tourists, the impact of very rapid tourism and impact of foreign businessmen, and more recently, experts, could prove to be more important than capital alone. Foreign businessmen bring with them their own ideas on work, the proper "conditions"or social atmosphere for business, commercial policy and other aspects of their own social, cultural and political life.

In Fiji, Europeans (whites) have always had an impact far out of proportion to their numbers starting prior to 1874 and existing as such today. As consumer, decision-makers, religious leaders and residents, the whites in Fiji have been the most articulate and the most highly organised urbanised group, with also the highest incomes. They have not only set an example of highly materialistic consumption patterns but have also competed very successfully for scarce resources such as land, housing, electricity, roads and schools, most of which have been concentrated in the urban areas. The education system in its turn has reflected the basic philosophy and materialistic ethos of this "white" group, developing amongst locals aspirations for an urban life, "white-collar jobs" etc., all following the model set by the whites. Whether or not Fiji can afford to be in this rat-race is doubtful, but the fact is that part of our historical heritage from being a colony is that our people have learnt to admire, copy, over-respect and also fear the white community and marvel at its achievements.

Almost all the tourists that Fiji actively courts are white. These tourists are significantly different from the resident whites in the sense that they engage in full-time consumption, perhaps at an exaggerated level, and are much more demanding and even arrogant. The present role thatlocals play in tourism is very significant too - in this light. They occupy the servile positions in employment, far from the controlling and managerial levels. The participation is basically minimal and on a subordinate level to that of those who provide the mainstream of capital and who organise and operate the tourist industry.

TOURISM IN ITS PRESENT FORM PERPETUATES THE COLONIAL RELATIONSHIP BETWEEN THE WHITES AND THE LOCALS; THE WHITES CONTINUE, EVEN AFTER INDEPENDENCE, TO BE THE "BOSS", "SAHIB" OR "KEMUNI-SAKA" AND ARE REGARDED AS SUPERIOR BEINGS. This is undesirable and Fiji cannot tolerate this situation for very long without being seriously affected by it, culturally, psychologically and also economically.

There is an urgent need for us to rethink the mode on which we should develop tourism so that it benefits our people to the maximum not only in the very immediate future by generating more income and employment but so that it enhances the long-term life of Fiji without seriously dislocating or degrading it. In order to ensure maximum control of the industry by locals, we emphasize that token equity participation in the multi-million dollar projects is futile. We must move away from thinking "big" and develop operations which are perhaps much smaller but are closer to the reach of locals, to gradually take over with government assistance. Initially these efforts may not prove economically viable but we wish to assert that these are socially and politically much more desirable and can be made economically viable in the long-term future.



Allison Fong

This case study attempts to assess the nature and scope of employment in a resort hotel in Fiji relating the findings to the general pattern of hotel and tourism development in Fiji and elsewhere in the Pacific. It argues that local participation in employment generated by the hotel industry is not only minimal but also socially disastrous in the long-term. Locals occupy jobs far removed from the controlling and managerial levels, the latter obviously being most rewarding in social as well as economic terms. In addition jobs are stratified on a racial basis which perpetuates the already existing stereotypes and prejucices in relation to Fijians and Indians.

The tourist industry has continued to suffer from numerous criticisms[1]. The essence of such attacks has been that tourism does ntt really benefit the people of Fiji as much as it is often claimed. In addition to questions of economic costs and benefits of tourism, concern has also been expressed over its social implications.

The type of tourism that Fiji is experiencing may be illustrated by examining two of many factors. The first is the tourist - the central figure of all these activities. Tourists bring money. This is why they are tolerated and actively courted. The second is what it means to be an administrator or promoter in the tourist industry.

THE TOURIST

Tourism operates on two extremes. Most tourists enjoy the experience of change and novelty only from a strong base of familiarity which enables them to feel secure enough to enjoy the strangeness of what they experience. Because man is moulded by his native culture and bound through habit to its patterns of behaviour, he can only experience a limited bit of that which is different from what he himself is used to. Thus tourists like to venture out only a certain distance for new and strange experiences, but before these get extreme or prolonged, they shrink back to what they are familiar with; the carpeted, air-conditioned rooms or the typical "home" type meal. In a hotel recently studied[2] for instance, the tourists could have mayonnaise and cavair with their appetizers or they could order "prime New York Cut Sirloin Maitre D'Hotel" or"fillet Mingnon Henri IV" or "Kebab A La Greque", each of which were listed in the hotel's menu under such captions as "Ai Tekitekivu" or "Tavu" or "Kakana ni Wautui"; to give them impression of their being exotic foods.

Contemporary institutionalised tourism is a mass industry. The tour, for instance, is sold as a package, standardised and mass-produced. The tourist is given the illusion of adventure while all the risks and uncertainties of adventure are taken out of his tour. The novelty areas, places and attractions that the tourist visits are in most instances transformed or manipulated to make them suitable for mass tourist consumption. This was evident in the case study. The tour section in this hotel displayed the following advertisement outside the dining-room:

1. See Fiji Student Christian Movement, January, 1972. "Some Disturbing Features of the Tourist Industry in Fiji." Warns about the trend in Fiji tourism leading to a situation where "tourists come in on foreign-owned airlines, stay in foreign-owned hotels and otheraccommodations, eat and drink imported items and return in foreign-owned airlines too." Page 1.

2. "The Nature of Local Participation in Hotel Employment." John Samy. Final Year Research paper. U.S.P. 1972

> ......A rare opportunity will be given guests to attend a Fijian Magiti (feast) at the picturesque village of ... :- All the traditional foods will be served in a setting and atmosphere that is fast disappearing. This occasion presents a rare chance to witness a way of life that gave birth to the legend of the South Sea. Guests are strongly recommended to avail themselves of the opportunity ......

An Australian couple who had only visited the hotel and were themselves staying with a rural family close to the hotel, described the nature of development characterised by the hotel as "big pimples in the face of Fiji as as nation". The tourist as a cultural being and the whole tourism process transform into the Fiji physical and social environment a way of life that stands in extreme contrast to the relatively unsophisticated local realities.

In 1971, some members of the House of Representatives battered at the industry, Mr. R.H. Yarrow (Alliance) branded tourism as a "many-headed monster" while Mr. H.B. Gibson (Alliance) described it as a "ticklish industry which benefited only a privileged few".

THE PROMOTER

The administrator/promoter operates in a highly competitive world market. To attract as many tourists as possible, he has to make his offer as attractive as possible. Some things that the promoter/administrator can offer in Fiji can be readily found anywhere in the world. These include luxurious accommodation, exotic food (to the taste of the tourist), swimming pools etc. To get visitors, the tourist has to be offered more than this. Fiji's "isolated" location, attractive scenery and tropical climate provides a geographical resource which can be exploited to attract visitors. The image of the "South Seas" with their "sunny and sandy" beaches and palm trees goes well in the promotional and advertising fields.

The other factor which is widely exploited is the "indigenous" culture. The promoter sees the native Fijian's way of life, traditions and customs in a particular way that suits his purpose of attracting as many visitors as possible. The travel brochures and advertisements illustrate the exclusive image that the local people add to the helpful location of Fiji, in the South Pacific. Prospective tourists are introduced to the "sun-drenched" South Pacific where man's longing for a Paradise, where nature and man are in harmony and where peace comes true." They are told that in Fiji they can see the Fijian natives dressed in their grass-skirts and performing their war dances, both of which they in fact abandoned generations ago.

The tourists are brought in to see the "happy-go-lucky, smiling and carefree" Fijians. The Fijians employed in the hotels are expected to play out this role in return for a wage. The Fijian particularly is therefore made part of the commodity package that the promoter/administrator offers. The Manager of the hotel studied observed that the hotel had had a "lot of good mileage out of Fijians in the front."

What happens to this particular "commodity" that also has feelings, values, and aspirations like the tourist himself, is left very much for speculation. The case study supports other evidence that che personal, hospitable and warm relationships of the Fijians towards others, particularly foreigners, is likely to change increasingly to one of a more business-like attitude, as with mass tourism, visitors are likely to become objects with money, a source of income to be exploited. In the hotel studied, most of the Fijian workers people did not provide the "native image". The Fijians were continuously reminded how to behave "like natives", for instance, they were extremely conscious that as Fijians, they were expected to be smiling all the time, regardless of their feelings. This was an integral part of their daily, routine work.

AT ONE HOTEL IN FIJI A TOURIST ADVISOR IS BROUGHT IN FROM HAWAII TO TEACH THE FIJIANS HOW TO ACT LIKE FIJIANS. THEY ARE GIVEN CARDS TO CARRY AROUND ON WHICH IS PRINTED A POEM ABOUT SMILING.

Fijians are born with a smile and a song in their hearts. Any excuse — and the music bubbles out. Wherever you go, you'll hear voices in song — and you'll know you are welcome. Palm fringed beaches also welcome you — big beaches — small beaches — beaches to share or beaches all to yourself. Cruise among dazzling coral atolls. Amongst brilliant blue lagoons. See the unspoiled beauty and take a lesson in relaxation from the smiling people of Fiji — 300 islands in the sun.

The workers in the hotel tended to categorise jobs on ethnic grounds reinforcing the principles on which the management institutionalised discrimination in the allocation of jobs. As the tourist industry grows, more and more people will look for jobs in hotels and other tourism-related industries. The racial pattern of employment could provide a source for inter-ethnic tensions and conflict, not only between Indians and Fijians but also between the Indians, Fijians and the Europeans, particularly expatriates. This could be accentuated as local people become more educated and acquire the skills to compete for jobs at present held by expatriate and local Europeans. Almost all the local workers in the lowly-paid menial jobs in the hotel were not concerned about progress that meant individual development and autonomy at work. The relatively few locals who expressed dissatisfaction over their work in an expressive manner had developed needs for control, initiative and meaning in their work.

The socio-psychological impact on locals who come from relatively unsophisticated enviornments and work under conditions of extreme affluence needs to be examined. However, the case study showed in somewhat striking terms that local participation was minimal and menial. Locals occupied the lower rung posts, distributed on a racial and ethnic basis, while expatriates and local Europeans occupied top-paid managerial and executive positions involving far greater economic and social benefits.

RECOMMENDATIONS

We strongly feel that an urgent review of government policy towards the industry would mean that:-

(1) Government should consider introducing a more equitable distribution of the wealth of the tourist industry through fiscal policies. This means the introduction of certain taxes, which the buoyant tourist industry could easily absorb. Government revenue would therefore increase making it possible to expand worthwhile programmes such as rural roading, rural dispensaries, schools, water supplies to villages, freight subsidies for fencing and fertilisers, experimentation for diversification in the rural areas. These programmes benefits the majority of our people (70% in the case of Fiji) who live outside of urban areas and who really need assistance in this country.

(2) Government's financial assistance to tourism as presently conducted is generous and should now gradually be decreased. This assistance was initially necessary to get the industry off the ground but the present momemtum, with visitors expected to continue growing at over 30% per annum, its continuing relevance is seriously questioned. The prime consideration of the ivestor is the assurance of reasonable profits. It is suggested that in the case of tourism, this assurance exists even without the present generous concessions.

(3) Increase the import and custom service tax on duty free goods by say 6%. This tax is to be absorbed by the duty free operator and not passed forward in the form of higher prices to the purchaser.

(4) Introduce a bed tax on hotels. As in (3) above this tax should as far as possible, be absorbed by the hotelier.

(5) Other businesses <u>directly</u> involved in the industry such as travel agencies and tour operators (excluding taxis) to bear a turnover tax of about 1-2%.

(6) Contribution by the tourist industry to the Fiji VIsitors Bureau is relatively small. In 1972, the government grant to Fiji Visitors Bureau was about $400,000. We feel that the Tourist Industry, which is the most dynamic in the country, can contribute a much larger amount to Fiji Visitors Bureau. The Government will then be in a position to gradually decrease its percentage contribution.

(7) Government should encourage the industry to purchase an increaseing proportion of their requirements in the country. In order to help spread the benefits of tourism more widely through increased government revenue, it is suggested that government should seriously consider establishing its own hotel. Management could be provided, as is done by many less developed countries, through contract with established hotel companies such as Hilton, Inter Continental and others. Many governments of developed and less developed countries own hotels. The Tongan government owns the Date Line and both the Samoan and Cook Island governments are presently setting up their own hotels. It is noted that an important factor in attracting visitors to the country is the friendliness and warm personality of the Fijian people. Yet Fijians as a whole receive only a negligible share of the growing wealth generated through tourism. Worse still his tradition and customs, which have become increasingly commercialised, will undergo tremendous stress and strain in the face of rapid tourist growth. These social costs are real and must be a matter of great concern to government. Because of these government should do all it can to assist Fijians establish businesses in the tourist industry. Government assistance should be made available to tourist projects set up by villages. Hoteliers, who in the main are

the rapid growth of tourism in Fiji. The Tourism Report 1973 gives mere token attention to these issues and so does Government's Development Plan Six. We question the urgency of encouraging tourism to grow at present rates of up to 30% per annum or even at the proposed 18%.There are major costs involved to the population at large such ad inflation and social dislocations. The country can only absorb so much and it was strongly felt that the present pace is much higher than what the country can comfortably digest.

Unless conscious policies are introduced and constantly reviewed we in Fiji could end up with the familiar situation in other less developed countries where tourists come in on foreign owned airlines, stay in foreign owned hotels, travel internally in foreign owned transportation, eat and drink imported items and return in foreign owned airlines. We therefore ask that Government cautiously look at the long-term implications of the Tourism Report and also identify alternative forms of tourism development for Fiji.

QANTAS

Qantas Airways Ltd is Australia's own international airline which transports many of the Australian tourist to Fiji (Australian constitue the largest group of tourist to Fiji.)

But Qantas does not just pick up people at Sydney or Melbourne airport, fly them to Fiji and drop them.

What Qantas owns and organises is a package deal. If not coming from home, you can stay at the Qantas owned Wentworth Hotel in the heart of Sydney. This plush hotel caters for the international business and tourist market and is very expensive (a cup of coffee or tea for breakfast costs 40¢)

Then Qantas flies the tourist to Fiji on its own airline and having arrived in Fiji, you travel from Nadi to Suva on Air Pacific, which sounds local. However it is owned by Qantas (22.7%), along with BOAC, Air N.Z.,the Fiji Government, and small shareholdings by the other Island gobernments. Qantas also provides the top managerial assistance to Air Pacific. Paid-up capital is $Fl.2 million, revenue increased by 24.4% to $F3.9 million in the year ending March 1972, and a net profit of $F266,249 was made. Its future looks very promising.

After arriving in Fiji, a tourist does not escape the long arm of Qantas. Qantas has investments in the 'Fijian" hotel, the Mocambo Hotel, the Skylodge hotels, and is involved in the development of a new resort at Natadola beach (which was given top priority by the recent Tourist Report)

So Qantas not only flies the tourist or businessman between Fiji and Australia, but also ties up both ends of the trip by ownership and investment in hotels in AUstralia and Fiji, and by part ownership of Air Pacific.

But little consideration is given to Fiji. Most flights arriving or departing from Nadi are at unreasonable hours (e.g. 5 am). No local content in food, music, or personnel in provided on the international flights through Fiji. You could be flying into any country. Again, Qantas' relations with its employees has a very sad and long history, and industrial disputes between Qantas and the airport workers continue on a regular basis.

AIR PACIFIC

The Fijian

ONCE UPON A TIME,

SOUTHERN PACIFIC PROPERTIES.

This is a real "once upon a time" story about Fiji's tourist industry. The huge and extensive adventures of this international corporation in exploiting Fiji's natural environment are unbelievable. The story can best be told by Peter Munk, Chairman of SPP, as he explained it to his shareholders last year. (Some emphasis has been added and a little left out).

THE FAIRY STORY BEGINS.
OR
A COMPANY REPORT:

Early history.

The Southern Pacific Properties Group traces its origins back to 1963 when Pacific Hotels and Developments Ltd. (PHD) was incorporated in Fiji by three of your present Directors, Messrs. Gilmour Samuel and myself. Over a period of six years this Company acquired in the Fiji Islands prime sites, the largest being 7,500 acres of freehold land now being developed under the name of "Pacific Harbour", and is situated approximately 35 miles west of Suva on the south coast of Viti Levu, the principal island in the Dominion of Fiji.

In December 1969, Southern Pacific Properties (Bahamas) Ltd. was formed to acquire PHD. Its prime purpose was to provide a vehicle for investment by financial institutions and private individuals in the anticipated growth of tourism in the South Pacific.

The Americana Beach- ... Hotel at Deuba, 30 ... Islands. The Americana

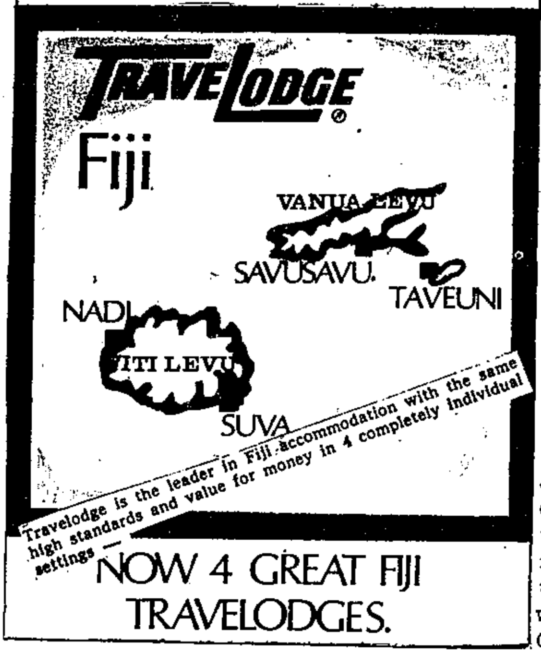
In 1970, PHD acquired a minority holding in Fiji Air Services Limited. This investment was primarily intended to facilitate the link up by air of the Group's various properties throughout Fiji.

In May 1972, the reverse takeover by SPP (Bahamas) of King Fung Development Company Ltd of Hong Kong resulted in SPP (Bahamas) becoming its wholly-owned subsidiary, with former shareholders in SPP (Bahamas) acquiring 87% of the enlarged share capital. The directors of SPP (Bahamas) took over from the Board of King Fung Development Co. Ltd. and the name was changed to Southern Pacific Properties Limited. (SPP).

In July of the same year, your Company made a successful cash offer to the shareholders of Travelodge Australia Limited (TAL) as a result of which approximately 55% of the outstanding shares of that company were acquired.

In September, SPP raised by way of a rights issue HK$101 million which funded the cost of the acquisition.

The linkage of the 'Giants'
55% of shares owned by
Southern Pacific Properties.



The Group currently has the following major operating subsidiaries.

PACIFIC HOTELS & DEVELOPMENT LIMITED.

Pacific Hotels and Development Ltd. (PHD), a Fiji company, is the owner and developer of Pacific Harbour.

PHD is responsible for the creation and execution of the Pacific Harbour Master Plan. Because of its information feed-back system from SPP's marketing subsidiary and the monitoring of tourist trends through its association with TAL and Pacific Harbour Estate Management Ltd (PHEM) it is, at all times, in a position to modify and improve the Master Plan.

Since PHD's operations precede the actual home and villa building and subsequently rental and management activation, it also follows that at this stage of Pacific Harbour's development it contributes the bulk of SPP's earnings. But it should be noted that the high proportion of Group earnings derived from PHD will progressively decrease as the Hotel Group and Estate Management profits build up.

LAND BANK.

PHD's operations utilise "raw land" as its underlying product - consequently its ability to acquire new "inventory" (raw land suitable for development) is of great importance. PHD can only achieve growth if its acquisitions of development properties can keep ahead of sales. It is, therefore, significant that at the end of 1972 PHD owned approximately twice as much development land in Fiji and the South Pacific as it did three years ago, when its sales programme commenced.

SOCIAL CONTRIBUTIONS.

PHD is a significant factor in Fiji's growing tourist industry and as such is conscious of its social obligations to the people of Fiji.

It seeks to maintain a good relationship with the Government of Fiji. All its policies are formulated after careful evaluation of Government plans, and overall policies so that the Company's activities contribute to and support the country's fiscal, employment, manpower training and development plans.

PACIFIC HARBOUR.

Pacific Harbour in Fiji is the first of the integrated residential resorts planned by your company to cater for and satisfy the rapidly growing tourist demand in the South Pacific.

The attractive qualities of Fiji are many; the country and the even sub-tropical climate attracts visitors throughout the year. Americans, Japanese and Europeans visit the Islands from October to March, while tourists from the Southern Hemisphere are predominant during their winter season from April to September. Thus Fiji enjoys what the resort accomodation industry, the world over, has so long been striving to achieve - a substantially even level of occupancy throughout the year. Finally, the legal system of Fiji, based on English Common Law, provides for safe and secure land titles.

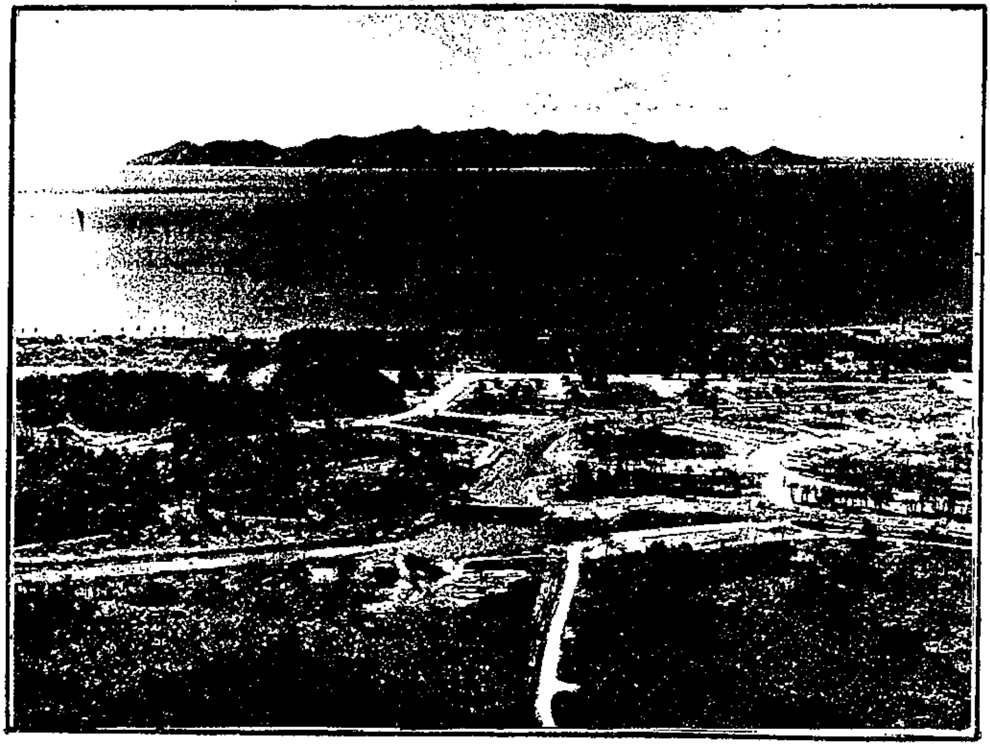
The Master Plan, with provisions for development in progressive stages, and created by some of the world's foremost consultants, has been approved in principle by the Government of Fiji. Mindful of the fact that the unspoilt character of Fiji is an important asset to our Company, careful attention has been paid from the very earliest planning stage to preserve the ecological balance and natural beauty of Pacific Harbour.

The Land Planners, Landscape Specialists, Architects and Engineers to mention only a few of the experts used in the creation of the Master Plan - have been selected on the basis of their world-wide experience and excellence in their respective fields.

Of the 1,150 acres covering the first Phase of Pacific Harbour some 550 acres are devoted to park lands, open beaches, miles of navigable waterways that include a 75 acre lake, and an 18 hole Robert Trent-Jones championship golf course. The balance of the development consists of single family, multi-unit residential and commerical sites providing for several hotels, two marinas and convention facilities coupled with cultural, entertainment and shopping facilities.

Pacific Harbour incorporates a complete urban infrastructure including paved roads, bridges, a sewerage system and waste treatment plant, and underground electric cables. The water reservoir and treatment facility was constructed by the Fiji Government, which is

The major Queen's Road construction contract for rebuilding the Suva-Pacific Harbour section has been let by the Government during 1972, and will significantly improve communications between the capital and the Development upon completion.



Pacific Harbour Resort and Hotel Development at Deuba, Fiji.

PACIFIC HARBOUR ESTATE MANAGEMENT LIMITED.

Pacific Harbour Estate Management (PHEM), a Fiji company, has been incorporated to provide continuous local management of villas, homes and other property as well as to provide and operate all the municipal services at Pacific Harbour.

Its comprehensive operations - which spread from landscaping to interior decorating, house building to global rental operations - are all designed to serve the property owners at Pacific Harbour. It arranges all the services required by a non-resident property owner including contracting for the erection of his house and subsequently arranging its rental. All this is done without personal inconvenience to, or the physical presence of the owner himself.

PHEM has commissioned a series of Villa designs by an international team of architects to form the basis of the Model Home Programme. The houses incorporate the layout specifications of major travel agencies who have indicated their interest in leasing such houses.

Based on these designs, PHEM placed a contract in late 1972 with a leading American construction company for the erection of the first

50 houses, on behalf of individual property owners. Currently, new contracts are being negotiated to increase the building capacity in proportion to the growing demand. Since all necessary engineering work has been completed in Section A and B of Phase 1, the homes and villas currently being built are in those sections. This concentration enables the building programme to be economically controlled and makes the rental programme more practicable. It is anticipated that housebuilding will be phased into Section C and D later this year.

PACIFIC PROPERTIES LIMITED.

Pacific Properties Limited (PPL) is responsible for the international marketing of SPP's products.

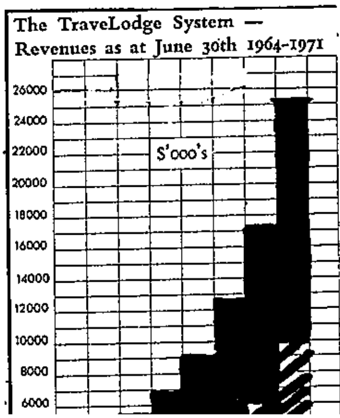
It operates in the United Kingdom, Australia, U.S.A., Hong Kong, Singapore, Japan and throughout the Continent of Europe.

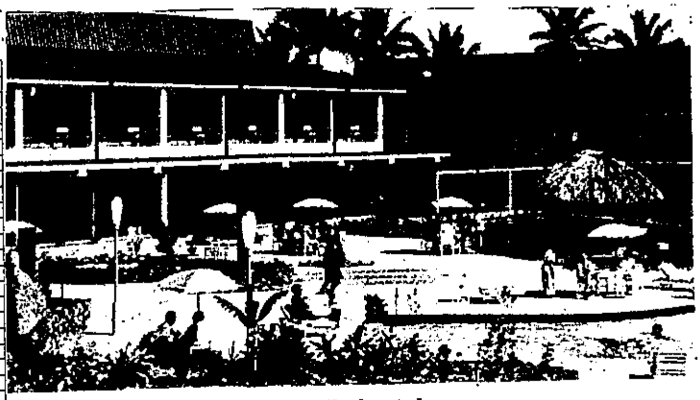
PPL has been carefully structured with a select central group of trained quality specialists who work in conjunction with well established agents.

In July 1972, your company achieved notable recognition by being the first overseas property development company to receive State of California permission to market its property in California. The California sales office is still in the early stages of establishment and to date its sales figures have not begun to reflect the true long term potential of that market.

The dramatic growth of Japanese tourism in the South Pacific has received considerable publicity in recent months. Sales of Pacific Harbour property in Japan have also recently begun and I believe they will show subsequent increase in the next few years.

The Marketing Company today has the affiliation and support of an outstanding group of local agencies thoroughly established in the business communities of the major capital exporting countries. The geographic distribution of the Marketing Company's activities make the sales substantially independent of the restrictions of any single market. I consider this to be an important asset of SPP.





SUVA TRAVELODGE is centrally located.

man of TAL (who is also the Chairman of the Australian Tourist Commission) joined your Board whilst I joined the Board of TAL. During the preceding ten years, TAL, under the leadership of Mr. Greenway, has increased the number of hotels under its management from 37 to 85, of which 11 are located in the South Pacific and the remainder in Australia. The number of hotel rooms under management at present makes TAL the largest hotel group in the SOuth Pacific.

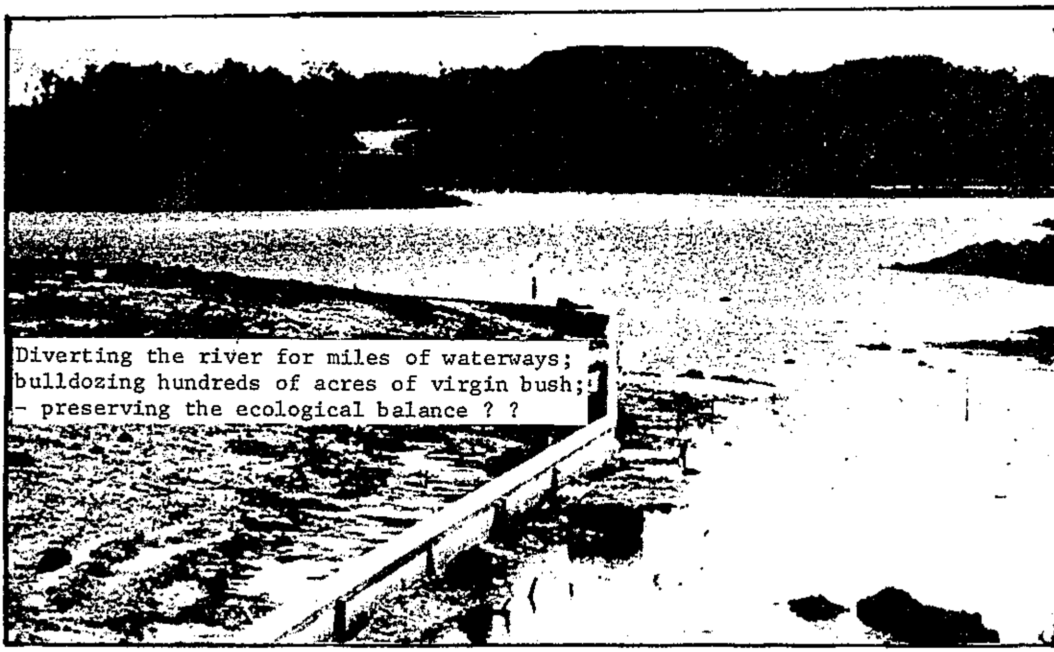
Your directors confidently believe that the acquisition of TAL complements the existing business of SPP, and the combination of the largest hotel group with the largest resort development company in the South Pacific has created a team with a uniquely strategic position located in the greatest growth area of world tourism.

The acquisition...also provided your Company with the most respected and experienced management team in the hotel industry of the region.

FUTURE PROSPECTS.

Currently, SPP combines the largest hotel group with the largest resort development company in the whole of the South Pacific and is in a strategic position to benefit from the expanding growth of tourism in this area. Its current plans, both in terms of new hotels and additional resort developments, will further enhance its dominant position.

SPP operates in a field of activity with above-average growth potential and has its base in a region with encouraging prospects.



THIS canal under construction at Pacific Hotels and Development Corporation's Deuba project will be a highlight of the Pacific Harbour resort complex. It will run right through the development.

Your Directors anticipate continued rapid expansion of tourism in the Pacific and in the Australian economy. It is therefore a pleasure for me to thank every member of the staff of the Group without whose wholehearted endeavours the performance of 1972, and the years before that, would not have been possible. With their continued co-operation and enthusiasm I look forward with great confidence to an increasingly exciting and profitable future for SPP in the years ahead.

Peter Munk. Chairman.

...and they (the tourist imperialists) lived happily ever after. Or will they be allowed to?

WHAT THE COMPANY DIDN'T TELL YOU.

After reading this fairy story, a few important points will bring us back to earth.

++ This company has attained title to at least 8,300 acres of Fiji land at Deuba and about twice that amount for Fiji and the Pacific. To what degree this has robbed Fiji of valuable agricultural land (and village land) is not known.

++ The Fijian Government is supporting this giant international project as a way of obtaining foreign earnings through Tourism, and thus help Fiji develop?? This is an extremely doubtful way of developing Fiji.

++ The Government has built a water reservoir and treatment facilities, and is providing a telephone system. It will also build and service a police station, post office etc. for this international state. As stated elsewhere in this project, a survey was conducted of villages concerning their wishes and proposals to fulfill the rural aspirations of DPVI. Many of these people asked for running water. In many places this would cost very little; sometimes a simple water pump. Most of these small projects have not been carried out. So, it seems contradictory (to DPVI and the rural orientation) for the Government to build this reservoir for the international tourist resort which has the support of some of the largest financiers in the world.

++ As suspected, the Suva-Nadi Highway is being built solely for the tourist industry. The road at the Suva end is only going to Deuba?? Feeder roads have been dropped from the project and hence rural development is again sacrificed for development through tourism. Also to be questioned here, is the accent of Australian Aid. It seems to be aiding the tourist industry which Australian business is deeply involved in, and again ignoring rural development. (The question of using capital intensive equipment on this highway is discussed elsewhere.).

++ Some contracts are not being offered to local companies. For example, the "Modern Homes Programme" has had its plans drawn up by an international team of architects, and an American company has the contract for the first 50 houses.

++ SPP is talking of preserving the ecological balance. This is empty

++ Finally, the land of this new international state (realm of SPP) is being sold in California, Japan, Australia and elsewhere.

(This is a perfect example of economic imperialism - to speak in mild terms. Fiji is a small tool being used by international giants for western recreation and western profits. And all this under the pretext of developing Fiji).

New appointment

Pacific Harbour Estate Management Ltd, which administers holiday villas at Pacific Harbour, Deuba, has appointed one of Fiji's leading experts in the tourist industry, Mr Rory Scott (right), as marketing manager for Villa Rentals.

Of the twelve years Mr Scott has spent in Fiji, he has devoted seven to the tourist industry.

He was general manager of the Fiji Visitors' Bureau from 1966 to 1972, when he joined Tapa Tours as general manager and gained first-hand experience in airline reservations and communications, tour operations and direct commercial travel agency work, to add to his overall knowledge of the industry from a national point of view.

P. O LINE

SLATER, WALKER

J. SLATER

JARDINE MATHESON

TRAVELODGE

This new international state which is trying to turn the South coast of Viti Levu into the Miami of the Pacific, is composed of some of the biggest interests in the world.

SLATER WALKER, its banker and financier is one of Britain's giants. It has 13% itself, but with subsidiaries, friends and clients SW has 20% of SPP. Last year SW had record profits of £12 million.

P & O LINE, one of the world's largest shipping lines, has 10% of SPP.

JARDINE MATHESON & CO. LTD., the Hong Kong trading group has 3%.

J.G. BOSWELL of California, large U.S. agricultural land group has 4%.

TRUST HOUSES FORTE OF ENGLAND has 4%.

TRAVELODGE OF AUSTRALIA also has about 3% of SPP. Three of the eleven directors of SPP are from Travelodge of Australia. Peter Munk himself has 7% and the other directors have 25% of share ownership.

FOREIGN PRIVATE INVESTMENT in FIJI

Peter Annear

INTRODUCTION

Whatever one's political sympathies, it cannot be questioned that overseas private investment has played, and will continue to play, an essential role in Fiji's economic development. In this respect Fiji differs little from other developing countries. The effect of this investment has, in certain circumstances, been favourable, but it would be naive to assume that this has always or generally been so. The extent to which foreign investment has acted to the detriment of people in Fiji and the manner in which investment funds have been misappropriated are areas which require close attention.

In this discussion the following aspects are examined: the rate of new capital inflow; the nature of this capital; the areas in which it is invested; the extent of Australian and other overseas investment; the volume and character of capital outflow; Government attitudes to overseas investment; and, the effect which overseas investment has had on local conditions.

The relative infancy of Fiji's economic machinery obviously restricts the capacity of the Government to make well judged economic decisions, just as it hinders our own assessment Estimates from the Bureau of Statistics are still very crude; exchange controls have only just been introduced; Fiji has neither central bank nor clearing house and, the Central Monetary Authority has still not been finally constituted. In these conditions it is perhaps presumptuous to advise the Government on matters of investment; however, the Government has clearly failed both to control the level of capital flow and to ensure the most beneficial use of overseas investment. Nor does it seem likely to do so in the near future despite recent steps in that direction. We feel then a need to put forward certain recommendations in this regard.

ESTIMATES OF CAPITAL INFLOW

As implied earlier, estimates of capital inflow(1) are many and varied, and until recently, completely unreliable. Nonetheless, it should be realized that, given a deficit on current account in the Balance of Payments of $38.8 million in 1972, that amount of finance must be found overseas.

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(1) Capital inflow may take many forms:-
1. Direct investment - occurs when overseas interests acquire or control firms in Fiji by establishing branches or subsidiaries. It includes the retained profits of branches and subsidiaries of overseas parent companies i.e. profits earned within Fiji but not distributed to overseas shareholders as dividends.

TABLE 1	Balance of Payments, Capital Items - $ Million			
	1969	1970	1971	1972
Private long term capital	5.5	5.6	6.6	8.5
Other private short term	-	-	0.2	-
Central Government	-2.2	-0.3	-0.1	-0.6
Commercial Banks				
Liabilities			+1.2	2.4
Assets	-3.9	-2.3	-0.5	5.1
Allocation of SDR's	-	-	-	1.3
Reserves and Related Item	9.2	1.1	9.5	19.2
Balance on Capital Account	+8.6	+4.1	+16.9	+35.9

Note Minus sign (-) denotes outflow
Source: Table 2, Current Economic Statistics, April 1973
Bureau of Statistics.

In conversation with government economists, it was verified that these statistics very much understate the actual capital inflows.

(2) A Survey of Overseas Investment in Fiji conducted by the Bureau of Statistics in 1970 estimated the "inflow of private overseas capital" at $9,251,9C in that year. Of this, however, only $5,296,100 was new direct investment, the remainder ($4,680,400) was the retained profits (3) of established overseas firms These figures also understate the situation. Other estimates put retained profit for example, as high as $13.5 million (4) in the same year, three times that of the survey estimate.

(3) More accurate statistics have recently become available as a result of exchange controls (5) imposed in 1972. The Minister of Finance, Charles Stinson, has stated that more than $26 million in capital flowed into Fiji during

(3) For an explanation of these terms, see footnote 4.

(4) This figure is determined as follows: the net income of all companies registered in Fiji in 1970 was $16.1 million. Of this $5.6 million goes to the Government as taxation, $8.3 million is distributed to shareholders and the remainder ($2.2m) estimates undistributed profits. This figure, claim government advisors, is understated by at least $6 million. When depreciation ($9.4m) is added to this figure, the retained income of Fijian companies in 1970 was at least $11.6 million.

(5) As from this date all exports over F$1,000 in value will be licensed, and the foreign exchange receipts must be repatriated to Fiji, through the banking system, within six months of shipment. Controls will also cover all outward direct and portfolio investment, with the latter being covered by a 50% rule, under which residents and local firms will be expected to hold at least half their total financial assets within Fiji. Restrictions were also announced on permitted borrowing within Fiji by non-resident controlled firms. Local borrowing will normally be limited to amounts proportionate to any local share in a firm's ownership.

the twelve months to June 1973. [6] This figure is, in fact, the total of approvals given by the Central Monetary Authority to new investors. It does not include capital coming into Fiji during the year from commitments made prior to June 1972. The actual inflow would therefore exceed this figure.

Though figures from the Bureau of Statistics do appear to be understated, the marked increase in capital inflow indicated by this last estimate is a real one. The recent marked increases in capital inflow has produced what Mr Stinson believes to be a record amount in the year ended 30 June, 1973.

(4) It is estimated that economic growth during Development Plan VI (DPVI) will require total gross investment of $364 million. Of this, $98 million will be found externally, an average of $19.6 million annually. $10 million of this annual amount would be raised privately. It is misleading, and disturbing, that the Government has classified undistributed profits (estimated at $150m for the Plan period) as a domestic source of funds. As already stated, 75% of this amount will derive from overseas companies. This constitutes, by definition, an annual average inflow of $22.5 million.

Over the plan period therefore, an annual average inflow of private overseas capital in the order of $33m would be envisaged.

TABLE 3

Sources of Private Investment Funds 1971 - 75

		$mill	%share
Domestic:	Undistributed & Depreciation	150	41
	Personal Savings	96	26
	Government Savings	20	6
	TOTAL	266	73
External:	Public Capital Inflow	47	13
	Private Capital Inflow	51	14
	TOTAL	98	27
	GRAND TOTAL	364	100

Source: Development Plan VI.

NATURE OF CAPITAL INFLOW

Capital may flow into the country in a number of forms. It is the proportion of capital inflow attributable to undistributed and unremitted profits that becomes important, in relation to the volume of new capital inflow. These retained profits are generated entirely within the Fijian economy and may be used either to finance merger and takeover activity, (i.e. portfolio investment in existing companies) or may be reinvested in the particular company concerned [illegible] facilities). In either case, undistributed profits

Table 3 indicates that Government planners expect 41% of the investment necessary during DPVI to be financed by undistributed profits, an amount which is in fact 50% greater than the new capital inflow envisaged over the period and by far the largest single source of investment.

Even if one could argue that the entire amount of undistributed profits will be reinvested to increase capacity - and this must not be assumed - this very reinvestment is likely to entail a mechanization of industry and consequently reduce the labour employed. To increase the degree to which an industry is capital intensive, rather than labour intensive is contrary to the interests of Fiji and other developing countries where there tends to be a growing pool of unemployed labour, especially in the urban sector.

Furthermore, evidence exists to suggest that undistributed profits are being used for merger and takeover of existing firms. The takeover of a local car hire firm by Burns Philp and Avis is discussed later. (7) Such activity merely involves a transfer of ownership and will not increase industrial capacity at all. The danger is that those firms most susceptible to takeover will be locally owned, and those with the greatest ability to buy out existing firms will be overseas owned. In these conditions, undistributed profits merely act to broaden the influence of overseas companies in Fiji and stifle local incentive. That undistributed profits is the largest single source of investment funds is a dangerous position for Fiji's economic sovereignty.

DESTINATION OF CAPITAL INFLOW

In releasing the most recent figures for capital inflow ($26.2m), Mr Stinson announced that $15.4m went into tourism, $6.2 into manufacturing, $4.1m into construction and $500,000 into land development. (8) That the recent upsurge in capital inflow is almost entirely attributable to tourism is disturbing: the dangers of investment in tourism are discussed in other chapters. That apparently no equivalent volume of capital has been invested in agricultural development is equally disturbing in a country facing significant problems in the rural sector.

The 1970 Survey also reveals some alarming trends:

1. Of the $3933,300 direct investment (excluding undistributed profits) in subsidiaries, $2,655,400 (67%) was directed into the non-productive industries of finance, real estate, business and service,

2. The net direct investment (excluding unremitted profits) in branches of overseas companies, was $1,362,000. This included the amount of $1,491,800 invested in wholesale and retail business. The remaining investment was in finance real estates, business and service, while all other sectors suffered disinvestment (ie an outflow of funds)

3. Of the $1,664,700 direct investment in the manufacturing industry, $1,145,000 (65%) was from undistributed profits. The proportion of this which created new capacity is unknown.

That Fiji is reliant on overseas countries for development capital cannot be denied. That the Government should accept this as justification for failure

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(7) See page 60

(8) Fiji Times 28th July 1973

to control the nature and direction of capital inflow is a gross case of economic negligence. The exchange controls of June 1972 are a hearty step in the right direction.

AUSTRALIAN INVESTMENT IN FIJI

The 1970 Survey conducted by the Bureau of Statistics (see Table 2) determined the origin of capital inflow by country. It confirmed that Australia is the single largest source of capital, accounting for 37% (or $3.4 million), of the total inflow in that year. The United Kingdom, New Zealand and the USA are also important sources of capital. Recent trends indicate something of a decline in funds from these sources and a greater volume of capital coming from other areas, especially Japan.

The disturbing feature of Australian capital inflow to Fiji is again the very high proportion of undistributed profits. The 1970 Survey shows this as 73% of total capital inflow from Australia and further, that new investment from Australia amounted to only $891,800.
The dangers of such a situation may be restated as:-

1. That Australian capital will generate little new activity;
2. That the chance of takeovers which could broaden Australian's interests to the detriment of local entrepreneurs is great.
3. That undistributed profits constitute a potential capital outflow; and
4. It indicates that Australian firms are well established in which case the remittance of interest and dividends to Australia will most likely exceed the inflow of new capital.

When this last point is considered, Australian capital movements with Fiji become increasingly alarming. The Income Payable Overseas to Australian companies ($5,976,400) does in fact far exceed the inflow of capital from Australia ($3,412,100).

The discussion so far has been restricted to annual capital flows. However, the influence of Australian invesment in Fiji is much greater that this implies. One must look closely at the historic nature of Australian investment for, as indicated new capital inflow from Australia is low: the great bulk of Australian investment has in fact occured at some time in the past and Australian companies now reap the benefit in the form of remitted profits. Of the total paid up share capital of companies in Fiji in 1970, 76% was in Australian companies - 16% U.K., 3% N.Z., 2% USA, 3% Other(9)

Given that overseas firms account for 80% of turnover in Fiji, (10) Australian firms will account for 60% of that turnover.

The economic giants in Fiji are the Carpenters and Burns Philp groups. Together, these companies have absolute control over many industries and have influence in all economic sectors: agriculture, retail, manufacturing, transport and services. Both are detailed elsewhere. That both are Australian owned is indicative of the extent of Australian investment in Fiji. Other important firms with extensive Australian interests include:-

Air Pacific Limited -- Fiji's only domestic airline. Owned 22.7% by Qantas. BOAC, Air New Zealand and the Fiji Government have equivalent shares.

Fiji Times and Herald Limited -- Fiji's only domestic newspaper. Owned 100% by the Australian company Pacific Publications Ltd which also publishes Pacific Islands Monthly.

(9) An overseas owned company is defined as one in which more than 50% of share capital is held by residents outside Fiji and which has an overseas head office and administration. Figures ascertained in conversation with Government economists. The Matthews Report confirms this figure.

Polynesian Food Packers -- owned 66.6% by Australians, Justin and Peter Warner who also have interests in Tonga.

Kiwi United (South Pacific) Ltd -- owned 53% by Kiwi Polish Co. Pty. Ltd. of Melbourne.

A.C.I. Harvey (South Pacific) Ltd -- owned by Alex Harvey Industries Ltd. which in turn is controlled by Australian interests.

Prouds (Fiji) Ltd -- owned 100% by Prouds Australia.

Fathom Fisheries (Fiji) Ltd -- owned and directed by Justine & Peter Warner.

J. H. Mair Ltd -- owned 45% by J. H. Mair who is an Australian citizen, 39% by Larsen and Achillis of Hawaii.

Other overseas owned firms include:-

Mac Farlane & Saunders -- owned 100% by two American citizens (in Hawaii).

Farebrothers and Co. Ltd -- owned 51% by S. Hiffang, London, and 49% Pearce and Co.

Clyde Engineering (Pacific) Ltd -- owned 60% by Clyde Engineering Ltd, New Zealand and 40% by the local company, Reddy Constructions.

Tip Top Ice Cream -- owned by General Foods Corporation (New Zealand), a U.S. company.

Courts (Fiji) Ltd -- owned 100% by Courts Bros., U.K.

Rolls Aluminium (Fiji) Ltd -- owned by Rolls Aluminium, New Zealand and 44% by the local company Narain Construction.

OUTFLOW OF CAPITAL

Although capital investment from overseas is essential in developing countries it must be remembered that this very inflow gives rise to a corresponding outflow: loans must eventually be repaid; interest must be paid on loans; and dividends must be paid to overseas shareholders. Estimates of capital outflow are disturbing:-

1. The April edition of Current Economic Statistics puts "Investment Income" payable overseas at $10.4 million in 1972. This exceeds the estimated $8.5 million inflow, though the deficit is marginally offset by $4.7 million investment income earned from overseas.

2. The 1970 Survey of Investment put "Income Payable Overseas" at $7,723,300, which is not far below the inflow of $9,251,500.

The 1970 Survey also showed inflow and outflow by country and industry. As noted above, the survey indicated a net outflow of funds to Australia. The same applies to certain industries within Fiji. Dividends and interest payable overseas by subsidiaries in the manufacturing industry ($1,706,000) exceeded direct overseas investment ($1,664,700); the net investment in subsidiaries in the wholesale and retail industry ($250,500) constituted $788,100 less other investment (ie an outflow of funds) of $538,100 while the dividends and interest payable overseas from this industry totaled $1,683,000; $2.2 million was invested in overseas subsidiaries in the energy and construction industries while the corresponding dividends and interest payable overseas totaled $10.4 million -- there was also disinvestment of $11,200,000 in branches of overseas companies in this industry;

Countries with a long history of investment from overseas may reach the dangerous stage where new capital inflow is actually less than the outflow of capital in the form of dividends and interest payed by established overseas companies. It seems that Fiji may now be entering this mature stage of overseas investment. The comparative figures for inflows and outflows speak for themselves; Carpenters established operations in Fiji in 1914 and Burns Philp in 1920; many community leaders have expressed concern about capital flows including the Leader of the Opposition, Siddiq Koya, who recently blamed the Minister of Finance for a "flight of capital from Fiji." (11) This danger is compounded by difficulties facing local investors who, because they are squeezed out by more powerful foreign investors and receive very low local rates of interest, prefer to invest their own capital overseas.

The exchange controls of June 1972 indicate the Government's concern about capital flows. However, in announcing the controls the Minister of Finance made it clear that there would be no restrictions on the repatriation of profits by overseas firms (12). And to ignore important structural changes, measures to ensure local equity and steps to reduce the influence of overseas companies in Fiji is, at best, myopic.

GOVERNMENT ATTITUDES TO OVERSEAS INVESTMENT

The government has stated and restated the necessity of overseas private investment for the economic development of Fiji. Government policy is, in fact, designed to encourage such investment.

"The official view", says Ward (13), "is quite unequivocably that foreign investment, in general, is essential to Fiji if one of the major desired development objectives is to expand the economy at a sufficient rate to maintain and increase the standard of living."

DPVI states (on page 31) that "the Fiji economy cannot achieve the desired rate of growth without substantial inflow of private capital for investment purposes, and that this flow will depend upon the maintenance of general conditions within the country conducive to such an inflow."

The function of the plan, in the field of foreign investment is:-

1. to orient government policies towards the maintenance of a favourable climate for investment; to promote Fiji's image as a safe and desirable place for investment through the maintenance of economic, social and political stability.

2. to influence the direction and pattern of private investment patterns;

(11) Fiji Times 28.7.73

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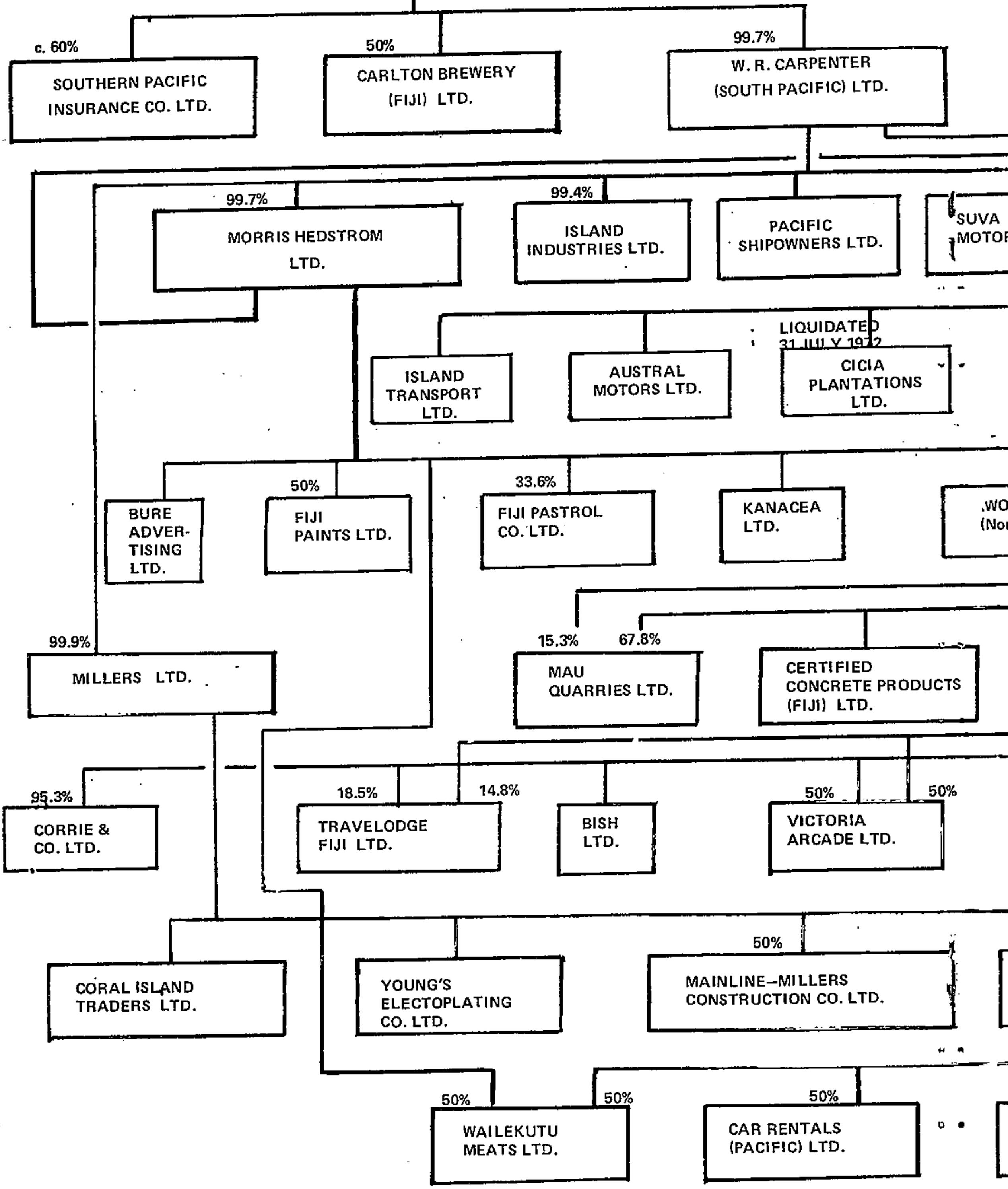
c. 60%
SOUTHERN PACIFIC INSURANCE CO. LTD.
50%
CARLTON BREWERY (FIJI) LTD.
99.7%
W. R. CARPENTER (SOUTH PACIFIC) LTD.
99.7%
MORRIS HEDSTROM LTD.
99.4%
ISLAND INDUSTRIES LTD.
PACIFIC SHIPOWNERS LTD.
SUVA MOTOR
ISLAND TRANSPORT LTD.
AUSTRAL MOTORS LTD.
LIQUIDATED 31 JULY 1972
CICIA PLANTATIONS LTD.
BURE ADVERTISING LTD.
50%
FIJI PAINTS LTD.
33.6%
FIJI PASTROL CO. LTD.
KANACEA LTD.
WO
(Non
99.9%
MILLERS LTD.
15.3%
67.8%
MAU QUARRIES LTD.
CERTIFIED CONCRETE PRODUCTS (FIJI) LTD.
95.3%
CORRIE & CO. LTD.
18.5%
14.8%
TRAVELODGE FIJI LTD.
BISH LTD.
50%
50%
VICTORIA ARCADE LTD.
CORAL ISLAND TRADERS LTD.
YOUNG'S ELECTOPLATING CO. LTD.
50%
MAINLINE–MILLERS CONSTRUCTION CO. LTD.
50%
WAILEKUTU MEATS LTD.
50%
50%
CAR RENTALS (PACIFIC) LTD.

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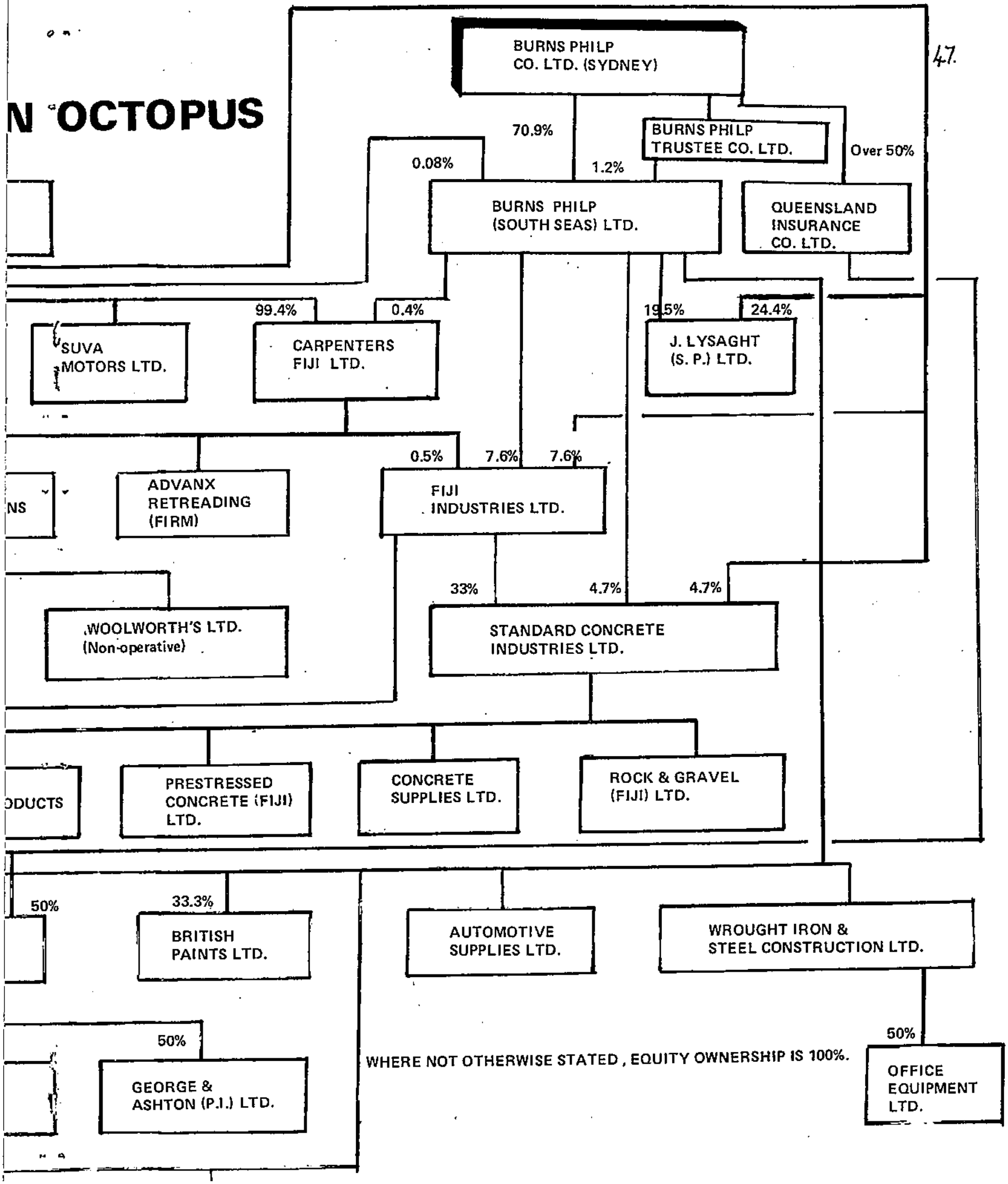

BURNS PHILP CO. LTD. (SYDNEY)
70.9%
BURNS PHILP TRUSTEE CO. LTD.
Over 50%
0.08%
1.2%
BURNS PHILP (SOUTH SEAS) LTD.
QUEENSLAND INSURANCE CO. LTD.
99.4%
0.4%
19.5%
24.4%
SUVA MOTORS LTD.
CARPENTERS FIJI LTD.
J. LYSAGHT (S. P.) LTD.
0.5%
7.6%
7.6%
NS
ADVANX RETREADING (FIRM)
FIJI INDUSTRIES LTD.
33%
4.7%
4.7%
WOOLWORTH'S LTD. (Non-operative)
STANDARD CONCRETE INDUSTRIES LTD.
ODUCTS
PRESTRESSED CONCRETE (FIJI) LTD.
CONCRETE SUPPLIES LTD.
ROCK & GRAVEL (FIJI) LTD.
50%
33.3%
BRITISH PAINTS LTD.
AUTOMOTIVE SUPPLIES LTD.
WROUGHT IRON & STEEL CONSTRUCTION LTD.
50%
50%
GEORGE & ASHTON (P.I.) LTD.
WHERE NOT OTHERWISE STATED, EQUITY OWNERSHIP IS 100%.
OFFICE EQUIPMENT LTD.

A more specific list of incentives provided by the government to influence investment would include; (i) government grants towards the cost of construction or extension of hotel accommodation under the Hotels Aid Ordinance which provides for:-
(a) a cash grant of 7% of the total construction cost of new accommodation; or,
(b) a special depreciation allowance which permits hotel owners to set off, for tax purposes, the capital cost of new work against profits over a period of fifteen years; or
(c) a sum equal to 55% of the capital expenditure, may be set off against annual chargeable income until such a time as the sum has been extinguished.

(ii) tax free holidays granted to new companies whose operations are thought to encourage Fiji's economic development. Such companies may be granted full exemption from the payment of taxation on profits over the first five years of operations from the date of completion. In the industrially depressed area of Vatukoula this period is extended to eight years.

(iii) import duty concessions on the purchase of raw materials and plant and machinery.

(iv) special depreciation allowances granted to companies which propose to incur substantial capital expenditure considered expedient for the economic development of Fiji.

(v) provision of finance through government agencies such as the Fiji Development Bank (FDB) and the Fiji National Provident Fund (FNPF).

(vi) provision of infrastructure necessary to make investment viable.

These incentives, however, do not always operate in Fiji's best interest. Firstly, they have a particular bias toward urban development ;and the expansion of the tourist industry, while little encouragement is given to agricultural development or diversification of industry into rural areas. Secondly, these incentives do not, in practice, always operate to achieve stated development goals. For example, a hotel owner can take advantage of the tax free holiday for new accommodation to perpetuate a situation in which taxes will never be paid by, at the end of each 5 year holiday, adding new rooms to existing facilities to become eligible for an additional five year holiday. This he can do at the end of each five years into eternity. Under these conditions, the Fijian Hotel Fiji's largest, has paid no tax at all in ten years of operations. (14) Though Government agencies do make finance available, it is not always directed to the most appropriate areas: the FDB has to date favoured not only the urban sector, but moreover, foreign companies in their lending policies (15). The government may invest heavily to provide infrastructure, but this does not invariably encourage the establishment of industry (16) and, more importantly, the provision of infrastructure may simply become too costly in relation to the activity

(14) This fact, that hotels have paid no tax because of the Hotels Aid Ordinance (clause 5 and 7), was confirmed by the Secretary of the Department of Communications, Works and Tourism.

(15) See page 60.

(16) Certain sections of Queens Road have in the past, been sealed to encourage Hotel development which subsequently was abandoned.

generated and may deprive other sectors of the economy which require substantial capital investment: the extravagant expenditure on the Suva - Nadi highway is a pointed example in this respect.

Government policy remains little more than well voiced platitudes as few steps have been taken in reality to achieve stated goals; investment continues to flow into the non-productive service industries while agriculture is ignored; the hotel employees trade school has not yet been established; senior officials in the Central Monetary Authority admit that, while they have at their command a wider range of weapons than would ever be necessary to affect investment, the Authority will not act to bring about structural changes but will advise on the situation as it is.

ANATOMY OF AN OCTOPUS

Burns Philp and Carpenters between them ...

..OWN OR LEASE NEARLY 19 THOUSAND ACRES OF FIJIAN LAND.
..EMPLOY NEARLY 10% OF THE WORK FORCE.
..AND MONOPOLISE ALL THOSE FIELDS OF BUSINESS LISTED

Goods and Services monopolised by BURNS, PHILP / CARPENTER Empire or solely listed agents.
(Extracted from: Universal Business Directories, May, 1972.)

- *abattiors*
- *adhesive tape*
- *baths, basins and sinks*
- *boilermakers*
- *cement and lime merchants*
- *cement manufacturers*
- *clothing manufactiurers, protective and industrial*
- *concrete, pre-stressed*
- *copper sheeting and tubes*
- *copper wire importers*
- *copra crushers*
- *department stores*
- *cylinder reborers*
- *dairy machinery*
- *dairy utensils*
- *diesel oils*
- *electroplating*
- *fence and gare manufacturers*
- *ferrocrete manufacturers*
- *fibreglass boat builders*
- *fishing gear importers*
- *founders*
- *galvanised iron merchants*
- *garden and patio furniture (porch & lawn furniture)*
- *glues-marine*
- *grinding*
- *insulating wallboard (wallboard importers)*
- *iron and steel merchants*
- *linen importers, wholesale*
- *lubricating oils*
- *machine tools*
- *metal sprayers*
- *milliners*
- *millinery supplies*
- *motor mower dealers*
- *naval architects*
- *poultry feed and supplies*
- *raincoat manufacturers*
- *roofing materials*
- *sail, tent and tarpaulin manufacturers*
- *separator, importers and dealers*
- *shredding machines*
- *slotted angle merchants*
- *staircase manufacturers*
- *steel reinforcing and structural*
- *steel sheet (black)*
- *steel-tubular manufacturers*
- *sterilisers*
- *trolleys (shop)*

[redacted]

Burns Philp (South Sea) Co. Ltd., is one of the two Australian giants in Fiji which monopolises large sections of the Fijian economy. "B.P." is a house-hold name in Fiji (as it also is in P-NG) and it dominates the business sector of Suva with its large department stores and other activities from motor supplies, shipping, wholesaling to travel agencies. It operates throughout Fiji. Its power in the Fijian economy is great and its executives and directors speak with authority in the public arena of Fiji's developing economy. Its profits and dividends are high and come quickly. Its wages to Fiji employees are very low (about 1/5th that paid to workers in Australia) while the goods B.P. sells, are kept at the inflated Australian price.

Burns Philp Co. Ltd. was set up in Townsville, Queensland and was first registered in New South Wales in 1883 to acquire the partnership business that had previously been carried out by Sir James Burns and Sir Robert Philp. (Even when the company was listed on the Sydney stock exchange in 1896, it had total assets exceeding half a million pounds, and by 1900 when its paid capital was £275,000 it had a turnover exceeding £1 million.) Its operations mainly covered Papua-New Guinea and the Pacific Islands in the field of island trading, shipping, plantations, hotels, retailing, travel and shipping agencies, merchandising, trustee operations, etc.

In 1920, Burns Philp (South Sea) Co. Ltd. was registered in Fiji to take over the island trading activities of the parent company with authorised capital of £2,000,000

Today it is one of the largest and expanding companies in Fiji and the Pacific Islands, comparable with Myers inMelbourne, and Coles and Woolworths throughout Australia.

It has 10 branches in Fiji with the larger ones at Labasa, Sigatoka Lautoka, Taveuni and of course at Suva. As well as its own brand-name stores, B.P. has other substantial interests in the Fijian economy through subsidiaries and other share holdings. The Octopus diagram gives a very good idea of Burn Philp's empire in conjunction with W.R. Carpenters. However the listed subsidiary companies of Burns Philp (South Sea) Co. Ltd. are as follows ....

Automotive Supplies Co Ltd.
Bish Ltd.
Corrie & Co. Ltd.
Suva Glass & Mirror Co. Ltd.
Wrought Iron & Steel Construction Ltd.
Burns Philp (New Hebrides) Ltd.

PROFITS

B.P.'s long and continuing investment in Fiji is based on one criteria, it's good business, it's profitable.
Profits after tax for the last few years is shown in the following table.

	Profit After Tax	(in Fijian Dollars)
1969	527,000	
1970	583,000	
1971	684,000	
1972	825,000	(Melbourne Herald 2-10-72)

(Source: Public Companies of Aust. & N.Z. JOBSON 1972.)

BURNS PHILP (SOUTH SEAS) CO. LIMITED.

TOP 20 SHAREHOLDERS

1.	Burns Philp & Co. Ltd. Sydney Australia	1,330, 658
	Burns Philp Trustee Co. Ltd.	22, 363
	Burns Philp Trust Co. Ltd.	1, 750
2.	Argo Investments Ltd. (Adelaide S.A.)	34, 625
+3.	Choiseul Plantations (Holdings) Ltd. (Sydney Aust)	21, 238
4.	National Mutual Life Association of Australasia Ltd. (Australia)	16, 942
+5.	Queensland Insurance Co. Ltd. (Sydney)	15, 000
	Queensland Insurance Co. Ltd. Herbert William	1, 242
+6.	Bankers & Traders Insurance Co. Ltd.	12, 265
	Bankers & Traders Insurance Nominees	3, 375
7.	Carlton Hotel Ltd. (Sydney)	14, 437
+8.	James D. O. Burns (Sydney Australia)	13, 750
9.	University of Adelaide (S.A.)	1, 711
10.	Bounty Investments Ltd. (S.A.	12, 500
11.	Warwick Ashley P/L (Rosebay N.S.W.)	8, 875
12.	Colonial Mutual Life Assurance Society (Sydney)	8, 718
13.	British India Steam Navigation Co. Ltd. (Sydney)	8, 501
14.	The Presbyterian Church (NSW) Property Trust (Sydney)	8, 321
15.	Town & Country Lands Ltd. (Sydney)	7, 702
16.	Wakefield Investments (Aust.) Ltd. (Sydney)	7, 500
17.	Burnside Nominees P/L (Sydney)	6, 250
18.	The Canterbury (NZ) Seed & Malting Companies Superannuation Association Ltd. (New Zealand)	6, 250
19.	Firth Investments Ltd. (Sydney)	6, 250
20.	The McArthur Shipping & Agency Co. Ltd. (Sydney)	6, 122

(+ indicates subsidiary, director/chairman, or associate company of Burns Philp & Co. Ltd.)

The top 20 shareholders hold between them 84% of shares.

Burns Philp

Financial Review 3-9-73.

AN INVESTOR holding stock in Burns, Philp and Co Ltd for 15 years now holds more than six times the number of shares worth more than seven times the 1958 value, without having put up a cent in new cash capital.

Through the company's history of regular bonus issues in the past 15 years, an investment in 100 shares in 1958 has increased to 648 shares with the inclusion of the one-for-five bonus announced last Friday.

In April, 1958, before the one-for-four issue, the company's shares were selling for £3/8/0, placing a price of £340 on the purchase.

Based on Friday's closing price of $3.95 and with the latest issue, the value of this investment has swelled to $2,459.

BISH

automotive supplies co. ltd.

Top civil servant quits to join BPs

Burns Philp (SS) lifts interim

Burns, Philp (South Sea) Co. Ltd., lifted net profit by 21.2 per cent in the half year to December 31. Merchandise sales rose by 20.4 per cent.

British Paints

CORRIE

BU... S PHILP MAKES $6 MIL.

MANUFACTURERS ...

IMPORTERS, EXPO...

GENERAL AG...

Burns motor division

A Fijian rental car operator, Mr Akuila Qumi, of Suva, has sold control of his business to the American Avis rental group and Burns Philp (South Sea) Co Ltd.

has been in Fiji, and they show an incredible recent growth of profitability. And all this, in the face of claiming that things are getting tough. For the first six months of 1972-73 financial year, B.P. (SS) lifted net profit by 21.2%, and merchandise sales rose by 20.4%. (Herald 22-3-73)

"The profits of Burns Philp (South Sea) Co. Ltd. and its subsidiaries in Fiji have increased substantially in the last few years and we are optimistic that measures being taken to improve and develop the company's resources will result in continued growth in the area." "The motor vehicle and engineering sections of the business performed well." (Address by chairman Mr J.D. O.Burns of Burns Philp Co. Ltd. at annual meeting 8-12-72. Australian Stock Exchange Journal Feb. '73.)

As well as straight profits, the actual return of money (dividend) to shareholders' pockets over the last 5 years has in fact been nearly 2/3rds the ordinary capital. The following table gives the dividend to shareholders over the last 5 years.

Year	Dividend	% of Capital
1968 (in 17 months)	212,000	10%
1969	330,000	10%
1970	450,000	15%
1971	375,000	12½%
1972	375,000	12½%
1973 (1st 6 months)	187,000	6¼%
	$ 1,929,000	

This means that shareholders of B.P.(SS) Co Ltd over the last five years have received $1.94 million in return for their investment in Fiji. This is of course a quick and very high return of investment. It is an ever increasing profit along with B.P.'s ever increasing hold over the Fijian economic and business world.

WHO OWNS BURNS PHILP (SOUTH SEA) CO LTD.

Burns Philp (South Sea) is in fact owned (nearly 74%) by its parent company Burns Philp & Co Ltd of Australia. This parent company owned (as at 28-10-72) 1,330,658 shares of a total of 1,875,000. The rest of their ownership is made through their subsidiaries and other interests, e.g. Queensland Insurance, Bankers & Traders Insurance. The top 20 shareholders of Burns Philp (South Sea) are listed opposite.

In the parent company, the chairman Mr J.D.O. Burns personally has 13,750 shares in Burns Philp (South Sea), and another director N.D. Pixley is also a director of P & O Lines and P & O Holding P/L. This is one of the main shipping lines between Australia and Fiji, and it would be a reasonable judgement to say that Burns Philp would ceratinly use this shipping line in transporting its merchandise from Australia to Fiji. The parent company also owns 185,000 shares in the Bank of New South Wales, which is probably the largest bank in Fiji.

THE DIRECTORS OF BURNS PHILP (SOUTH SEA) CO LTD.

P.C. Best. (Also director of John Lysaght (South Pacific) Ltd.)
M. O'Connor. (Also director of Burns Philp & Co Ltd, Bankers & Traders Insurance Co Ltd, and Queensland Insurance Co Ltd.)
'BP AUST has 48.7% interest in these last two companies)

J.A. Baker
C.V. Wardrop.
L.T.A. Black.
R.G.Q. Kermode. (Of the large Fijian Solicitor company: Munro, Warren, Keys & Kermode.)
S. Narain. (Director of Narain Construction.
Rolls Aluminium (56% NZ and 44% Narain Const.)
Resene Paints (Fiji) Ltd.
Roofing Manufacturing (Fiji) Ltd
South Seas Paints Ltd.
Queensland Insurance Co. Ltd.
Hardware Pacific Ltd.
Mechanical Services Ltd.
Hannah Norma Ltd.
Raiwaqa Developments Ltd.
Narain Towers Ltd.
Narain Shipping Ltd.

All of these directors have at least 1,000 shares in the company.
J.A. Baker had worked for B.P. in New Guinea.
R.G.Q. Kermode was a member of the Fiji Legislative Council and the Exect. Council and was a director of SPSM at one stage.

LOCALISATION (?).

After 90 years of trading in the Pacific, BP only last year selected eight school leavers to undergo an executive training programme, as part of a long-term localisation programme. The scheme was costing about $50,000 a year and it also included training men for positions in the technical departments like the motor division.
"Burns Philp also has a training programme in Fiji entitled 'Caring for People', a course developed by Australian Management consultants, Talbot Smith & Associates. <u>This is geared to help employees become more effective in their work and for the company to get a better return from them.</u>" (emphasis added) (Pacific Island Monthly, July 1973 p.35.)

WAGES AND EMPLOYMENT

Burns Philp employs a large and varied staff in Fiji, ranging from managerial and wholesale dealers, to shop assistants and plantation workers. The director Mr C.T.A. Black says that in Fiji today the staff of 2,100 includes less than 2% expatriates." (P.I.M. July '73)

The wages that Burns Philp pays its Fiji employees is a lot lower than wages in Australia. In fact about a 1/5th. The average weekly earnings in Fiji is between $14 and $22 a week. (For a full description of wages, refer to paper on Wages & Employment.)

Burns Philp (South Sea) Co Ltd. with some of its branches and subsidiaries (not all), along with sections of W.R. Carpenters, have signed an agreement with the National Union of Factory & Commercial Workers (12/12/72), concerning minimum rates of wages and other working conditions. The following table from that agreement gives an idea of the wages paid by Burns Philp in Fiji. It covers only those classification of workers as listed. The rate of pay for its other workers is mentioned in the paper on Wages & Employment

DOING GOOD BUSINESS FOR THE ISLANDS

Class of Worker	Under 16 Years	16 Years & under 18 Years	18 Years & over
Cashiers	48.5	51	54
Clerks	47.5	50	53
Drivers	-	52	55
Forklift Operators	-	54	57
Garage Workers	44.5	47	50
Packers	46.5	49	52
Salesmen	47.5	50	53
Sewing Machinists	48	50.5	53.5
Storemen & Warehousemen	48.5	51	54
Unskilled Worker	44.5	47	50
Watchmen	-	48	50

Master Agreement, amended 12 Dec. '72 Schedule C

The agreement also lays down for BP employees that 2 weeks notice must be given for termination of employment. Annual holidays are only two weeks for the first five years of employment and then a sliding scale; 16 days for 5-10 years, 18 days for 10-15 years, and 21 days after working for the company for 15 years. Long service leave after 15 years is 21 consecutive days and 42 days after 25 years employment.

In summary, Burns Philp is employing workers at very low cost while its profits are growing every year. When the cost of living in Fiji is, in general, equal to that of Australia, the difficulties of a Fijian worker to live and support a family on a wage 1/5 that of an Australian worker are great. (see section on Employment). Of course he is denied a living standard equal to an Australian if that is what is desired.

Burns Philp invests in Fiji because of these low wages. It also invests there because of a much lower tax on company profits (28% compared with 42% in Australia). Its facade of crying that its hard times is negated by its increasing profits. It is not just profitable, but increasingly so. Because of the size and extent of Burns Philp's operations in Fiji, this is all the more important. THE EXPLOITATION AND MONOPOLISING EFFECT OF THIS AUSTRALIAN COMPANY IS THE ECONOMIC COLONIZATION OF FIJI. ALTHOUGH POLITICALLY INDEPENDENT, FIJI IS AN ECONOMIC COLONY OF AUSTRALIAN BUSINESS, AND BURNS PHILP HAS BEEN, AND STILL IS, A KEY FIGURE IN THIS PERPETUATION OF UN-DEVELOPMENT.

B.P. (SS) Co Ltd is an agent for the following shipping companies:

- *Blank Line Limited*
- *Blue Star Port Lines*
- *Daiwa Navigation Co Ltd*
- *Karlander Kangaroo Line*
- *Pacific Island Transport Liner*
- *Pacific Navigation Co Ltd*
- *Royal Interocean Co Ltd*
- *Sitmar Lines*
- *agent for Zephr (inter-island shipping cargoe and passengers)*

BURNS & LAND (Aug. 1973)

B.P. has 2,178 acres of freehold land in Fiji;
also has 617 acres of Native lease,
6 acres of Crown land
&1,966acres of temporary (TFR) lease

There are 142 Package Tours of Fiji organised and sold in Australia; The main agents organizing these tours are Kings Tours, Burns Philp Travel, Union Travel Service ,and Trans Tours.

CARPENTERS

Brian Noone

This Australian owned company is one of the real giants of Fiji.—It was established there in 1914. Its extensive holdings and octopus range of subsidiary companies encompass a broad spectrum of economic activity in Fiji. It includes the three major and well known stores in Suva - Morris Hedstrom, Carpenters and Millers Ltd. It has sole outlets for some of the major overseas car companies (Ford, Volkswagen, Chrysler, Datsun.) through subsidiary companies Suva Motors, and Austral Motors. Carpenters also run plantations, flour mills, transportation, advertising, and is involved in the increasingly growing construction industry.

In 1972 principal activities of the W.R. Carpenter Group are —
in Fiji
merchandise wholesaling and retailing • automotive and heavy earthmoving equipment sales and service • rental cars • coconut oil manufacture • copra production • steel fabrication, foundry, electroplating • ship and barge construction and repair • property development • insurance of fire, accident, marine and general risks • electrical contracting, joinery, upholstery • shipping ownership, operation, agencies, stevedoring • brewing (50% owned) • building construction (50% owned) • paint manufacture (50% owned) • fibreglass moulding (50% owned) • butchery and small goods manufacture (50% owned) • (W.R. Carpenter (South Pacific) Limited group).

Annual Report 1972

FIJI
W.R. Carpenter (South Pacific) Limited
Morris Hedstrom Limited†
Island Industries Limited†
Carpenters Fiji Limited†
Millers Limited†
Suva Motors Limited†
Pacific Shipowners Limited†
Cicia Plantations Limited†,
Kanacea Limited†
Austral Motors Limited†
Island Transport Limited†
Woolworths Limited†
Manildra Flour Mills (Fiji) Limited
(in voluntary liquidation)
Coral Island Traders Limited†
Bure Advertising Limited†
Young's Electroplating Company Limited†
Dominion Rentals Ltd. †
Dominion Property Trust Limited †

Some of R.R.Carpenters more recent activities include the following.......

1) Carpenters have a joint partnership with the huge international Barclay's Bank (of South Africa fame) in building the 9 storey shop and office block - "Dominion House" - in Scott St., Suva. This is being constructed on Carpenter's "own" land by Carpenters' own subsidiary "Mainline-Millers Construction (Fiji) Ltd". (10% of the new company Dominion Property Trust Ltd, is owned by Barclays, 10% by the British Commonwealth Development Corporation, and the rest by Carpenters with 10% reserved for local participation. When?)

2) Last year Carpenters sold LAUCALA ISLAND (3,017 acres) for one million dollars (U.S.) - cash. It was sold to a U.S. millionaire, New York publisher Malcolm s Forbes, who publishes Forbes Business magazines. The island has coconuts and a few cattle on it. This is a prime example of loss of autonomy to foreign capital. In the sale no mention was made of the possible use of the island except that Forbes was forming a company to run it. Forbes flew to Fiji, then on to Sydney to clinch the deal in his private aircraft.

3) Carlton United Brewery (Fiji) Ltd, the local beer company, is owned by Carpenters (50%) and Carlton United Brewery (50%). Recently they offered 15% of their shares to local residents (=240,000 ordinany shares at $F1 at a premium of 45¢) "Directors said yesterday the company wanted to give the people of Fiji a chance to participate in the company's future." (Sun. Melbourne 12-5-73) This of course appears to be praiseworthy. But in fact what has happened is that the Fijian government last year legislated to permit overseas companies to borrow from local banks only to the extent

be managed as divisions rather than as separate ... avoiding duplication of management, but it could also mean a way of reducing taxation.

"Reorganisation will make its influence felt among the local employees who will have greater opportunities for promotion and will be helped by a training scheme, part of which centered in new workshops has already cost $50,000. In the end, Mr Cupit said, the scheme will make a profit."

Mr Lyle Cupit, Carpenters (South Pacific) executive director and chief general manager. An Australian, he has been in Fiji for 18 years and has applied for Fiji Citizenship.

"part of the process of localisation." PIM Nov'72

morris hedstrom limited

PROFITS.

The net profit of W.R.Carpenters (Holding) ltd for 1972 was $7million. The breakdown of this was as follows.....

$2.8 million came from operations in Australia.
$2.7 million came from operations in Fiji, Tonga and Western Samoa
$1.5 million came from operations in Papua-New Guinea

This means that 38.6% of Carpenters profits came from operations in Fiji, Tonga, and Western Samoa. There are no listed subsidiary companies of Carpenters in Tonga and Western Samoa; although Carpenters could have large shares in companies there, as in the recently formed Samoa Paints Ltd (July 73) which Carpenters has 40% of the initial capital through Fiji Paints. So most of the $2.7 million comes from Carpenters' subsidiaries based in Fiji. There are obviously retail outlets in Tonga and Western Samoa.

Carpenters have never given a detailed breakdown of profits. The above figures are the first time even that much has been given.

However there is a chairman's report of Carpenters (Fiji) Ltd. (refer to Octopus to see where it fits into W.R.Carpenters empire) for 1972 and profits of this subsidiary are listed at $306,841 after income tax of $146,251. But this does not really tells us much about the size of Carpenters business and profits. Let us look at Carpenters Holding Ltd for the last few years.

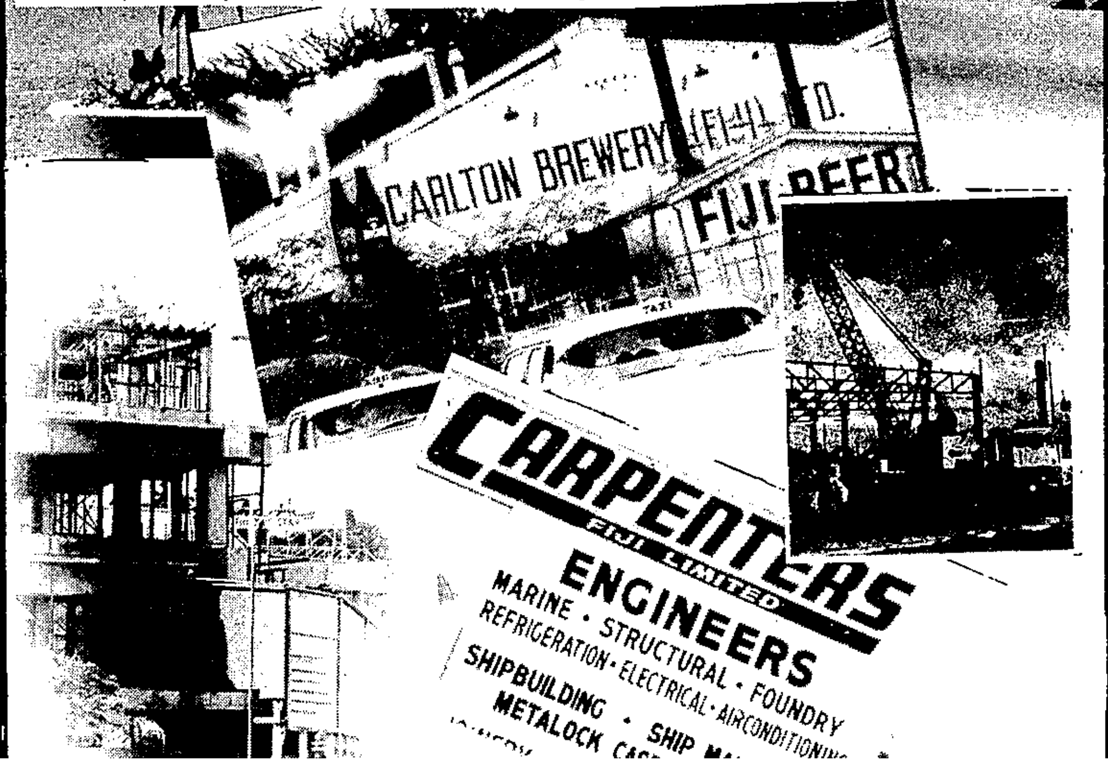
Profits for W.R.Carpenters (holding)Ltd.

1972	7,043,000
1971	6,748,000
1970	6,036,000
	$19,827,000

The total ordinary capital of Carpenters (holding) Ltd is $18 million. So the company's profit for the last three years alone has been larger than the total issued capital. The profits for the last 10 years have been $35.5 million. And Carpenters have been in Fiji since 1914!

CARPENTERS & LAND (Aug. 1973)

Carpenters own nearly 15,000 acres of freehold, (most of it through Morris Headstrom)
has 3,139 acres of land on "Native lease"
has at lease 685 acres on Crown lease
Carpenters own also many small blocks of land in the large towns.



1967	2,400,000	16%
1968	2,700,000	18%
1969	3,330,000	20%
1970	3,600,000	20%
1971	3,600,000	20%
1972	3,600,000	20%

Normally, the banks offer 3-4% interest of loans, with perhaps 5-7% for a long term loan. So, for Carpenters to offer 20% for the last 4 years, and probably the same for this year, is a good indication of how profitable the operations of Carpenters are. In the last five years, the total dividend paid has nearly equaled the ordinary issued capital. A fantastic investment! It means that if a person brought $1,000 worth of shares 5 years ago, he would have been paid about $1,000 in interest alone by now.

Now, it must be remembered that about 40% of these profits and dividends come from Carpenters operations in Fiji.

The profits of Carpenters in Fiji are high for many reasons. Some of these are:-

1. Tax on profits in Fiji is lower than in Australia.
   32%- Fiji. 42% - Australia
2. Production costs are lower in Fiji due to far lower wages.
3. However prices of goods sold in Carpenters stores (Morris Hedstrom, Millers etc) are still very high - sometimes a little higher than in Australia (see page 71.).
4. Carpenters in Fiji purchase most of their goods from their parent company in Australia. Thus the price paid by Carpenters for wholesale goods is low.
5. Carpenters also control shipping, and thus their transport costs are low.
6. Carpenters monopolize many fields , so they can charge what they like for many goods and services.

Wages

Some of the wages paid by Carpenters (South Pacific) to its employees are the same as those mentioned concerning Burns Philp , but only for those classifications of employees listed in the agreement with the union. Carpenters employs a wider diversity of employees than that listed, and wages vary greatly. For example, unskilled workers of the Transport and Timber Workers' Unions are only paid 39¢ and 43¢ per hour respectively(1). The upper limit would be the salary paid to such expatriates as Lyle Cupit and other top executives and would be estimated in the tens of thousands.

(1)Hourly Wage Rates in Fiji Prevailing or Negotiated as at 30/4/73 for Unskilled Employees (Male 18 yrs. and over) Prices and Income Board List.

WHO OWNS CARPENTERS IN FIJI?

The Australian parent company (W.R.Carpenters Holding Ltd.) own 99.7% of W.R.Carpenters(South Pacific) Ltd. Two members of the Carpenter family, C.H.V. Carpenter and W.R.Carpenter, and J.M. Hedstrom personally own 3,160 shares each. The remaining shares are owned by the other directors.

Most of the directors are also directors of W.R. Carpenters Fiji Ltd, W.R.Carpenters Holding Ltd (Australia) and of other companies in Fiji.

THE EFFECTS OF FOREIGN INVESTMENT

Ian Howie

The transfer of resources from the more developed to the developing countries is generally, although not universally, accepted as one means of overcoming certain major economic constraints to more rapid economic development. The following discussion evaluates the degree to which private overseas investment has helped alleviate these limitations as they apply to Fiji.

As indicated elsewhere, foreign controlled firms dominate the medium and large firm size group in general, as well as each major industrial category. Additionally, not only do foreign firms control industrial capacity but within the services sector the largest percentage increases in foreign investment in recent years has been experienced, especially in the construction of new hotels.

Locally owned firms, 90% of which employ less than five employees, account for only about 10% of total capital formation. Most of this investment expenditure has gone into new buildings, extensions or other constructional improvements. Machinery, equipment and vehicles have also been significant avenues of capital expenditure by local firms in recent years. With domestic savings estimated at $F26 million over the period of DPVI, why is it that investment by locals is such a small proportion of capital formation? Consider the following:

(a) Sugar - historically Colonial Sugar Refining (CSR) controlled virtually all available arable land (one estimate put the amount at 90% of all freehold land). No competition to their authority was tolerated and the production of other crops simply was not practicable. Today, the Government, now the reluctant owner of C.S.R.'s assets, (1) has turned this land over to the Native Lands Trust Board (NLTB) for sale on the open market without considering the claims of established tenant farmers. The latter's indebtedness is currently estimated at more than $F12 million to moneylenders and merchants. (2)

(b) Tourism - an international hotel chain can receive sizable concessions (3) from the Government for the construction of new hotels or the extensions of existing establishments. Such is the extent of

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(1) Following CSR's rejection of the Denning arbitration award, Fiji agreed to take over the running of South Pacific Sugar mills (CSR subsidiary SPSM). While some people felt the price was too generous after decades of high profits and that much of the plant being sold was obsolete, a final price of

seek finance to purchase a bus to conduct scenic tours no assistance is forthcoming from the Government. Moreover, it is extremely difficult for a local businessman to ignore the lucrative takeover offers from powerful foreign companies. Such was the case recently with the purchase of Qumi Rental Cars Ltd. by the American Avis Rental group and Burns Philp. This new grouping means that Avis and Burns Philp own nearly a quarter of the 484 rental cars operating in Fiji. The Government is clearly unconcerned about such foreign takeovers despite recommendations made to it by select committees. "...there are innumerable ideas that locals could develop into employment-and-income-generating propositions given the financial and technical assistance. Without aid and managerial assistance, these local entrepreneurs lose out to large international (and often city-based) companies." (5) Additionally, local tour promoters complain that they are being forced from the favourable promotion points at the new Nadi International Terminal. They claim that these placements are going to the big overseas tour operators. They further maintain that they are discriminated against by the Fiji Development Bank (FDB) when that bank allocates loan funds largely to overseas owned tourist companies.

(c) Local Money Market - whilst there is no lack of financial intermediaries in Fiji, most are inadequate to satisfy the needs of development. A substantial share of the funds of the financial institutions are remitted overseas, mainly in portfolio investment and much of it goes in foreign government or public corporation stock. The volume of resources which eventually finds its way back into the local private sector is extremely small. The result, in other words, of limited outlets within Fiji for the intermediate saver and investor. Whilst interest rates on Savings Accounts are low at 3½% per annum, interest on borrowings from the Trading Banks are very high at around 10% and from the non-bank sector (i.e. moneylenders) can reach up to 20% after adding hidden charges. Repayments of loans also tend to be required over relatively short periods. Local businessmen do in fact complain rather bitterly about the overdraft policies of the foreign owned banks arguing that they tend to favour the large foreign owned firms. To some degree this is borne out by a breakdown of loans and advances from the Trading Banks which reveal that the overwhelming proportion goes to foreign owned firms. (6) Nor do local businessmen gain much assistance from Government agencies. 62% of Development Bank loans in the year ended 30 June 1972 went to the predominantly overseas owned industrial sector. (7) Further the FDB, in the past, provided substantial loans to the tourist industry, all to overseas companies.

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(3) See p 45-46.

(4) Economist Intelligence Unit, Quarterly Economist Review. Sept. 1971.

(5) Prime Minister's Working Party, Interim Report on Employment Feb. 1973.

(6) As of June 1973 the Trading Banks loaned and advanced $F47.36 millionfrom a total of $F59.34 of total deposits. Local investments amounted to $F1.11 millions.

(d) Attitudes to Investment - it is true that local's attitudes towards financial investment is largely a negative one. Investment in family businesses and in land dealings has proved more tangible and spectacular for the local investor. (8) Nonetheless, where equity investments have become available in recent years the experience has proved disastrous (as was the case with the New Zealand owned Union Woods Company now in the hands of the liquidator) or subject to a great deal of suspicion (as highlighted by the undersubscribing of the Carlton Brewery float - in this case the feeling was that this was an effort by this company merely to pass on lower profit margins to local people due to the breakup of their monopoly by the establishment of South Seas Brewery at Lautoka). Rather than encouraging local investment, foreign capital has acted to stifle that investment by squeezing the local entrepreneur out of the market.

FOREIGN INVESTMENT MEANS OUTFLOW OF INTEREST AND PROFITS.

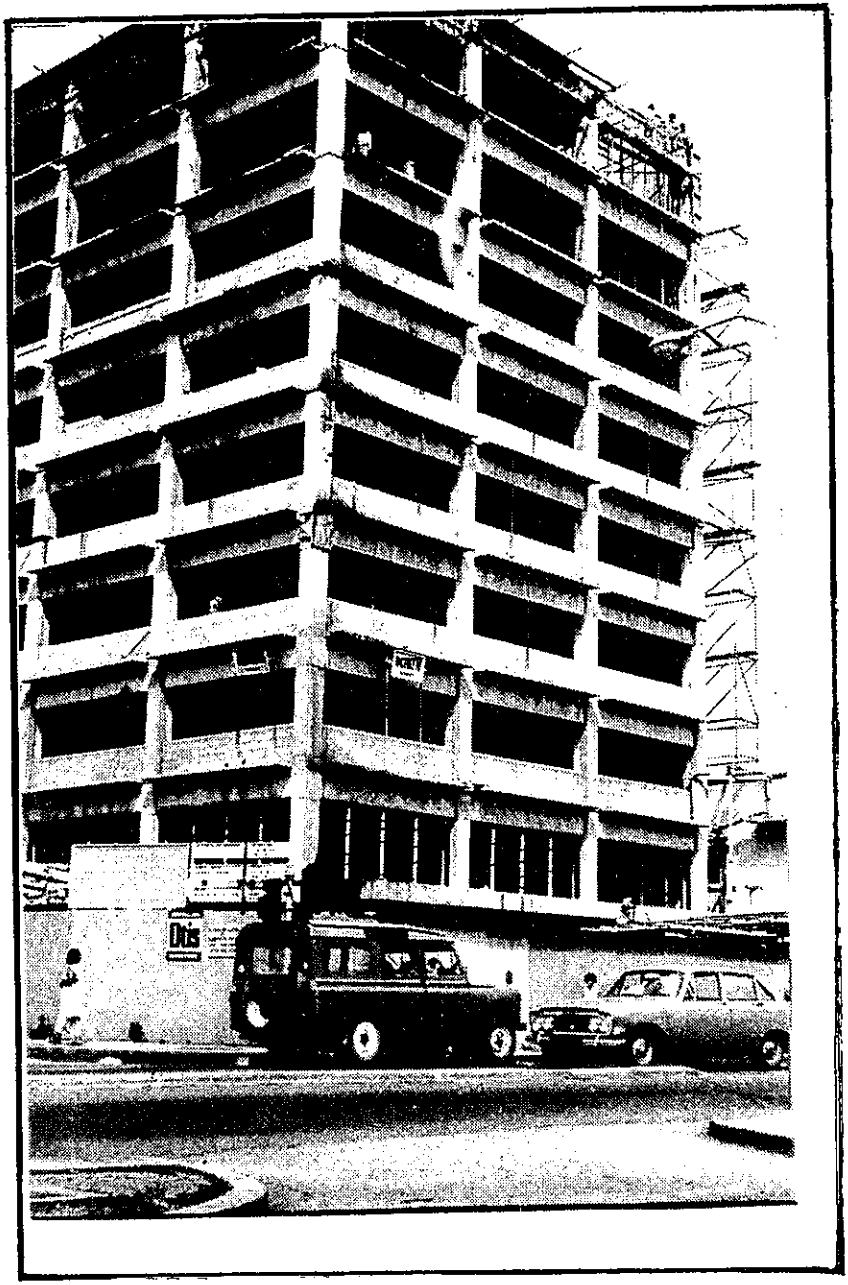
It is sometimes claimed that foreign investment is needed for balance of payments reasons. It is certainly true that the first effects of an inflow of capital is to allow an increase of imports, independent of exports. However the outflow of interests and profits will eventually reverse this advantage, unless the inflow of new capital and/or the re-investment of profits is constantly growing. In fact the rate of growth of foreign-owned capital - new capital plus invested profits - has to be higher than the rate of profits net of tax in order not to reverse the original help to the balance of payments; and since the rate of growth of capital in industry is almost certainly lower than this figure, this would mean in most cases that the poor country's industrial capital would gradually come to be owned by foreigners, e.g. in Latin America the outflow of interests and profits, excluding private capital outflow was greater than the inflow of private capital and government aid combined.

Fiji in its drive for foreign capital has opted for the conventional choice of a package deal. In being unselective regarding capital inflow, the Government has been prepared to accept foreign investment funds regardless of the consequences both in the short and long run. In the short run it has affected the Balance of Payments to the extent that $F10.4 million was investment income payable overseas in 1972. (9) Moreover, much of the investment expenditure has been and will continue to be spent on imported goods further aggravating the Balance of Payments deficit.

In the long run the outflow of private income and capital-in the form of interest, profits and dividends repatriated - may present too great a financial burden for Fiji because the necessity to finance regular debt servicing (and current interest rate on borrowing from the Eurodollar market is around 13% for companies) and other overseas payments will have to be met from scarce foreign reserves needed for development.

INVESTMENT AND EMPLOYMENT.

Foreign enterprise can be most useful in providing, and teaching managerial skills and technical know-how which are normally in short supply in poor countries. In practice, however, it very often happens that foreign firms provide little or no training of local personnel, and that in any case the techniques they import are not suited to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local conditions. Moreover the best way to learn is the hard way, even if it means making mistakes. Countries which have left the exploitation of their natural resources in the hands of foreigners find, in due course, that they are unable to boast of even a few experts in the only activity on which the country depends, e.g. despite Chile's dependence on copper, in 1965 it had no trained geologists.

In their submission to Government the Prime Minister's Working party on unemployment expressed the following view about 'Vocational Education and Training'. "The shortages of manpower - skilled and technician - suggests that the present system of their provision is not equipped to cope with the demands...the employer attitude to on-the-job training is negative - (firms) just don't want to spend large sums to see craftsmen join rivals." (10) DPVI in summarising manpower data concluded that "in all selected occupations the existing capacities to train new entrants are, more or less, inadequate...and the situation is likely to deteriorate during the early years of the Plan period." (11) That such comments are forthcoming is not surprising when it is considered that:

(a) CSR began to train and promote locals into decision-making positions only in 1960 despite their having been in Fiji for over seventy years;

(b) Australian and New Zealand banks only began to cut back on the wholesale employment of expatriates following the establishment in the early sixties and seventies of the Bank of Baroda (Indian) and the First National City Bank of New York which were both predominantly staffed by local officers (although the Bank of New South Wales continues to restrict the advancement of local officers to senior positions and expatriate salary scales);

(c) architects and engineers remain the most sought after graduates (12) despite the crucial stage of Fiji's development and the supposed technical expertise that accompanies large foreign investment;

(d) the projected shortage of technicians and skilled tradesmen in building and construction occupations is estimated to be around 1600 (13) and,

(e) the tourist industry, projected to require 6,190 trained hotel staff in 1985, currently "cannot train" 1,000 of its 2,586 operatives. (14)

Perhaps even more important, however, than this failure of foreign enterprise to train local personnel is the nature of the

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(9) See p Prior to exchange controls in June 1972 the situation was even more disturbing with overseas companies incorporating themselves in Fiji, raising capital locally without the accompanying equity, and repatriating all dividends overseas.

(10) Prime Minister's Working Party, op. cit. Chapter 3.

of reducing the numbers of unemployed). Where the capital has led to the creation of employment such as in the building and construction industry the investment is nonetheless strictly a short term gain. Such investment is not only of a 'once-and-for-all' nature but is highly cyclical as well. And when it is considered that building and construction currently being undertaken in Fiji is valued at approximately $F25 million (16) (new buildings and works constitute the major proportion of capital investment by private firms) then a downturn in this industry could have serious consequences.

The whole issue of whether or not foreign investment does alleviate the problem of unemployment by increasing employment and wages rather than aggravating the problem is one which needs to be carefully considered. The type of investment which Fiji has experienced lately has led to higher business concentration (the 'octopus') and increased returns to scale which enable the firms concerned to reduce potential employment needs through the combined impact of technical progress and the increased ability to substitute capital for labour. Quite apart from this aspect of the problem, the fiscal incentives now considered necessary to attract foreign private investment to Fiji represent a significant expense to the Government and if the proposed overseas investment does not make any worthwhile contribution to solving the unemployment problem (while at the same time putting pressure on other scarce resources e.g. increasing the competition for skilled labour, competing for the limited resources of the building and construction industry, or placing extra demands on already overworked facilities, e.g. power and water) then its desirability is greatly reduced and the project should be carefully judged. Even where a major new industry is established involving some millions of dollars and providing widespread employment, Australian companies have shown a preparedness to close down operations when confronted with what they consider to be declining profitability. (17).

INVESTORS CONTROL TRADE.

Given the need of poor countries to increase exports, the big international concerns could be particularly helpful; they have the marketing channels and institutional links with rich countries needed to generate new currents of trade. But they are not always willing to do this; in some cases the subsidiary is precluded from competing with the parent company in world markets. Subsidiaries may also buy from their company goods that could be produced cheaper in the host country or buy their imports at needlessly high prices, e.g. oil companies.

Being a particularly open economy and one, until very recently, dependent upon an industry in the hands of an overseas company Fiji has been especially vulnerable to these types of practices. For example CSR was known to sell Fiji sugar to the parent company in Australia at depressed prices with a subsequent low payment to sugar cane farmers. CSR then sold the sugar at much higher prices on the world market. Similarly, sugar exported to New Zealand for

(14) Ibid. p.49.

(15) See paper on 'Foreign Private Investment in Fiji'. P. Annear.

(16) Bureau of Statistics, Quarterly Economic Statistics April, 1973, p. 76.

refining at a particular price was re-exported into Fiji at a much higher price. The sale of molasses, also, was a situation where a product not utilized within Fiji was sold at very low prices to CSR Australia and exported from there at a sizeable profit. Again the payment to Fiji's sugar-cane farmers was minimal. Currently CSR continues to control regional trade in sugar to the detriment of Fiji. Rather than importing sugar from Fiji, the New Hebrides is bound to buy refined white sugar from Australia.

But it is not only CSR which exerts control over regional trade; the Carpenter and Burns, Philp groups by their dominant trading position and control over the supply and transport of goods to Fiji, have the power to seriously retard the competitive movement of goods and services in the South Pacific area. Recent experience also with the Fruit Distributors Company in New Zealand and their deliberate policy of restrictive imports of bananas from the Pacific (notably Fiji and the Cooks) highlights Fiji's vulnerability in trade matters.

THE GIANTS AT WORK.

Foreign capital brings with it a more dynamic, aggressive and competitive view of the business world. This can shake up the conservative tendencies of local entrepreneurs, by introducing more rational methods of personnel selection, and new ideas about management and control, thus stimulating more modern and original ways of doing things. But within Fiji it has resulted in:

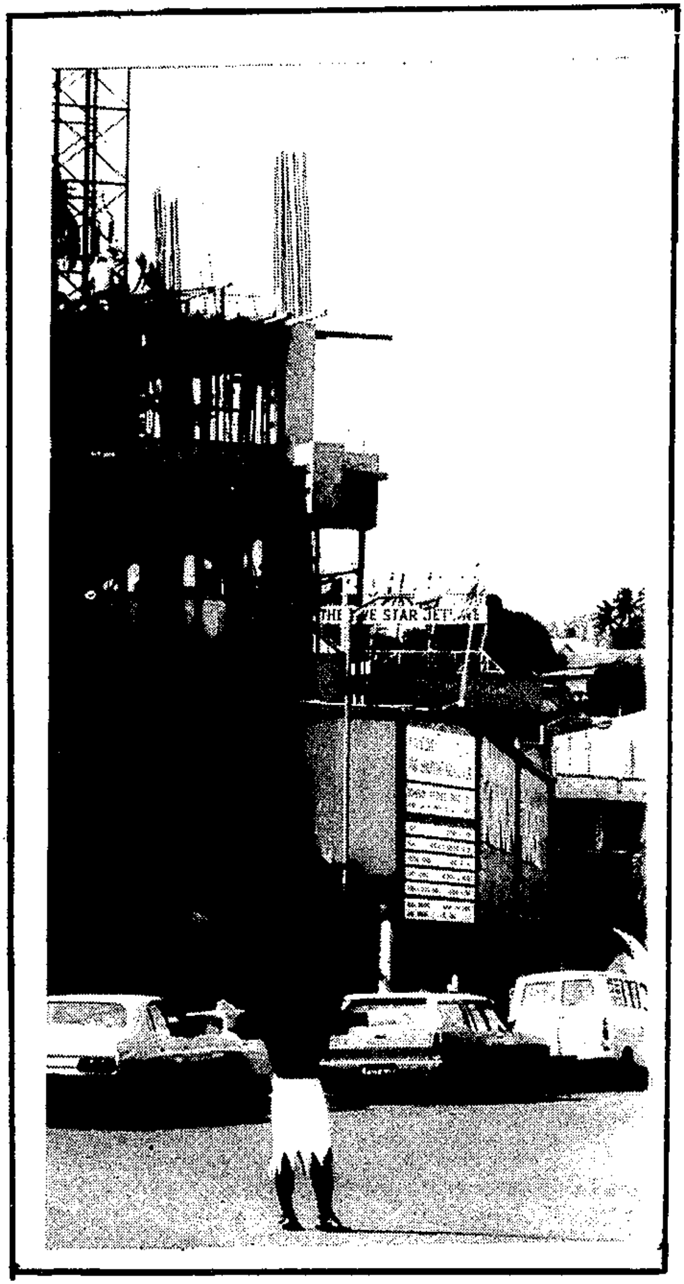
(a) restrictive trade practices by foreign owned and controlled monopolies; and (b) the division of the economy into a modern enclave and a traditional backward agricultural sector impervious to new attitudes.

There is abundant evidence highlighting the power of the retailing giants BP and MH to limit the trading effectiveness of would-be 'local' competitors. Three examples illustrate their monopoly positions.

1. Niranjan Bros.,a locally owned company, were the first agents within Fiji to receive a franchise to sell Japanese cars - in this case Datsun. Following their instant success Suva Motors (a member of the Carpenter Group) approached Datsun in Japan regarding the termination of their agency with Niranjan in favour of Suva Motors who could guarantee a higher turnover of vehicles and a geater number of distribution points. The franchise was duely taken from the local company and given to the more powerful foreign company.

2 Suva Co-operative Association in its attempts to compete with the large supermarkets introduced 'Maxwell House' tea and coffee. The giants felt threatened and bought out this franchise to the loss of the Suva Co-operative.

3. The multi-national corporation 'Unilever' of the United Kingdom manufactures, among countless other things, 'Lux Flakes' in Australia and 'Breeze Powder' in India. The latter was sold within Fiji by local Indian merchants whilst the former was carried by BP



From the power of foreign owned banks to limit overdrafts to local merchants supplying striking sugar cane farmers, to council restrictions placed upon backyard motor mechanics in favour of large mechanised garages owned by BP's and Carpenters - local businessmen are simply not in the competitive race.

FOREIGN INVESTMENT AND THE ELITE.

The emergence of an elite composed of highly paid expatriates and locals has caused increasing concern in many quarters of Fijian life. Foreign private investment has favoured only an extremely limited section of the population and when foreign interests are allied with local labour employed in foreign firms there is constituted a very powerful vested interest against internal changes. It is not difficult to link up this contemporary situation with previous eras when foreign private enterprise was invariably associated with colonial domination, commercial and cultural imperialism and the exploitation of cheap labour.

But Fiji's elite, urban and affluent has more than a stranglehold over the economic life of the country. The large volume of consumer imports which stock the major city stores are geared solely to their needs. Consumer prices are determined for and by the elite.

The disparities between incomes grows. The 'have nots', on the other hand, are confined to the deprived rural sector or herded together in Government housing developments, and are confronted with declining purchasing power and the compulsion to purchase luxury goods and services which are of limited tangible benefit. Little wonder that given the lack of social and economic opportunities, education is regarded as a cargo cult leading to the 'good'life, those engaged in subsistence farming increase, and the rural-urban drift is continually accelerating.

Furthermore, the wages paid in expatriate dominated enclaves are relatively speaking so high that there is little incentive for local employees to leave the industry and set up business on their own. If they do, inevitably in Fiji, it is not a skill or technology based firm which is established but a small store. There is already a proliferation of such enterprises. They are usually inefficient economic units operating on small or virtually non-existent trading margins.

Finally, it is worth examining the reduced effectiveness of Government economic policies due to their lack of control over capital inflow and the extent of foreign domination of Fiji's economic life. Nowhere is this lack of control more evident than in the Government's attempts to control inflation. (18) In terms of causation, Fiji has several distinct inflationary problems. As a small island, it is importing directly large chunks of the inflation hitting its main suppliers in Australian and New Zealand. To the extent that major importers insist on maintaining profit margins, the

(17) Such was the case recently with a million-dollar dessicated coconut industry on New Britain. Established five years ago by the Carpenters group it currently employs 650 workers, mainly villagers from the Papua New Guinea Highlands. Reduced profitability due to a recent wage increase of $1.50 a fortnight

ution, and sale of commodities in the retail business. This makes it possible for these foreign firms "to impose excessively large markups without fear of losing customers." (19) Direct action against these expatriate companies, however, is not forthcoming. Take another example - escalating freight rates. During the dock strike in 1971, a Government board of inquiry implied that a 10¢ pay rise should only raise freight rates by about 2-3% (wages constituting only a small percentage of shipping costs). The Union Steamship Company closely linked to the Carpenters and BP groups, imposed a surcharge of $NZ4.00 per ton to recoup its losses due to the strike, and it and other lines raised their freight rates permanently by 10-20% to cover rising costs in general. And then again in 1973 the Union Company announced a 12½% freight rise. The Minister for Commerce and Industry responded in the following way "...we are too much at the mercy of just one or two sources of supply of our essential goods and here is a classic example where Australian and New Zealand business interests of people who own the shipping have unilaterally and, as far as I know, without any consultation with Government here have gone along and increased the freight rate by 12½%." (20)

To these external factors affecting the inflationary spiral within Fiji should be added the upsurge in tourism, labour and land shortages and blatant land speculation. The latter, in fact, has reached such magnitude that the Native Land Trust Board (NLTB) wants to act against speculators who are obtaining Fijian land leases and selling them at big profits. The Castaway Island Resort, for instance, was sold on 31 July this year to a company registered in Guam for $Fl million. Three companies are currently bidding uo tp $F1,200,000 for the Sunlover Hotel at Nadi. The returns to the Fijian owners of this land are almost nothing. The annual rental of the 16 acres of Fijian owned land on which the Castaway Resort is located is only $F600. (21)

One sector significantly affected by boom conditions is the building and construction industry. As it is closely geared to foreign investment demands and the expansion of tourism it has accelerated in recent years at a very rapid rate. So rapid, in fact, has been the growth that the Government has had to withdraw from the scramble for the services of builders and has cut back on its own building program (extensions and alterations to Derrick Technical and Adi Cakobau School). Nonetheless it remains unconcerned about the 25% expansion rate in building and construction forecast by the Tourism Report with all its implications for accelerating inflation and economic dislocation.

The purpose of this paper has been to call into question the alleged essential contribution of overseas owned (though not always supplied) capital to the development of Fiji. To serve as a self-sustained industrialization and growth, investment must, all will agree, produce the materials, equipment and employment necessary for expanded production. But do the import, export and other commer-

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(18) Estimated at 11% in the quarter prior to the introduction of the wage and prices freeze.

(19) The Minister for Commerce and Industry. Mr. Mohammed Khan quoted in the Fiji Times, 11 April, 1973.

(20) Mr. Mohammed Khan, Fiji Times, 1 June, 1973.

cial houses; banking, insurance, real estate, and other financial institutions; petroleum distribution (by the world-wide petroleum monopoly of notorious fame); retailing (BP's and MH's, which outside Australia is a luxury chain); and publishing, advertising, tourist hotels, and other services, contribute to a solid basis for Fijian economic development? The answer is clearly no. The reality is that Australian and New Zealand companies use profits made in Fiji plus Government assistance for their own purposes, channel these into the provision of goods and services which maximize their profits, and bind the Fijian economy increasingly to themselves in particular and the Australian and New Zealand economies in general. In short, the experience of Fiji has shown how a government loses the ability to direct the flow of foreign capital into the various sectors of the economy and also to plan the kind of technology foreign investors should introduce. Obviously the government is at fault when the responsible departments become merely license processing offices, and the foreign investor decides in which sector of the economy he will invest and makes his own decisions about production targets, marketing policies, wages, profits etc. With this in mind there is clearly a need to:

1. Re-assess completely just what development means in the Fijian context, (i.e. consider priorities as they are and as they should be; and to determine in theory and in practice how development goals are to be achieved). In making such an assessment, the cost to the individual and also to the society of loss of values and coherence in social life must be weighed up in deciding for social change. It must be realized that elites everywhere, both private and public, have a vested interest in maintaining the status quo and enhancing their position of privilege. Development cannot ignore the needs and interests of the mass of the population.

2. Re-examine existing controls on foreign capital inflow and implement modifications and changes. To this extent the following policies are recommended:

(i) Fiji should establish full control over the capital introduced by foreign investors.
(ii) Fiji should direct foreign investors into the economic sectors where their presence is needed and will contribute most effectively to economic development in coordination with the over-all plan; and,
(iii) Fiji and the foreign investor should more than just regulate prices, they should establish fair profit margins for the investor, channel export flow-ons, promote local entrepreneurship in ancillary industries, in maintaining joint ownership preserve Fijian autonomy, ensure an equitable division of jobs between expatriate and domestic personnel - and, of course, prevent any unfair disparity of income between expatriate and domestic personnel.

More specifically, the achievement of these policies involves:

evaluation - is the "maximum" economic rent accruing to Fiji from the foreign company?

- what are the benefits foregone in accepting a particular foreign company as against utilizing alternative sources of finance, expertise etc.?

- is the "maximum" output being achieved from foreign inputs? and company will not be prepared to go and there should be a maximum price beyond which the Government is not prepared to go. Both prices will be determined by the advantages foregone elsewhere by the respective parties. Unfortunately, Fiji is not as well informed as to these alternative benefits as say the Australian company or the multi-national corporation. The Government, therefore, must significantly expand its research and investigation facilities as well as building and using its bargaining strength. (22)

strategies - involved here is a combination of a number of measures. Mandatory guidelines can insist on approved behavior from the foreign company in matters of ownership, personnel, research etc. Persuasive-type policies encourage the type of investment desired and discourage foreign capital. Such policies consist of fiscal incentives, tax holidays, provision of social infrastructure, minimizing bureaucratic procedures, tariff barriers in order to encourage the overseas company to establish itself locally, and general improvement of the investment climate. Finally the countervailing power of Fiji as the host government can be brought to bear against the foreign company, especially the multi-national corporation. On the one hand this may involve the introduction of more competition through the establishment of Government enterprises or the encouragement of mergers amongst local companies. On the other hand it may consist of the enforced gradual disinvestment of an overseas affiliate to local enterprise. As the maximum profits usually accrue to the overseas company in the early years of its investment abroad such a policy should be workable. Such steps may be required where the industry is of vital importance to Fiji and/or the local business practices of the overseas owned company particularly abhorrent.

(21) It is often the inefficiency of the developing country's bureaucratic machinery that has emasculated foreign investment.
(22) Fiji Times, 9 August, 1973.

Squatting area around Suva known as 'Bangladesh'.

Another well known Australian company that has recently moved into Fiji, is HOOKERS CORPORATION LTD. The local wholly owned subsidiary company is called HOOKER FIJIAN DEVELOPMENTS LTD, and is operating in Hookers' familar field of 'land development'. It began operating in Fiji in 1969. One of its early directors was Mr John Falvey and in 1971 he also owned the sole local share (one out of 20,000; the rest owned by Hookers Australia). Late in 1971 Falvey's official involvement was transferred to G.M.G. Johnson. (This is a very common behaviour of Falvey in regards to quite a few companies. John Falvey is presently Attorney General of the Fiji Government.

One of the early "Development" sites was at Tamavua (the Glen Waverley of Suva) which consisted of just over a hundred acres. Hookers bought the land off Roadbuilders Ltd, a N.Z. company, for $365,000 but only paid $100,000 and mortgaged the rest to be paid off by March 1975. 'Tamavua Heights Estate' as it is called, has been sub-divided for residential purposes in typical Hooker style. The land and houses on Tamavua are now being offered at between $36,000 and $50,000 and are thus mostly for the rich expatriate. Most wage-earning Fijians only receive $14-20 a week As there is an extreme shortage of housing in Suva, Hooker's 'development' activity causes a diversion of building materials towards the rich to the detriment of the poor.

On the 30/3/72 Hooker bought 8 properties amounting to a total of 205 acres. Most of these were previously owned by Roadbuilders - who had held them since 1957. One of these properties, a 20 acre (aprox) lot, has now been sub-divided into 84 house blocks of about 24 perches each.

Hooker's activities in Fiji are fairly typical of foreign companies in developing countries. Hooker's have come to Fiji with a small amount of capital .(Even though capital is no problem to Hookers - in 1971 its ordinary share capital was $15 million.)

It has brought up land, sometimes contrary to traditional ownership patterns, paying only part of the price - raising the rest with a mortage. This has brought it into dispute with village communities over ownership of land. Land is a scarce commodity in Fiji today - and Hooker is adding to the scarcity by buying up land for luxurious accomodation of the rich - and buying it with far more ample finance than local people can raise. For example, they recently raised a $1 million loan in Fijian currency from the First National City Bank.

It is an interesting but depressing sight to see locals coming home from work through Hooker sub-divided Fijian land along beautifully made Hooker roads and footpaths to illegal squatter's huts bordering or possibly actually on Hooker's "redevelopment estates". The standard of these roads as well as facilities for water, electricity and sewage, are in sad contrast to the lack of these facilities amongst the local people.

Hooker's operation and presence in Fiji is not to the benefit of Fiji. It is not helping Fiji development and it is purely an exploitation of Fiji land for profits. It goes hand in hand with Hooker's ownership of Aboriginal land in the north of Australia.

Brian Noone

John Wollin

John Roberts

In 1879, the founder of the Colonial Sugar Refinery (CSR) E. W. Knox wrote, "Sugar will be produced in Fiji soon which will come into competition with ours, it is a question whether it will not be better for us to take a share in the development of the industry and the profits that will be realised." Therefore, in Fiji the CSR not only began buying and crushing cane, but also built up substantial company estates. By 1886, there were mills at Nausori and Rarawai and the Fijian sugar industry was completely under the foreign ownership of CSR.

As in Queensland, colored labour was initially used in the Fijian cotton and sugar industries. (Both Fijians and Polynesian kanakas were employed). These colored labourers were recruited "with a callousness and brutality equalling anything that happened in the course of the African slave trade". (N. Deerr, "History of Sugar"). Kanakas were "in fact, if not in law, chattel slaves". (Shann, "Economic History of Australia"). CSR used kanaka labour for 10 years.

The colonial government strongly resisted the coercion of Fijian labour, and strongly disapproved the continued importation of other Pacific Islanders for work on plantations. The governor of Fiji, Sir Arthur Gordon, advised the indenture of Indians in 1875; he saw the sugar industry's demand for labour as being a danger to the stability of the indigenous population's social system and a cause of unrest. The planters opposed imported labour. The first Indians arrived in 1879 as captive labourers for CSR.

Indentured immigrants were brought from India under contract with British administrators of Fiji. They had to work where directed for five years, practically as slaves and could work where they wanted for the next five years Only then were they allowed to return to India with their families. The Indian government stopped the indenture system in 1916. In all, there were 62,837 indentured immigrants, of whom about ⅓ returned to India. This system has produced in Fiji a situation where the original inhabitants are outnumbered by immigrants.

When the last indentured labour contracts expired in 1920, a shortage of labour had arisen. Many Indians had acquired their farms, others had found different ways of earning a living and refused to work for CSR any longer. Industrial disputes and a low price for sugar also combined to increase problems. A tenant system was devised, with the company's land being divided into farms of 8 - 14 acres, land enough for a family to grow sugar as well as their own food needs. Since then, the farms have been leased to Indians at low rentals. The company had close control over the transfer of leases, of land use and of the financial position of the tenants. This arrangement leads to general stability of the industry. Fijians cultivate less than 10% of the land under cane. (6,298 of 108,727 acres in 1954).

GROWERS AND THE SUGAR COMPANY

Growers work together in gangs headed by a sirdar -- a co-operative arrangement. Each member of the gang helps fellow members harvest their crops. The gang, although largely informal, is the basis of organisation of the sugar industry. The millers arrange the harvesting program with the gang rather than with individual farmers. Portable rail lines and trucks are assigned to the gang. Contrary to Australian practice, the cane is generally not burnt, and it is harvested by manual labour rather than by machine.

In Fiji, CSR acquired a complete monopoly position in the industry. As the Denning Report said in 1969 -- there were 15,000 growers and only one miller. CSR owned all 4 of the sugar mills in Fiji. However the sugar growers, mostly Indians, gradually began to unite to defend their interests. CSR refused to listen to their complaints and threatened to get out of Fiji leaving the sugar growers (labourers imported by CSR) high and dry. A Fijian government enquiry was set up in 1959. Mr Bhindi, a member of this enquiry team said, "After enjoying the fruits of cheap labour and resources in Fiji for many years, it is most reprehensible that the company should attempt to hold the country to ransom by such idle threats when it felt that it mightn't be called on to pay a fair wage to its workers."

Evidence produced at this enquiry, spoke of the squalor the labourers lived in and their fear of dismissal, there being no alternative work.

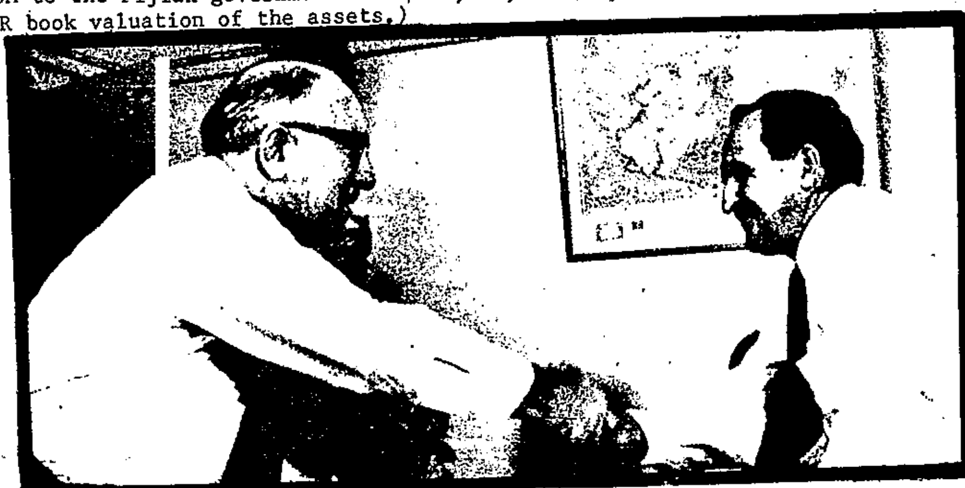
However no settlement was reached. The growers started to strike and in 1961, at the risk of starvation, over half of the growers refused to sell CSR their crop. CSR again threatened to leave forcing the growers to comply. The government then set up the Eve Sugar enquiry commission. The Eve Report, published in July 1961, included draft terms for a new contract which had the effect of stabilizing the Fiji industry. Until 1961, the Fiji sugar industry was run by a Sydney-based CSR department. The Eve Commission recommended changes: the CSR set up a subsidiary -- South Pacific Sugar Mills (SPSM). On 1st January 1972, SPSM took over all the Fijian sugar milling activities of CSR but not its other business in Fiji.

The 1969 Denning report said that by "merely an exchange of cheques" SPSM took over CSR sugar milling assets and CSR acquired all of SPSM's issued capital (£7 million). Later CSR acquired a further £2½ million, and Fijian interests received 2% of the total shares of SPSM. As well as its 98% ownership of SPSM, (and its 4 sugar mills), CSR possesses some 5,000 Fijian sugar farms. Lord Denning said of the SPSM transaction, "CSR did it all on terms that were advantageous to them. They showed much financial enterprise .... I do not think they did anything improper but they did very well out of it."

a complicated system, Denning said, ... turned out, the formula failed to give fair shares." The Eve contract allowed the millers to take out all their costs as a first charge (including salaries, research, maintenance of the rail system, and packaging of the sugar). They added on 11½% of these costs as "Head office expenses", and 3% of the capital value of all property and equipment as "depreciation". Thus they faced no risk of loss. Were prices to fall, or in the eve of droughts or hurricanes, then they would only suffer a lower profit. On the other hand, Denning said that "the growers stand in great risk of loss". After the millers' costs are paid, the proceeds are divided between millers and growers, who had to pay their costs from their portion. In bad years, they were liable to make a loss. Denning further commented on revaluation of assets: the 3% depreciation charge was based not on the original cost of capital assets, but on the much higher 1957 revaluation (about twice as much). The basic recommendation of the Denning Report was a new formula, by which proceeds of the sale of sugar and its by-products are shared between the growers and the millers in the proportion 65%:35%. The growers would receive a guaranteed minimum of $7/75 per ton of cane. CSR did not like the terms of the award nor the criticism Denning levelled at them. They decided to "get out" of Fiji.

"GETTING OUT" OF FIJIAN SUGAR

CSR published a booklet on the "consequences and mistakes" of the Denning award which was "unacceptable to SPSM as a commercial enterprise". The company announced that it would withdraw from Fiji after the 1972 season. CSR has sold SPSM to the Fijian government for $A10,117,000 (a price $8.3 million below the CSR book valuation of the assets.)



On April 1st. this year (1973), the Minister for Agriculture, Mr. D.W.Brown,(right), handed CSR a cheque for $4,990,000 towards payment for the CSR shares. CSR were given at the same time a further $990,000 for land and a further deposit of $300,000 for the Rewa Rice Mill and land. To date, CSR has been paid $4,600,000 or about half the cost. In July, Mr. Stinson in the name of the Fijian government requested assistance from the Australian government to help them meet their debt to CSR. Their request was refused.

The handing over of this money led to a claim in the papers for the new Fijian ownership of the sugar industry and Australian newspapers spoke of CSR "writing off" $8 to 11 million dollars. (However CSR has received $15.6 million in profits in the 8 years 1962-69 alone)

However, in practice, CSR was not getting out of the business of making money in Fiji from Fijian sugar for Australian share-holders. For a start, it loaned $A2,782,175 to the Fijian government at interest to help the Fijian government pay it for the Sugar mills.

Secondly, "CSR continues to supply staff and services, to market export sugar and to purchase molasses in accordance with agreements which had applied when SPSM was in CSR's ownership .... as of 31st May 1973, 55 CSR staff officers were on secondment to the Corporation" (CSR Annual Report 1973).

In effect, CSR retains complete control over the profitable sugar exports and of all operations. The only change is now that the Fijian government has to pay CSR's staff salaries and now CSR has an intermediary between itself and the sugar-growers -- the Fijian government!

CSR is also still involved in Fiji through its subsidiaries. It has investments in the tourist industry, including in the tourist complex at Deuba It controls Rewa Rice Limited and Building Finance Limited, both incorporated in Fiji.

CSR is meanwhile re-investing its money in such ventures as Gove Alumina Limited in Northern Australia in which it has a controlling 51% interest and which owns 30% of all profits made by the venture. It has already sold its first 20 years production to Swiss Aluminium. This operation has disrupted a major Aboriginal area.

Footnote:

SUGAR AND FIJI's ECONOMY

Sugar is by far Fiji's dominant export commodity. In 1971, export earnings consisted of :

Sugar	$32,824,000
Coconut	3,994,000
Gold	2,678,000
Molasses	488,000
Cement	434,000
Biscuits	287,000

Any elementary statistics on Fiji's trade over the years will show that since 1954 except for two isolated years, 1957 and 1963, this country has had an adverse trade balance with the rest of the world. What should be of concern to those who are interested in Fiji's national well being is that the gap is widening; at a rate which, Fiji's economic development cannot keep pace with (fig. 1). In 1972 for instance, the trade gap of \$66.7 m was greater than Fiji's total exports. [1]

Fijians have however been lulled into a false sense of security by optimists in Government who have claimed that the gap is bridged by the invisible tourist earnings. This is a dangerous illusion because of two reasons. Firstly because of the high import content of the goods and services used by the tourist industry the actual earnings are vastly different from the gross receipts. [2] Secondly, tourism as an industry assumes an importance which such a fragile industry should not have in any country's economy. (See the paper on tourism).

TRADE WITH AUSTRALIA

Of special cause for concern is the huge gap between Australia and Fiji, a deficit which since 1971 has been running at more than \$24m. Australia has in the last six years more than doubled its annual exports to Fiji from \$15m in 1967 to \$32m in 1972. In the same period, Australian imports from Fiji have fluctuated around a mere \$5m to \$6m mark. Australia is in fact the source of most of our imports and one of our smallest buyers as Table 1 indicates.

Fiji is a developing country with very few manufacturing industries. Australia, with its relatively large economy has however applied tarriff and non-tarriff barriers to the few manufactured items which Fiji has attempted to export. Simple brooms made from broom corn came under 27% duty which, designed to protect the Australian manufacturers no doubt, made the Fiji a articles uncompetitive on the Australian market. Again, there were simple manufactured items made from shells which were charged duty as 'manufactured' goods and not as curios that they were classified as in Fiji.

Such a trade policy by Australia of applying high tar iffs to exports of manufactured items from Fiji, has the effect of maintaining this developing country as a source of raw materials only. Mr McNamara's comment is completely valid here. [3] "It is wholly illogical after twenty years of development assistance to poorer countries, for wealthy nations to negate that effort by maintaining high tar iffs on the manufactured goods these poorer countries export."

1. Current Economic Statistics. April 1973. Bureau of Statistics, Suva.

2. This is reflected in the low multiplier effect the tourist dollar has in Fiji - a coefficient at the most 0.7 only as compared to other industries having coefficients of more than 1.0

3. Quoted in 'Aspirations of the South Pacific Nations' paper presented by the P.M. of Fiji at a conference in September, 1972.

Just as restrictive was the Australian system of Tariff Preferences for Developing Countries. It was observed at U.N.C.T.A.D.III [4] that the features of this scheme (quotas and selective list of products) were based on the principle of 'competitive need', a principle which excludes manufactured goods in which the developing countries are competitive on the world market. For example, although there was a soap industry, Fiji could not compete with other more developed countries like India in this field. Again, Fiji could have exported items of clothing but these were not on the preferential list. The scheme has in fact been acknowledged by the Australians, (5) to have been acting "to the benefit of countries who were already competitive in the manufacturing fields as evidenced by their willingness to export under normal tariff."

Generally speaking, Australian trade practices in Fiji have been solely motivated by a self interest that has determined their policies to such an extent that despite the fact that Australian firms and subsidaries now control three quarters of the Fijian economy - with investments running into hundreds of millions, there has been little real regional cooperation resulting in long lasting benefits to Fiji in the form of a healthy trade balance. The latter, however, could be achieved by the machinery already existing in the South Pacific Bureau for Economic Cooperation and in the South Pacific Forum.

The major question that arises is whether Australia which is the largest and the most developed neighbour of the islands in the Pacific is prepared to acknowledge itself as part of a South Pacific community with peoples who although less developed economically, nevertheless have the same aspirations towards social dignity and economic independence as the Australian people. It is a question of whether Australians as a people will act to further the Pacific peoples aspirations.

It is however, thought that the Australians' trade practices have in the past complemented their general attitude to the island peoples as Peter Hastings puts it,(6) "there is the feeling that Australian companies and subsidiaries have not only acted in the interest of the Australian shareholders".... but that associated with Australia's restrictive immigration provisions against even educated Islanders has been the "frankly appalling racist attitudes of many Australians resident in the island communities."

However, with the election of Labour governments in Australia and New Zealand, there is now a change felt in the political and hence the social climate of the Pacific. One wonders whether a regional giant like Australia would need to make significant sacrifices to accommodate the needs of relatively small island economies. It has already advocated the reduction of tariffs by much as 25% although the benefit to Fiji will not be known until the publication of a list of items excluded from this reduction.

It is to be hoped that the Australians will take a similar attitude to that taken by the Deputy Prime Minister of New Zealand (which has a much smaller economy than Australia) when he referred to the removal of trade barriers to the island exports since the 'number of items and the volume of trade would be very small and unlikely to pose amy threats which local interests would be unable to accommodate.'

4. U.N.C.T.A.D. III Santiago April, 1972.

5. Report on 'Australias Foreign Aid' [illegible]

encouraging exports by practical means.

An analysis of our imports in 1972 shows that food beverages and tobacco accounted for 20%, a figure that is remarkable when one considers Fiji to be an agricultural country. SINCE 1970, ANNUAL FOOD IMPORTS HAVE BEEN INCREASING BY ABOUT 25%A YEAR REACHING $25M IN 1972 Consumer goods annually cost more than $20m. Obviously in these areas, there can be a fair amount of import substitution without attempting to uneconomically manufacture heavy capital goods. To balance these imports, Fiji should be placing more emphasis on exports yet this is an area in which Fiji has shown appalling neglect.

The least Fiji can do is emulate the Australians who have achieved their powerful position not only by discouraging imports of competitive items, using tariff and non-tariff barriers; but also by giving incentives for Australian manufacturers to export. The Australian manufacturers receive 100% subsidies of costs involved in promoting export items and also tax rebates on transportation costs. A recent attempt by the Fiji Commerce and Industries Department to stage a Trades Fair in New Zealand which failed because the producers could not bear the costs involved, raises the question of the Fiji Government's priorities in giving financial aid. Small industries cannot be expected to finance such promotional work which may not be profitable in the short term.

Australia's receipt of preferential treatment by Fiji together with proximity provide many advantages for future trading- Australian Dept. of Trade and Industry.

(photo. Fiji Times.)

Australia, unlike Fiji, also has Trade Commissioners dynamically promoting trade through Trade Fairs and publications of pamphlets indicating trade opportunities and conditions. Fiji, has up to very recently done little and when opportunity has arisen it loses out in competition to other developing countries. Fiji unlike India, did not take advantage of Australia's open door policy to handicrafts. India had a national organization marketing Indian handicrafts throughout Australia and individual Fijian exporters cound not compete, although there is obvious potential for boosting this labour intensive rural industry in Fiji.

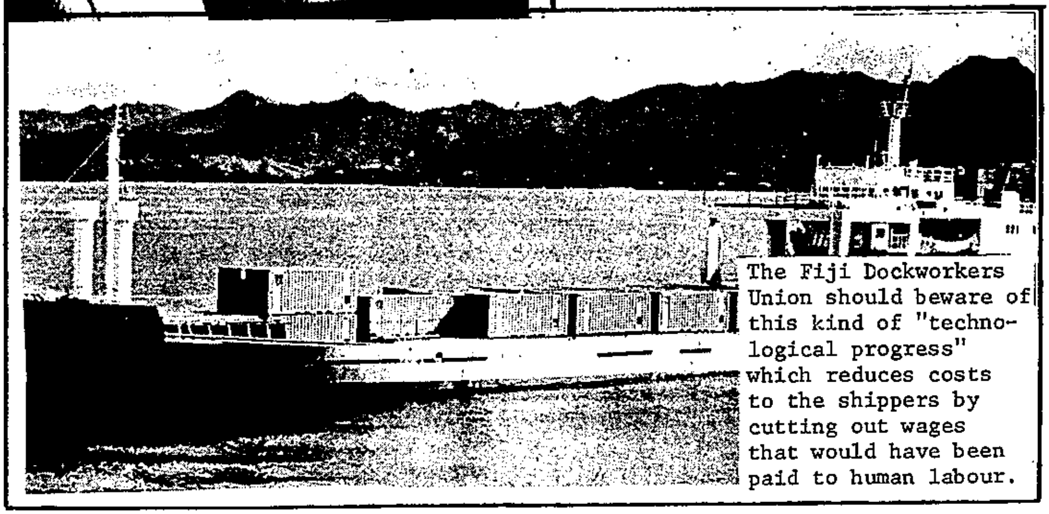
Another aspect of regional trade in which Fiji in conjunction with the other islands could gain more control of its economic future is that of regional transport. There have been average yearly freight increases of roughly 15% every year over the last five years between Fiji and Australia and New Zealand; increases which impotent Island governments and peoples have frequently passively accepted except for disjointed and hence ineffective protests from various Chambers of Commerce and other interested bodies.

Steps taken lately by the Island governments through PIPA, SPEC and the South Pacific Forum are in the right direction. It is not a question of running a profitable shipping line now with the low level of development in the Islands. There is not only the prospect of locally determined economic development resulting from better shipping services but also the emergence of a regional

With independence, there is a proliferation of opportunities for Australian exports and for investment in a developing nation -

"Guide to the Fiji Market"
Australian Department of
Trade and Industry.

The traditional Union S.S.Co. on the left and the newer container ship below.



The Fiji Dockworkers Union should beware of this kind of "technological progress" which reduces costs to the shippers by cutting out wages that would have been paid to human labour.

benefits are open to question, or perhaps the importance of a $60m highway to the people as compared to the economic growth it could have generated in other fields.

There is also the suggestion of political timidity when one wonders why Fiji has exerted so little pressure on a country whose companies investment in the area runs into hundreds of millions especially since Fiji is considered as the pace setter for the South Pacific by Australian Commerce.

It should be of grave concern to Fijians that our trade and hence our economy is so dependent on one country - Australia has achieved an economic strangle hold over Fiji by virtue of its geographical advantage; by the previous favourable placements under the preferential tarriff with regard to competition from non-commonwealth countries and traditional supply patterns built up over the years. Fiji cannot afford to be an economic colony and rely on one country whose companies and subsidiaries not only run the economy of our country but also have strong links with the shipping lines which bring most of our imports including vital foodstuff from that same country.

Unless Fiji realises the dangerous extent to which it has become economically dependent, its political independence would be mere words in the face of its loss of national sovereignty because of an economic colonisation that will always achieve its exploitation.

An addition to Fiji's valuable agricultural industries—a new tobacco plantation in western Viti Levu. However, Fiji's secondary industries are increasing rapidly, with export to nearby areas.

Exports to Hawaii

TABLE 1

Major Exports	%
Sugar	69.3
Gold	5.9
Coconut Oil	4.8
Others	20.0

Major Imports	%
Manufactured Goods	25.1
Machinery & Transport	24.9
Food	19.1
Petroleum & Products	9.8
Clothing & Fabrics	6.2
Others	14.9

Destination of Exports	%
USA	21.4
Canada	6.7
Australia	10.1
New Zealand	7.5
Japan	3.7
United Kingdom	29.8

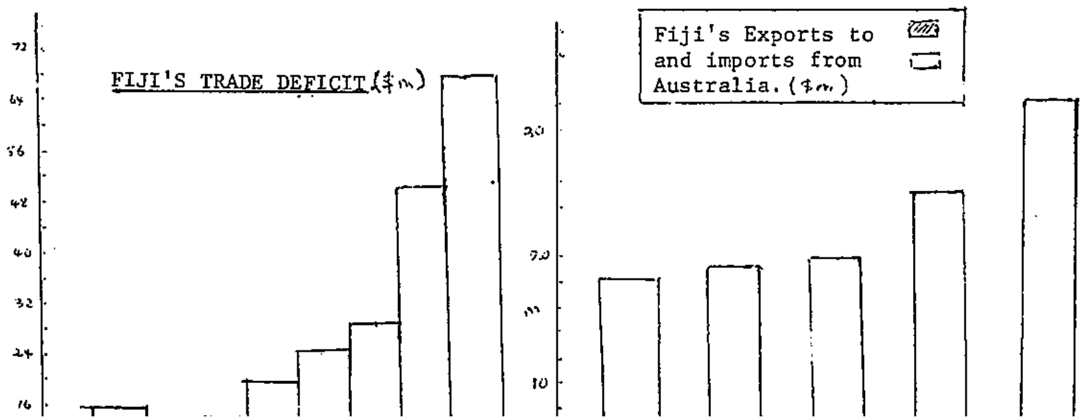
Source of Imports	%
Australia	24.6
United Kingdom	18.5
Japan	15.9
New Zealand	12.2
Malaysia & Singapore	4.6

Trade with Australia

Major Exports	Value $m
Food	0.21
Bev. & Tobacco	.01
Crude Materials	.19
Manufactured goods	.21
Others (incl. gold)	3.99

Major Imports	Value $m
Food	9.94
Bev. & Tobacco	.73
Crude Materials	.25
Manufactured goods	6.12
Petroleum Prod.	3.52
Oils & Fats	.12
Chemicals	2.7
Machinery	5.85
Miscellaneous	2.3
Others	.77

Figure one.



From 1965 to 1972 Australia has allocated to Fiji, aid valued at roughly $4.4m which is about two thirds of the total Australian aid to the South Pacific. While the total allocated to Fiji by Australia for 1972 was about $1.4m that for all countries was about $220m. Most of the aid to Fiji has been expended on the Navua and Rewa rice schemes, on wheat shipments and on education.

To assess this aid one must take into account the donor's stated policy and its degree of implementation and secondly causes for the recipient's dissatisfactions with possible methods of resolving the differences.

Australia's motivation for aid has been stated [1] to have two main origins - firstly 'humanitarian concern' and secondly 'benevolent self interest.'

As far as its own aid programme is concerned, Australia has believed in its 'high quality and effectiveness' [2] although the number of criticisms may render this assesment as an overestimation. Fijian criticism arises from a number of points.

Firstly, the very system by which the aid originates, takes away some of the effectiveness of the aid. The Australian policy has been that all proposals be sent to Australia where the final decision is made according to Australian criteria. Fiji, under this system cannot determine according to its own national priorities which project should be initiated. The above system has produced so many delays (frequently up to one year) that more than a third of the 1971 allocation to Fiji had not materialised.

The second and more important criticism arises from one condition of the aid programme that all aid must be expended on goods and materials not only from Australia but also having at least 66⅔ percent Australian content.

The fact that numerous proposals from Fiji have been turned down because they did not have enough Australian content, raises the important question of Australia's real motivation in its aid programme. The Fiji Government proposed a causeway and jetty at Rotuma. This did not have enough Australian content and was turned down. A proposal for a village water supply was not approved. Again a proposal requesting Australia to meet the expenses of a geological laboratory, the costs of which prior to Fiji's independence were met by the U.K. Government, evoked no response.

Doubts are further generated in Fijian minds when one reads [3] that "although trade promotion is not a direct objective of our Australian aid programmes, it has become the means by which a number of Australian products, companies and consultants have become better known:" Also because of the fact that the goods originate from Australia, the aid does not generate in

1. Australian Foreign Aid, Statement by the Minister for Foreign Affairs 21st Sept, 1972. p.7

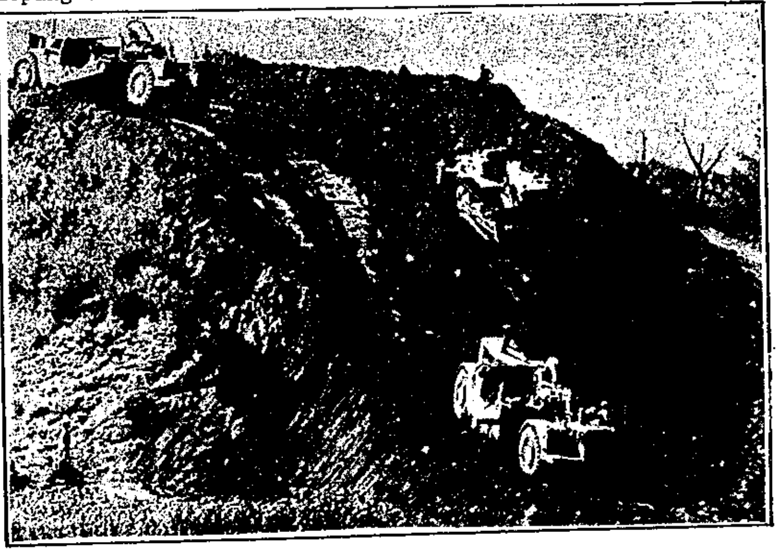
2. Ibid. page 5.

3. Ibid. page 9.

Fiji as much economic development as it possible could. Fiji remains a consumer of Australian goods. A report published in 1969 by the OECD[4] emphasising the above points stated clearly that, "The tying of procurement of aid-financed goods and services is well known frequently to have detrimental effects on the quality of aid received by the developing countries... Tying restrictions are generally impressed by donor countries in the interests of their balance of payments, for public opinion reasons and to maintain the donor countries identity in aid transactions," It is of importance to note that a report on 'Australia's Foreign Aid'[5] recommends that, ways of contributing to the local costs of projects in these fields be examined so that projects with a high local cost content may be aided'.

The type of aid that would benefit Fiji most is not unknown to Australia's authorities. Conclusion 13 stated that, "the expansion of trading opportunities for developing countries is one of their most important development needs."[6] The removal of tariff barriers to Fiji's manufactured items would be an indication of genuine Australian "humanitarian concern" with Fiji's problems, one of the major ones being its economic dependence on the developed countries, particularly on Australia. As J.B.Webb, speaking from his wide experience comments, "Economic development of the poor countries is not just a matter of aid. It is also a matter of trade, of justice in international economic dealings."[7]

Australians should be aware that coupled with the political independence of island peoples is a desire by these nations for economic independence and regional co-operation on terms that do not lessen the dignity and self respect of the island people. Aid that does not attack the basic problems and bring about long term benefits only serves to continuously underline the dependence of the developing countries on the affluent donors.



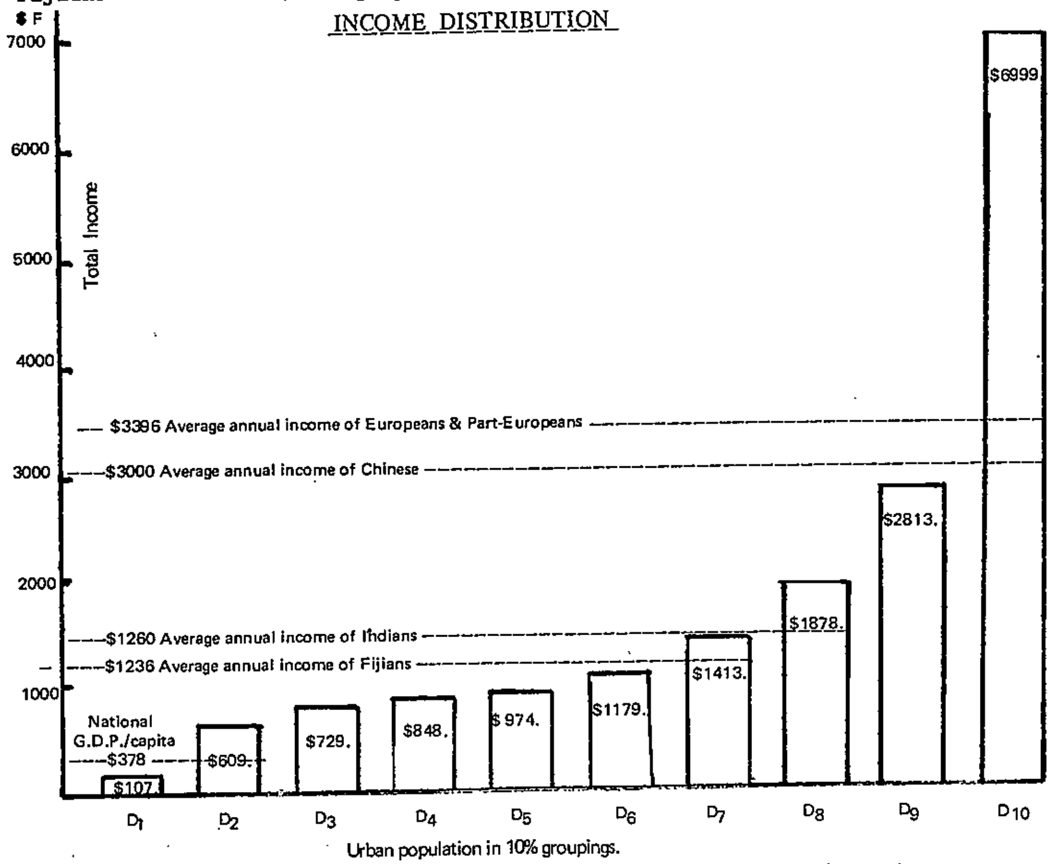
The Nadi-Suva road, partially funded by Australian aid

4. "Australia's International Development Assistance' p.42 (by Organisation for Economic Co-operation and Development)

5. ... Foreign Affairs (Oct. 1972) p.5.

Since 1969 the Fiji Bureau of Statistics has issued a yearly report on employment. The 1972 report shows only 58,399 persons in paid employment i.e. 37% of the estimated labour force. Despite an increase of 22% in the number of companies operating in Fiji in the 12 months period, only 1% more jobs were created for wage earners (and only 5% more jobs for salaried people).

Europeans, part Europeans and Chinese have average earnings that are twice as high as the average earnings of either Fijians or Indians. There is almost no difference in the average earnings of the two largest racial groups -Fijians and Indians (c.f. graph 1 below).



Fijians who make up 43% of the population get only 15% of the top professional and management jobs. Indians do better in this class but it is the Europeans who have most of the top jobs.(see table 4).

Most of the paid work available (79%) is in the urban areas - Suva and the Western division around Nadi and Lautoka. People in the rural areas are neglected while more and more money goes into construction of buildings and services for tourists.

Most businesses are now producing more goods for each hour worked than before.According to the National Economic Paper 9 (1973) productivity commerce is up 29%, in construction 25% and in manufacturing 23%. But job opportunities are not increasing at anything like that rate.

The Development Plan VI relied on finding 3,800 new jobs per year between 1971 and 1975. But the employment survey shows that the 1972 figure was 1,152 new jobs short of the plan's target. To reach the 1973 target figure an 8.4% increase in paid employment is needed - which does not seem likely.

Increased productivity without increased number of jobs means that capital-intensive technology is the order of the day. This, like the neglect of the rural areas, goes against the stated policy of Development Plan VI (page 18, chapter 2.8 and page 40 chapter 4.13)

Unemployment and underemployment are very high. An estimated 50% of the unemployed in urban areas have never worked for pay (1972 survey).

Other important factors in the complicated employment question include :- rising prices, an education system geared to produce white collar workers and not to the needs of the mostly rural population - and moreover, producing white collar workers for whom there are few employment opportunities. Frustration in finding work hard to obtain leads to an increase in juvenile delinquency, growing disrespect for and lack of belief in elders and civic leaders, attacks on property and robbery with violence.

The tables and graphs that follow show the wide gap between wage and salaried employees which is a clear sign of the economic and class distinctions in Fiji today.

More and more workers, such as those in the sugar mills are adopting militant attitudes to employers and the international companies they represent. To try and tame down this militancy, the government has just passed an oppressive Industrial Disputes Bill(1973) which outlaws strikes unless 30 days notice is given and unless government approval is granted. Especially outlawed are strikes by workers in sympathy with other strikers, or strikes in so-called essential industries such as the airport.

The legislation seems to be aimed particularly at wildcat, or rank-and-file strikes called by people on the job independently of trade union bureaucrats. Trade unionists such as those at the airport - despite the problems with splits in their own ranks - are struggling against the new law. They are getting some backing from groups of fellow workers in Australia and New Zealand.

The above brief outline draws attention to some key aspects of the employment problem. The following graphs and tables provide a selection of the figures available as a help for your future study.

A wage earner was defined to include a worker on piece rate or a worker paid on the basis of hourly, daily or weekly rates of pay. A salaried person was obliged to include an employee who was paid fortnightly or monthly.. This definition would thus include a worker who would be paid fortnightly or monthly but not earn an annual salary.

1. Agriculture, Fishing Forests	2782	4.76%
2. Mining and Quarrying	1745	2.99%
3. Manufacturing	9828	16.83%
4. Electricity, Gas, Water	1441	2.47%
5. Construction	8239	14.11%
6. Wholesale & Retail Trades Restaurants & Hotels	9887	16.93%
7. Transport	5225	8.95%
8. Finance, Insurance, Real Estates & Business Services	2026	3.47%
9. Community, Social & Personal Services	17,226	29.57%

I.S.I.C. —International Standard Industrial Classifaction.

This survey refers only to those in paid employment and does not include self-employed persons such as fishermen, seasonal workers such as cane-cutters, and also excluded are domestic servants.

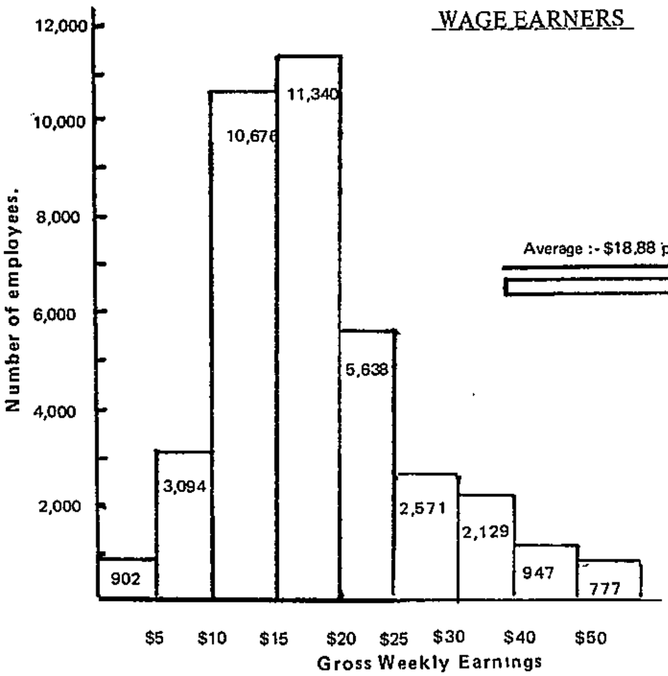


TABLE 2

	19 70	1971	% change	1972	% change
Wage Earners	30.9c /hr.	34.05c /hr.	10%	38.55c /hr.	13.2%
Salary Earners	$1580 /yr.	$1824 /yr.	15.4%	$1958 /yr.	7.3%

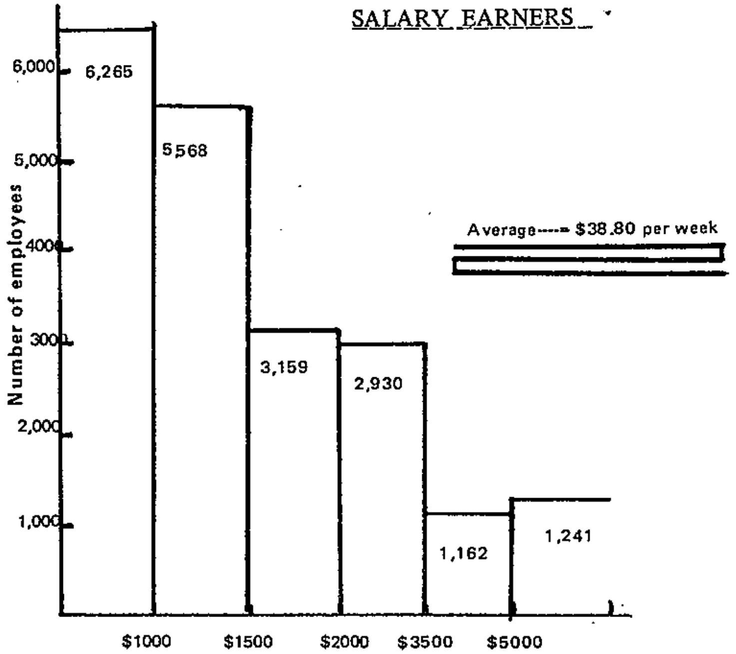
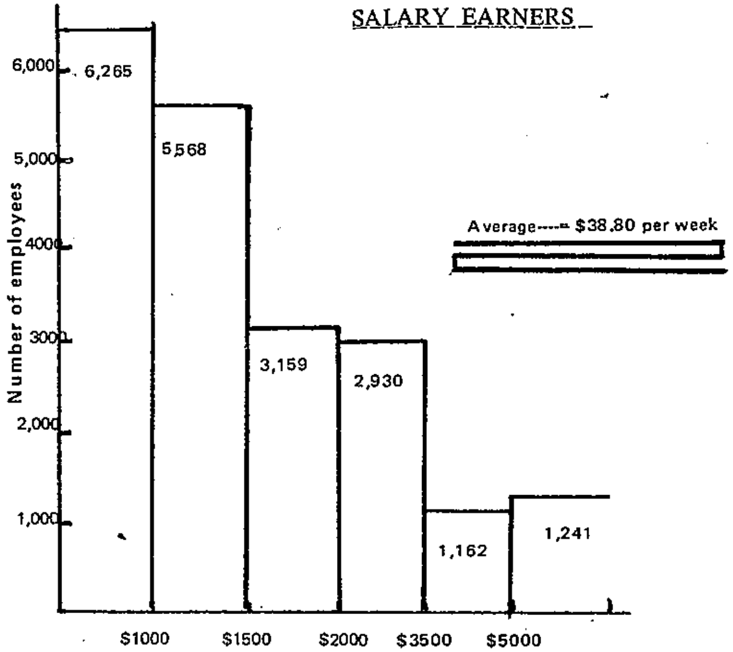


TABLE 3

		Wage Earners cents/hr	Salary Earners annual salary
A 40	Accountants/Economists	85c	$4707
A 60	Teachers -- University	---	$4822
A 62	Teachers -- Secondary	146c	$2468
B 11	Ships Engineers & Officers	55c	$1956
B 24	Forestry officers &Field Staff	35c	$1122
B 60	Teachers -- Primary	25c	$1217
C 40	Book-keepers,Cashiers,Bank tellers	44c	$1562
C 43	Tour guides,Receptionists	46c	$1582
C 80	Stenograpers &Typists	45c	$1232
C 81	Punch Machine Operators	58c	$ 1361
D 14	Fitters &Turners	50c	$2237
D 15	Boilermakers/Welders	49c	$1812
D16	Tool makers	40c	----
D 18	Plumbers	44c	$1300
D 19	Panel beaters	40c	$1,625
D22	Electricians	46c	$1985
D 24	Carpenters	41c	$742
D 25	Painters/Plasterers	39c	$739
D 38	Butchers	35c	$843

FIJI
A DEVELOPING AUSTRALIAN COLON

SALARY EARNERS



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D 25	Painters/Plasterers	39c	$739
D 38	Butchers	35c	$843
D 39	Storemen	40c	$1082

Percentage of Group	15.38%	46.28%	28.41%	33.79%	53.2%
Indian	1452	2963	5831	11,468	7136
Percentage of Group	39.03%	42.0%	54.76%	55.57%	43.76%
Others	1696	827	1792	2196	495
Percentage of Group	45.59%	11.72%	16.83%	10.64%	3.1%
TOTAL	3720	7055	10,648	20,638	16,338

TABLE 5

	OCCUPATION				
	Group A	Group B	Group C	Group D	Group E
Percentage of Fijian in group	3.1%	14.5%	13.4%	30.9%	38.1%
Percentage of Indian in group	5%	10.2%	20.2%	40.0%	24.6%
Percentage of other races in group	24.2%	11.8%	25.5%	31.3%	7.2%

TABLE 6

	Average Weekly Gross Pay
Wage Earner	$18.88
Salary Earner	$38.80

Wage Earners

10.4% (3996) earn less then $10.00 per week.
68.3% (26,012) earn less than $20.00 per week.
89.8% (34,221) earn less than $30.00 per week.

Salary Earners

69.2% (14,060) earn more lthan $20.00 per week;
41.8% (8,492) earn more than $30.00 per week.
11.8% (2,403) earn more than $67.00 per week.

TABLE 8.

I.S.I.C.Groups.	No. of Strikes.	Total no.of workers involved.	Total Manhours lost.	Average no. Hrs lost per man per year.
1.	2	33	308	5.8 hrs.
2.	7	3,761	106782	23 hrs
3.	4	227	4,830	21.1 hrs.
4.	—	—	—	—
5.	17	2,777	72,205	25.6 hrs.
6.	3	100	599	5.99 hrs.
7.	3	425	21717	51.1 hrs
8.	—	—	—	—
9.	10	1061	8,280	7.8 hrs.
TOTAL	46	8408	214,721	Av. 25.5 hrs.

TABLE 7

I.S.I.C. Group	Bass Figure (1969) Employment fig.	% Change 1970	% Change 1971	% Change 1972
1. Agriculture, Fishing & Forests.	3222	19.3	1.2	– 28.5
2. Mining & Quarrying	1933	10.5	–13.2	–5.2
3. Manufacturing.	9376		10.1	–2.8
4. Electricity, Gas, Water	999	12.9	9.1	17
5. Construction	7943		11.8	0.6
6. Wholesale & Retail trade Restaurants, Hotels	8414	4.6	7.8	8.0
7. Transport, Storage & Communications	3288	20.2	19.7	10.2
8. Finance, Insurance, Real Estate & Bus services.	1674	–10.3.	15.1	17.3
9. Community, Social & Personal Services.	12180		11.9	10
TOTAL	34,226	6.0	9.7	3.89

(Source; 1970, 1971, 1972 Employment) Reports.

TABLE 9.

	1968	1969	1970
Labor Exchange Registrations.	3,400	2,700	3,038
Vacancies Notified.	500	600	556
Vacancies Filled.	500	400	325
Persons not found employment.	2,900	2,300	2,713

COST OF LIVING IN FIJI

John Roberts

The above figures demonstrate that, in Fiji, an unskilled or skilled worker will currently receive between one eighth and one third of the wages received by the equivalent Australian worker. Professional or semi-professional workers receive about one third to one half of the Australian equilivalent. However the cost of living in Fiji is practically the same as that prevailing in Australia. The price of food is nearly identical. Some current Fijian prices are given below. These are Suva prices as fixed by the government in August 1973 in moves against inflation.

ARTICLE	TYPE	QUANTITY	PRICE IN FIJI
Tea	Bushells	8 Ozs.	40c
Bread	unwrapped	1 lb.	13c
Butter	incl. local	8 Oz.	23c
Eggs	medium	dozen	70c
Beef	local rump	1 lb.	65c
Carrots	local	1 lb.	22c
Cassava	"	1 lb.	7c
Dalo	"	1 lb.	12c
Rice	"	1 lb.	12c
	Australian	1 lb.	17c
Flour	plain	1 lb.	11c
Powered Milk	NestleSunshine	12 Ozs.	49c
Toothpaste	Economy	4 ozs.	48c
Petrol		per gal.	48c

Prices & Incomes Board.

April, 1973.

(Prices for Suva & Lautoka)