The Politics of Economic Restructuring in the Pacific with a Case Study of Fiji

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# Abstract

The subject of this thesis is the *politics* of economic restructuring, euphemistically termed 'reform' in the Pacific. Although structural adjustment policies are essentially neoliberal economic policies, the project of global economic restructuring, and its supposed end, a global regime of free trade, is a political one in several respects.

It involves the wielding of economic power over developing countries by powerful multilateral institutions, developed countries and private corporate entities to such a degree that it is considered by some to represent the disciplining/subjugating and dis-empowering of developing states. It is supported by a successfully propagated ideology that combines economic growth theories (held to be infallible), `good governance' rhetoric (with which no-one can reasonably disagree), and new notions of equality and 'non-discrimination' - the 'level playing field' and 'national treatment, in WTO parlance (which have been enshrined in enforceable global trade rules). It entails redefining the role of the state, transferring public ownership of assets to private hands, and removing subsidies that protect domestic industries and jobs, all of which are strongly contested. Successfully implementing `reform' is widely acknowledged to require not only 'reform champions' but also 'ownership', and thus broad acceptance and legitimacy, yet commitments to restructuring are often made by government ministers without reference at all to national parliaments. National economic summits are used to rubber stamp or legitimate policies in a *fait accompli*.

The thesis begins by situating the global regime of structural adjustment within the political context of North-South relations in the 1970s, the debt crisis of the early 1980s, and the collapse of socialist regimes and consequent discrediting of the socialist economic model and other variants of state-led development. It shows the key role of the World Bank in advocating the neoliberal model and setting the development aid agenda, and its abdication of this lead role after 1995 in favour of the World Trade Organisation and its agenda of global trade liberalisation.

The thesis then examines the origins, agents and interests behind structural reform in the island states of the Pacific before focusing on how a regional approach to achieving regional wide economic restructuring and trade liberalisation is being taken, using a regional political organisation of Pacific Island states (The Pacific Islands Forum), and regional free trade agreements.

It then illustrates the path of economic restructuring embarked on by Fiji following the 1987 coups, examines the implementation of 'economic reform' concurrently with policies to advance the interests of indigenous Fijians, and discusses some of the less acknowledged dimensions of reform.

Dedication

To my mothers, Ange, Annie and Margaret,
and in memory of Stan

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Contents

ABBREVIATIONS

ACP	Africa Caribbean Pacific
ACTU	Australian Council of Trade Unions
ADB	Asian Development Bank
AFL	Airports Fiji Limited
AGM	Annual General Meeting
AIDAB	Australian International Development Assistance Bureau
ALTA	Agricultural Landlords and Tenants Act
ANU	Australian National University
APEC	Asia Pacific Economic Community
ASEAN	Association of Southeast Asian Nations
ATHL	Amalgamated Telecommunication Holdings Ltd
AUSAID	Australian Agency for International Development
AV	Alternative Vote
BLV	Bose Levu Vakaturaga (Great Council of Chiefs)
BOOT	Build, Own, Operate, Transfer
CCF	Citizens' Constitutional Forum
CDC	Commonwealth Development Corporation
CEO	Chief Executive Officer
CIE	Centre for International Economics
CIS	Centre for Independent Studies
COLA	Cost of Living Adjustment
CPO	Central Planning Office
CRP	Comprehensive Reform Programme
DAWN	Development Alternatives with Women for a New Era
ECLA	Economic Commission for Latin America
ECOWAS	Economic Commission of West African States
ECREA	Ecumenical Council for Research, Education and Advocacy
EIMCOL	Equity Investment Management Company Limited
EPAs	Economic Partnership Agreements
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FAB	Fijian Affairs Board
FAO	Food and Agriculture Organisation
FECA	Fiji Employers' Consultative Association
FEDM	Fiji Employment and Development Mission
FEMMs	Finance and Economic Ministers' Meetings
FHCL	Fiji Hardwood Corporation Limited
FHL	Fijian Holdings Limited
FIAS	Foreign Investment Advisory Service
FINAPECO	Fiji National Petroleum Company
FINTEL	Fiji International Telecommunications Limited
FNPF	Fiji National Provident Fund
FORSEC	Forum Secretariat
FPSA	Fiji Public Service Association
FSC	Fiji Sugar Corporation
FSM	Federated States of Micronesia
FTMM	Forum Trade Ministers' Meeting

FTUC	Fiji Trades Union Congress
G7	Group of 7
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GPS	Global Positioning System
Group of 77	More than 132 developing countries
IBRD	International Bank for Reconstruction and Development
ICDC	International Child Development Centre of UNICEF
ICFTU	International Confederation of Free Trade Unions
ICSID	International Centre for the Settlement of Investment Disputes
IFC	International Finance Corporation
IFIs	International Financial Institutions
IIE	Institute for International Economics
IMF	International Monetary Fund
LDCs	Least Developed Countries
MAI	Multilateral Agreement on Investment
MFN	Most Favoured Nation
MOERS	Market-Oriented Economic Reforms
NAFTA	North American Free Trade Agreement
NAM	Non-Aligned Movement
NBF	National Bank of Fiji
NCDS	National Centre for Development Studies, Australian National University.
NFP	National Federation Party
NFU	National Farmers' Union
NGO	Non-governmental Organisation
NIEs	Newly-Industrialising Economies
NIEO	New International Economic Order
NLTA	Native Lands Trust Act
NLTB	Native Lands Trust Board
NZ	New Zealand
NZAID	New Zealand Agency for International Development
NZFOL	New Zealand Federation of Labour
NZMFAT	New Zealand Ministry of Foreign Affairs and Trade
NZODA	New Zealand Official Development Assistance
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
PANG	Pacific Network on Globalisation
PCG	Peoples' Coalition Government
PECC	Pacific Economic Cooperation Council
PEU	Public Enterprise Unit
PIANGO	Pacific Islands Association of Non-Governmental Organisations
PIIDS	Pacific Islands Investment and Development Scheme
PMCs	Pacific Member Countries
PMDCs	Pacific Member Developing Countries
PMR Fund	Pacific Policy and Management Reform Fund
PNG	Papua New Guinea

PRSP	Poverty Reduction Strategy Papers
QUAD	Quadrilaterals: the United States, the European Union, Japan and Canada
RFMF	Republic of Fiji Military Forces
SALS	Structural Adjustment Lending
SAPRI	Structural Adjustment Participatory Review Initiative
SAPS	Structural Adjustment Policies
SDL	Soqosoqo Duavata Lewenivanua Party
SIA	Social Impact Assessment
SID	Society for International Development
SIDS	Small Island Developing States
SOEs	State-Owned Enterprises
SOPAC	South Pacific Geo-Science Commission
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
SPC	South Pacific Community
SPEC	South Pacific Bureau for Economic Cooperation
SPOCTU	South Pacific Council of Trade Unions
SPPF	South Pacific Project Facility
SSE	Suva Stock Exchange
SVEs	Small and Vulnerable Economies
SVT	Soqosoqo Vakavulewa ni Taukei Party
TA	Technical Assistance
TFF/TFZ	Tax Free Factory/Tax Free Zone
TINA	\`There is No Alternative'
TNCs	Transnational Corporations
TRIPS	Trade Related Intellectual Property Rights
TRM	Timber Resources Management Ltd
UCV	Unimproved Capital Value
UDT	Underdevelopment Theories
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Fund for Women
UNRISD	United Nations Research Institute for Social Development
USAID	United States Agency for International Development
USP	University of the South Pacific
VAT	Value Added Tax
WB	World Bank
WCC	World Council of Churches
WDR	World Development Report
WTO	World Trade Organisation
YWCA	Young Women's Christian Association

CHAPTER ONE

Subject, Method and Analytical Framework

> "....perhaps the most contentious characteristic of current development trends is that the future of the region's people continues to be fashioned by an economic (market) model whose ideological foundations and purported development value have been accepted with few, if any, questions or reservations" (Emberson-Bain 1994:ii)

> 'There is belief that the new orthodoxy of neo liberalism will lead to `prosperity and pride' and that local alternatives would result in 'poverty and economic oblivion'. These doctrines have been constructed by outside powers but also [are] perpetuated and internalised by local elites' (Storey 1997:18).

The subject of this thesis is the politics of economic restructuring, euphemistically termed 'reform' in the Pacific. The thesis examines the origins, agents and interests behind the implementation of structural adjustment policies (SAPs) in the island states of the Pacific. It looks at how the 'reform' agenda is being both rationalised and advanced at the regional level, and how it is being represented and implemented nationally, using the case of Fiji. It examines the articulation of reform policies with both domestic political priorities and ethnic/class dynamics in the specific political context of Fiji.

Structural adjustment policies are austerity measures originally prescribed by the International Monetary Fund (IMF) and the World Bank for developing countries ensnared in massive debt, and purportedly aimed at helping them balance national accounts and meet their debt service obligations by reducing consumption and expenditure and expanding (foreign exchange) earnings. In the last fifteen to twenty years, structural adjustment policies, sometimes termed `market-oriented economic reforms'(MOERs) (Coelho and Coffey 1996:2), have been the means by which a single economic model has become universally or globally dominant. In a process that has produced its own momentum and that has aptly enough come to be termed `globalisation', the `one size fits all' neoliberal economic model is being applied on the basis of the following fundamentals: fiscal discipline/ limited government, privatisation, taxation `reforms, economic and labour market deregulation, trade liberalisation, private sector expansion, and export-oriented production.[1] Further adjustment measures include reducing the role of the state in the economy, relinquishing 'essential aspects of state sovereignty', abolishing exchange controls, creating 'capitalised pension-funds', deregulating trading, and encouraging stock exchange transactions (Toussaint 2002). Toussaint points out that these adjustment measures are applied globally, '....from Mali to the United Kingdom, from Canada to Brazil, from France to Thailand, from the United States to Russia...'though they are termed 'structural adjustment policies' in the Periphery, and 'stabilisation', 'austerity' or 'convergence' policies in the Centre' (ibid:2). Applied in countries of the South through special loans from International Financial Institutions (IFIs) or through bilateral aid packages from Organisation for Economic Co-operation and Development (OECD) countries, SAPs and MOERs now `constitute the basis of aid and trade relationships between donor countries and [Least Developed Countries] LDCs' (ibid:2).

SAPs and MOERs are acknowledged to `pervade every level and corner of the economy, from large public sector companies, banks and corporations to small family farms and households', and therefore to have major implications at the micro-level (ibid:2). Overwhelmingly, the evidence is that they have had severely punishing effects on the poor, on women, on workers, and on the environment. While global campaigns in the 1990s for debt cancellation, revision of SAPs and greater accountability from the Bretton Woods institutions (the International Monetary Fund and the World Bank) did elicit some reforms within the World Bank in the late 1990s (e.g. the Structural Adjustment Participatory Review Initiative (SAPRI),

[1] These constitute what is often termed the 'Washington Consensus', which Stiglitz (2002:16) explained was a consensus among the International Monetary Fund, the World Bank and the US Treasury in the1980s about 'the right policies for developing countries'.

internal restructuring and the establishment of the External Gender Consultative Group), the global implementation of SAPs and MOERs has continued largely unabated, and since 1995, has been stepped up, with the impetus given global trade liberalisation by the World Trade Organisation.

Although structural adjustment policies are essentially neoliberal economic policies, the project of global economic restructuring, and its supposed end, a global regime of free trade, is a political one in several respects. It concerns the operation of power, reflects processes of domination/subordination, and involves intergovernmental institutions, states, and civil society. It is supported by an ideology that combines economic growth and free trade theories (held to be infallible), moral authority (`good governance' rhetoric) and new notions of `fairness' and 'non-discrimination' (the 'level playing field' and 'national treatment', in WTO parlance). It entails redefining the role of the state, re-configuring political institutions, extra-parliamentary treaty-making processes, and the privileging of private entrepreneurs, citizens and non-citizens, as a special category of people. It elicits strong contestation and resistance from organised labour and other civil society groups.

Three dimensions of economic restructuring and trade liberalisation through SAPs which appear to be insufficiently explored in empirical studies are: the political processes and institutional agents through which programmes of economic restructuring are promoted and implemented; the ideological dimension of implementing SAPs - how its core ideas are represented; and the ways in which `reform' implementation may function to serve other economic and political interests. This thesis focuses attention on these dimensions. A number of basic questions guided the research: 1) Where did the ideas of economic restructuring in relation to their application to the Pacific Island states derive from? 2) How have these ideas assumed dominance in the region? 3) What roles were played by whom in this process? 4) How has the implementation of economic restructuring intersected with economic, social and political realities on the ground?.

Structural adjustment policies or `economic reform' mostly began to be undertaken by Pacific Island governments in the 1990s on the advice and/or pressure of, inter alia, the World Bank, the International Monetary Fund, the Asian Development Bank, the governments of Australia and New Zealand and other international organisations and bilateral donors operating in the region. Whereas SAPs are usually forcibly implemented in heavily-indebted countries as conditionalities for aid by international financial institutions (IFIs), in Pacific Island states, whose debt exposures were assessed as `modest' by the World Bank in 1991 (World Bank 1991:17), their introduction was essentially occasioned by three factors. These were the Pacific Island states' assessed poor economic performance or low rates of growth, despite generous inflows of foreign aid and remittances, the radically altered post-Cold War aid environment which saw Pacific Island states figuratively `dropped off the map' (Fry 1994), and the general impetus and urgency given to economic restructuring by what came to be propounded as the inevitable and autonomous forces of globalisation, to which all national economies had to adjust.

Although economic restructuring is unquestionably externally driven, government policy makers in Pacific island states have also been swayed by the arguments of neoliberal policy advocates within the various agencies driving economic reform, into believing that economic restructuring (and latterly, trade liberalisation) will enable their small island economies to effectively compete in a deregulated or liberalised global economy, and to achieve much-coveted economic growth. As Storey put it, the `new orthodoxy' of neoliberalism, although constructed by outside powers, is being 'perpetuated and internalised' by local elites (Storey 1997:18).

Documentation of social impacts of economic restructuring in the Pacific region, based on substantive research, is still quite limited. Two early studies of social impacts were commissioned by the Forum Secretariat, the administrative and technical arm of the organisation of politically independent Pacific states now known as the Pacific Islands Forum. Carried out by a reform advocate from Cook Islands (Wichman 1998a; 1998b), these studies reported that major retrenchments in the public service had produced a 75% increase in unemployment in 1996 in the Cook Islands (followed by a sharp rise in out-migration), and reduced by a third public sector jobs in Marshall Islands, but did not provide details on the impacts of other public sector cutbacks, such as in the education and housing & community services budgets in the Cook Islands from $10,666,000 in 1993/94 to $5,576,000 in 1996/97; and from $9,093,000 in 1993/94 to $1,016,000 in 1996/97 respectively (Wichman 1998a). A similarly commissioned study of social impacts in PNG (Waiko 1999) recorded that public service cutbacks had disproportionately affected lower ranking public sector workers, many of whom were women. Worsening poverty and increasing inequalities in Fiji have been linked to the new economic policies of SAPs (Barr 1990, 2000, 2003, Barr and Khan 2003; Akram-Lodhi 1996; *Fiji Poverty Report* 1997; Walsh 1997a, 1997b; Storey 1997).

The acknowledgement of growing poverty in the region (UNDP 1994) has shattered the Pacific's erstwhile image of enjoying `subsistence affluence' and the absence of classic poverty. With poverty studies and poverty alleviation programmes now a focal part of the UNDP's mandate and programming, and a priority of NZAID[2], poverty in the region will now be monitored and addressed, although root causes and links to SAPs and trade liberalisation may remain unacknowledged and unaddressed. In Melanesia, intensified resource extraction is reported to have caused not only massive environmental degradation, but intense social conflict, as

[2] NZAID announced in early 2002 that 'Poverty elimination through sustainable and equitable development' would be its 'central policy focus' and that the main geographic focus of the ODA programme will be the Pacific (NZAID Pacific Poverty Study Terms of Reference for Phase II, May 2002, 8pp.

exemplified in the extreme case of Bougainville (Minkow and Murphy-Dunning 1992; Filer 1990; Emberson-Bain 1994). Links between the intensification of natural resource extraction and economic policies which promote export industries, private enterprise and free trade have been made by Emberson-Bain (1994).

SAPs have already had political impacts in the region. Opposition to the policies has been strongest in Papua New Guinea where massive protests were staged in 1995 against the IMF/World Bank proposed Land Mobilisation Programme, aimed at 'freeing up' land and providing security of tenure or property rights. Four students were shot dead during 13 days of rioting and protests in 2001 over government plans to retrench one third of the PNG army, as advised by a Commonwealth Secretariat Eminent Persons Group, funded by Australia and led by a former Secretary of Defence in New Zealand (Standish 2001), and an insurrection in the PNG military followed in March 2002, over the same issue.[3] In Solomon Islands, public sector reforms, particularly civil service retrenchments, may have helped to trigger inter-ethnic tensions on Guadalcanal (Burton 1999; Naidu 2003), although most analyses of this conflict have tended to ignore this factor. In Fiji, opposition to SAPs may have contributed to the defeat of the Soqosoqo Vakavulewa ni Taukei (SVT) government in 1999, and the victory of the Fiji Labour Party.

Critical responses to economic restructuring within the region began to coalesce towards the end of the 1990s. Not only were discordant voices heard within the South Pacific Forum (now called the Pacific Islands Forum), the political organisation of Pacific Leaders, but also the NGO Forums organised by the Pacific

[3] The planned retrenchment of 2,000 soldiers would have cost 70 million Kina in compensation payments. The plans, which included the disbanding of the civil engineering battalion and sale of Murray Barracks and the naval establishment in Lombrum in Manus, had not involved any consultation or explanation with those affected according to Bernard Narakobi, Radio Australia 1999 *'The Governance Agenda, F:\english\radio\stories\TimeToTalkTranscript_418687.htm)*

Islands Association of Non-Governmental Organisations (PIANGO) since 1995 had began to register opposition to public policies being pushed by donor agencies and applied in the region. Regional civil society initiatives reflecting deep concern about economic globalisation and its likely impacts also began to emerge. In 2001, Pacific churches adopted a document titled 'Island of Hope' which critiqued economic globalisation and asserted Pacific values of redistribution and communal `ownership' and resource-use systems. The first draft of the document was prepared by a group of church leaders from the Pacific and others concerned about economic globalisation (including this researcher), who were brought together in a meeting convened by the World Council of Churches' Pacific Desk (WCC 2001). A Regional Consultation on Globalisation, Trade Investment and Debt was also held in Nadave in Fiji in 2001 bringing together regional NGOs working on development and rights. The Nadave Consultation led to the formation of the Pacific Network on Globalisation (PANG). A regional network, PANG is hosted by the Ecumenical Council for Research, Education and Advocacy (ECREA), an autonomous non-governmental organisation that evolved from the Fiji Council of Churches' Research Group. PANG's research and advocacy work raises attention to the perils of trade liberalisation for Pacific Island states, and the researcher is an active member of this group.

Challenges to economic restructuring, economic globalisation and trade liberalisation within the Pacific have largely come from the margins and have been led by labour unions, some church leaders, and a handful of NGOs. Mainstream academia largely takes no issue with reform policies or their economic rationale. The process of economic restructuring in the region has indeed been facilitated by the virtual absence of contrary academic opinion. Not only have most regional economists failed to debate, much less critique, the neoliberal economic arguments of economic `reform' advocates within governments and inter-governmental institutions, some have themselves been active advocates. There is a general dearth of information in the public domain on the origins, objectives and implications of structural adjustment policies, little if any coverage in the mainstream media of their negative impacts elsewhere in the developing world, and next to no informed debate on these issues in national parliaments. Regional contestation of neoliberal policies and the ideas that support them is often based on an assertion of 'Pacific values', which are juxtaposed with the values and assumptions underlying neoliberal economics. This provides a useful point of departure for the thesis and affirms my own standpoint.

Substantive analyses of structural adjustment in the Pacific region are few. Theses of which the author is aware are: a PhD thesis based on a comparative study of globalisation and labour market transformation in Fiji, New Zealand and Japan (Prasad 1998, Warwick); a study of globalisation and the garment industry in New Zealand and Fiji (Harrington 1999, Otago); a doctoral study on economic restructuring and indigenous resistance (Bargh, 2003 ANU) and a thesis currently in progress on public enterprise reform in Fiji (Appana, Auckland). No-one has researched and written on the politics of structural adjustment in the Pacific Island states, or documented the political process through which economic restructuring and trade liberalisation is being achieved in the region, or looked at the power relations involved, or the way that the economic restructuring/trade liberalisation project is represented politically/ideologically within the region. The thesis therefore makes an original contribution to the literature on economic restructuring or economic 'reform'.

The thesis does not examine whether the application of SAPs in the Pacific region is justified or not, or whether SAPs are having positive or negative effects on economic growth rates, or poverty reduction. Nor does it seek to test or prove a hypothesis, or to provide an argument about causation. It does not debate the pros and cons of SAPs, but it does offer a critical perspective both of SAPs and of the politics and processes involved in their global application. It is an exposition, firstly, of the origins of and rationale for economic restructuring in the Pacific region;

secondly, of the instrumental use by donors of a regional political body to spearhead regional restructuring and trade liberalisation, and of the complicity of the regional institution in this agenda; thirdly, of the intersection of restructuring and other political agendas, in the case of Fiji.

My Location as a Researcher/Activist

My interest in economic restructuring in the Pacific derives from a long-held concern with the inter-related issues of development, economic and political self-determination, gender equality and social justice in the wider Pacific region, and in Fiji where I was born, and have lived and worked for most of my life. An elaboration on some aspects of my background will explain my particular location as an `insider' researcher in Fiji, and the influences that have shaped my worldview. I am a feminist of mixed ancestry (Chinese, English/Irish, Fijian, Samoan, African), and I have a background in national, regional and global activism in the anti-nuclear/peace/independence, labour and women's movements, and in the movement for democracy, constitutionalism and human rights in Fiji.

As an undergraduate student I participated with others in a research project with the Melbourne-based organisation, International Development Action (IDA), that produced a controversial report on Australian investment in Fiji titled *Fiji: A Developing Australian Colony* (Rokotuivuna et al 1973), and attended two early regional conferences on development (the Melanesian Council of Churches/Pacific Conference of Churches sponsored SPADES Conference in Vila, and The Pacific Way Conference in Suva) which centred on questions of `development for whom, and who decides'. I was mentored by feminist social justice advocate, Amelia Rokotuivuna, then General Secretary of the Fiji Young Women's Christian Association (YWCA), one of Fiji's earliest progressive multiracial NGOs and a shaper of public opinion. Under her inspiring leadership of the YWCA's Public Affairs Committee, I assisted in producing submissions on a range of public policy issues in the first decade or so of Fiji's independence, amongst them, the electoral system; parliamentary emoluments; taxation system; the death penalty; and abortion law.

Between 1987 and 2003, I lectured in politics at the University of the South Pacific, teaching courses in introductory politics, politics of developing states, political thought, women in society and public policy. For five years, between 1987 and 1992, I was involved in both the trade union movement in Fiji, and the Fiji Labour Party (and, before it disbanded, the Labour/NFP Coalition), both of which provided the main centres of opposition to the post coup regime from 1987-1992. After 1992, I helped form the Citizens' Constitutional Forum in Fiji (CCF), and was closely involved in organising all of the consultations it convened to help build consensus on a constitutional settlement, prior to and during the period of Fiji's constitutional review process. As already mentioned, I am an active member of PANG.

Since 1984, when it was formed, I have been closely involved in the Southern[4] feminist network, Development Alternatives with Women for a New Era (DAWN). This study of structural adjustment in the Pacific was largely triggered by my involvement with DAWN. DAWN produces global analyses of macro-structural issues from a critical, Southern feminist perspective and it is largely to my sisters in DAWN that I owe both my understanding and critique of economic globalisation, and my concern to challenge it. Largely in connection with DAWN work, I have followed the influence of the World Bank and the IMF in the Pacific, producing an analysis of World Bank assessments of Pacific Island economies (World Bank 1991; 1993, 1995a, 1995b) for a Pacific DAWN meeting in 1992 (Slatter 1994). I have also kept a watching brief on the kinds of economic analyses and policy prescriptions

[4] The `South' refers to the collection of nation states which were variously referred to in the development literature as `developing', `Third World' and `underdeveloped' states. As Murray (2001:135), citing Carmen (1996) points out, these earlier terms carried negative connotations and were based on 'false dualisms'.

offered by other development agencies, including UNDP (UNDP 1994), AIDAB (1991,1992) and the National Centre for Development Studies at ANU (Cole 1993; Hardaker and Fleming 1994, Gannicott and Avalos 1994). DAWN has also been closely involved in the global civil society movement against economic globalisation and trade liberalisation. DAWN's critique of WTO is reflected in its newsletters, *DAWN Informs*, available from the network's website. (www.dawn.org.fj). It was summarised in a special supplement originally produced for the WTO 3rd Ministerial Meeting in Seattle by Mariama Williams, titled 'Free Trade or Fair Trade?'.

I approached this thesis from a perspective that is critical of economic restructuring and trade liberalisation. My critical analytical perspective has been informed by my various engagements in non-governmental organisations over the years, as outlined above. Although this analysis of the politics of structural adjustment in Fiji has drawn on some information and knowledge acquired by virtue of my involvements in both the CCF and ECREA, I have taken an independent, analytical rather than partisan, position in approaching the research.

Bulmer's (1982) question 'for whom is this issue a problem?' and Bryson's (1979) arguments that the choice of research indicates a value position, as does the fact that we do research at all, and that all research is a political act, are relevant here. The thesis brings together my concerns about global economic forces, the future of the region, the accountability of its leaders and policymakers, and the quality of life and rights of its people; concerns which I know are shared by many other citizens of the region.

Methodology

The thesis uses triangulation (Denzin 1989) and an interpretive research approach in its assembling and presentation of information and argument (ibid; Babbie 1986). It combines evidence gleaned from documentary sources (both primary material in the way of official documents, some of which were confidential or `For Forum Eyes Only', and secondary analyses), with participant observation over a period of six years, and key informant interviews.

Documentary sources of information that were reviewed for the thesis included official reports and documents and Acts of Parliament published by the governments of Fiji, New Zealand and Australia; reports and other documents published by the World Bank, International Monetary Fund, the World Trade Organisation, the Asian Development Bank, and the Pacific Islands Forum Secretariat; speeches given by public officials within these governments and intergovernmental institutions; books, journals and newspaper articles; electronically published materials accessed via internet; and other materials disseminated electronically via email list serves. Electronically disseminated information and internet sources (ie web-sites of reputable organisations working on issues covered by the research) have been particularly important for this research as they have provided the most recent information on global and regional developments. These have been fully referenced.

As a resident citizen of Fiji, located in academia, with involvement and links with a number of activist NGOs and other social/political actors, I have been a participant observer of Fiji's and the region's economic restructuring for a number of years. I have attended a National Economic Summit, other Fiji government consultations, and a consultation with the Ministry of Finance on an alternative budget, two Forum Secretariat organised workshops and meetings on Economic Reform, several other relevant seminars, workshops and panel discussions organised by a range of agencies including the Commonwealth Secretariat, the Australian National University, the Fiji Institute of Accountants and various departments and programmes of the University of the South Pacific. I have attended most meetings and sessions within conferences on economic restructuring organised by NGOs. I am aware of what is known and what is not known by those involved in NGOs and working on the issues of economic reform and trade liberalisation.

A number of unstructured interviews were held with key informants in AusAID, NZODA and the Forum Secretariat, as well as with former Forum Secretariat professionals and former senior civil servants who were involved in Fiji's public sector `reforms'. The purpose of the interviews was to verify information gleaned from documentary sources, as well as to obtain information on 'insider' perspectives and understandings of the process of restructuring. As human subjects were involved, approval was sought and received from the Ethics Committee of Massey University and all key informants interviewed were provided with an information sheet on the research, printed on Massey letterhead, and were given a consent form to sign. All interviews except one were tape-recorded; none of the key informants asked to be shown transcripts for prior vetting. Not all names have been disclosed, for reasons of sensitivity.

Analytical Approach

The thesis is essentially an empirical study of the politics of economic restructuring. It does not theorise so much as seek to uncover and demonstrate political processes and ideology at work in the restructuring and liberalisation of Pacific Island economies. An eclectic analytical framework is constructed for the thesis by drawing on Foucault and the work of selected feminist economists and ecologists. Foucault's notion of governmentality is useful in helping to elucidate neoliberalism[5], the philosophy which underpins and informs the economic model represented by structural adjustment policies, and particularly neoliberalism's reconceptualisation and reformulation of the state. The ideas of selected feminist economists and ecologists are discussed in tandem with ideas and values which are

[5] Neoliberalism is also often referred to as economic rationalism. The two terms are used interchangeably in the thesis.

central to Pacific Islands cultures to critique some of the core ideas in neoliberalism. An overview of a selection of the critical literature on economic restructuring is included in Chapter Two.

Foucault's notion of 'governmentality', on which he gave two lectures in 1978 and 1979, has been drawn on in the 1990s by scholars analysing neoliberal `governmentality' or 'art of government'. His elucidation of how neoliberalism differs from classic liberalism provides a useful starting point. Foucault held the Chair of `History of Systems of Thought' at the Collège de France until his death. His work on the 'genealogy of the modern state', of which these lectures of his were a part, was still in progress when he died (Lemke 1997:1). His concept of governmentality, coined from the French gouverner (governing) and mentalité (modes of thought), followed the line of his earlier work on power/knowledge and suggested that `technologies of power' could not be understood 'without an analysis of the political rationality underpinning them' (ibid).

Foucault traced the origins of neoliberalism, linking the post-war German Ordo-liberal school[6] to the US neoliberalism of the `Chicago School'[7] through intermediaries such as Fredrich Von Hayek (ibid), and identified neoliberalism's essential redefinition of the relation between the state and the economy (ibid). As Lemke summarised it:

> `The neo-liberal conception inverts the early liberal model, which rested on the historical experience of an overly powerful absolute state. Unlike the state in the classical liberal

[6] The 'Ordo -liberals, so named because of the journal in which they published, *Ordo,* were jurists and economists who played a significant role in devising West German's 'social market economy' and influencing its economic policy in its infancy (Lemke 1997:3).

[7] The 'Chicago School' refers to the free market libertarians in the Economics Department of the University of Chicago who in the 1960s, under the influence of Milton Friedman and others, extended neoclassical price theory into policy domains considered the prerogative of other disciplines - eg marriage and family, legal theory, business and finance (http://cepa.newschool.edu/het/schools/chicago.htm

> notion of rationality, for the neo-liberals, the state does not define and monitor market freedom, for the market is itself the organising and regulative principle underlying the state. From this angle, it is more the case of the state being controlled by the market, than of the market being supervised by the state. Neo-liberalism removes the limiting, external principle and puts a regulatory and inner principle in its place: it is the market form which serves as the organisational principle for the state and society' (Lemke 1997:10)

As Foucault saw it, neoliberal thought had a central point of reference - *homo oeconomicus.* But the neoliberal rational economic individual who calculates costs and benefits was different from classic liberalism's economic man, whose individual freedom was prized as 'the technical precondition for rational government' (ibid:10). Instead, as Lemke interprets Foucault's analysis:

> Neo-liberalism no longer locates the rational principle for regulating and limiting the action of government in a natural freedom[8] that we should all respect, but instead it posits an artificially arranged liberty: in the entrepreneurial and competitive behaviour of economic-rational individuals. Whereas in the classic liberal conception, *homo oeconomicus* forms an external limit and the inviolable core of government action, in the neo-liberal thought of the Chicago School he becomes a behaviouristically manipulable being and the correlative of a governmentality which systematically changes the variable 'environment' and can rightly expect that individuals are characterised by 'rational choice' (Lemke 1997:10-11).

The above distinctions which Foucault made between neoliberalism and classic liberalism shed light on the primacy given the market and economic freedom in neoliberalism. It also suggests a subordination of the founding concept of `rights', which lies at the core of classic liberalism's social contract ideas on which the legitimacy of the state rests, and which eventually gave rise to a broader framework of human rights, to the idea of autonomy as rational `self-determination', or responsibility for oneself and one's actions. Drawing on the work of Miller and Rose (1990), Lemke shows how this functions in regard to labour relations, where worker self-determination becomes:

> 'a key economic force and factor in production which means that, from the entrepreneurial perspective, it is ever less important to constrain individual liberty, as labour itself is a crunch element along the path to `self-fulfillment'. Flexible working hours, self-determined work teams, performance stimuli etc. are no longer intended to transform the organisation of production, but moreover are aimed at the very relation between individuals and their labour. To be more precise, the transformation of structures of production is only possible if individuals 'optimise' their relation to themselves and to work' (ibid:11)

Lemke highlights other studies of governmentality following in the wake of Foucault's work, which reveal that neoliberal forms of government do not mean a reduction in the state and a limiting of its functions 'to that of a night watchman', but on the contrary entail the state's retention of its `traditional functions' and its assumption of new tasks and functions. 'Direct intervention' through 'empowered and specialised state apparatuses', and the development of 'indirect techniques for leading and controlling individuals without at the same time being responsible for them', are typical features of neo-liberal forms of government (ibid).

> The strategy of rendering individuals 'responsible' (and also collectives, such as families, associations etc) entails shifting the responsibility for social risks such as illness, unemployment, poverty etc and for life in society into the domain for which the individual is responsible and transforming it into a problem of 'self-care'. The key feature of the neoliberal rationality is the congruence it endeavours to achieve between a responsible and moral individual and an economic-rational individual. It aspires to construct responsible subjects whose moral quality is based on the fact

[8] This is taken as a reference to classic liberalism's notion of 'natural rights' to life, liberty and property.

> that they rationally assess the costs and benefits of a certain act as opposed to other alternative acts'. (Lemke 1997:12).

As Lemke put it, neoliberal governmentality means, therefore, not so much the state losing powers of regulation and control, as the re-organisation or restructuring of government techniques, and 'shifting the regulatory competence of the state onto 'responsible' and 'rational' individuals' (1997:12). Neoliberalism encourages individuals to be entrepreneurial in outlook and behaviour (that is, self-seeking and acquisitive). The 'demand' for 'individual scope for determination and ... autonomy' is responded to by 'supplying' opportunities for individuals' active participation in solving problems which were formerly the responsibility of specialised state agencies (ibid:12). This participation, and apparent empowerment, of the individual comes at a price, Lemke explained, and this is that individuals are required to assume responsibilities for these activities, and for their possible failure (ibid:12).

Summarising the `real theoretical strength' of the concept of governmentality, Lemke said:

> 'it construes neo-liberalism not just as ideological rhetoric or as a political-economic reality, but above all *as* a political project that endeavours to create a social reality that it suggests already exists. Neo-liberalism is a political rationality that tries to render the social domain economic and to link a reduction in (welfare) state services and security systems to the increasing call for `personal responsibility' and 'self -care. In this way we can decipher the neo-liberal harmony in which not only the individual body, but also collective bodies and institutions (public administrations, universities etc), corporations and states have to be `lean', `fit', `flexible' and `autonomous': it is a technique of power.... This enables us to shed sharper light on the effects neo-liberal governmentality has in terms of (self) regulation and domination. These effects entail not just the simple reproduction of social asymmetries or their ideological obfuscation, but are the product of a re-coding of social mechanisms of exploitation and domination on the basis of a new topography of the social domain' (ibid:13).

The governmentality analysis provides a useful lens for examining the politics of economic restructuring. It highlights neoliberalism as a political project, which is borne in mind in the examination of public sector reforms and the new public sector management model. Neoliberalism's re-modeling of the state, redefining of the `social contract', empowering of individual holders of public office, and recasting of citizens as rational, responsible, `moral' consumers/clients are likewise useful to bear in mind in considering the broader meaning of restructuring. Under neoliberalism, what citizens can expect of the state is substantially narrowed to: enforcing the rule of law, ensuring fair economic competition, providing basic social services and infrastructure; eliminating social barriers and improving market access for the poor, and protecting the environment[9]. The redefinition of the role of states, reconstitution of its functions through legislative changes, reconceptualisation of the state-citizen relationship, and restructuring of subjectivities (citizens with rights are reinvented as responsible managers/efficient workers/rational consumers, all demanding, and being prepared to pay for, efficiency) reflect the application of economic rationalism into the domain of politics.

Feminist economist, Loudres Beneria, in a critique of *The Economist's* 1999 conceptualisation of 'Davos Man' as the archetype of the successful, albeit `uncultured, money-grubbing, managerialis[tic], individual in the global marketplace, and as a force likely to 'bring people and cultures together', rejected this idealisation of 'rational economic man gone global':

> 'What *The Economist* does not recognise is that the commercialisation of everyday life and of all sectors of the economy generates dynamics and values that individuals and cultures might find repulsive. In many ways we have winessed, in Polanyi's terms, the tendency for society to become 'an accessory to the economic system' rather than the other way around' (Beneira 1999:68-69)

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[9] These are the five core functions of government identified by the World Bank in *The State in a Changing World*, World Development Report 1997.

Feminists have been among the leading critics of economics and the disproportionate influence that this science has had in the shaping of modern thinking and values over the last century. Waring's (1988) seminal work critiquing economics and the system of national accounts provided an early feminist challenge to the application of narrow economic ideas and reasoning to other categories of the social world. Her work offers a useful point of departure for challenging, from a Pacific perspective, some of the ideas embedded in neoliberal economics. Waring (1988:17) takes on the science of economics by challenging its appropriation of words that have a much longer ancestry and a wider range of meanings, but which are assigned narrow 'market' meaning, such as the word 'value'. Whereas the word has a longer history of meaning what is judged to be 'good, right, meaningful or worthy', its hijacking by the science of economics has narrowed it to mean what is realised from a transaction or sale. Waring exposes the destructive implications of assigning value to, for instance, forests only for what they hold that can be cut down and traded. She contrasts this market-biased valuation system with the wider and deeper valuing of forests in their pristine state for their intrinsic beauty, as reflected in art and literature, and in the ancient wisdom of indigenous peoples who live close to nature (ibid).

Waring critiques economics not just for reducing value to a monetary measure, but also for misrepresenting market valuation as a neutral and value-free mechanism for assessing worth (1988:21). Other words which have been imbued with economic meaning include: work (effort that is remunerated); ownership (exclusive right to use or sell something); earning (entitlement - usually to money - based on effort); efficiency (maximising output for least input); and saving (accumulating for future use) (ibid). In contrast to what is ascribed value by the economics calculus, Pacific Island societies ascribe value to a range of meaningful intangibles - relationships, a sense of community, responsibility for wider kin, sharing and reciprocity, leisure or investment of time in strengthening social relationships, social celebration, and a sense of security in relation to livelihood and social networks. The traditional Pacific Island economy was embedded in the social, and geared to `provisioning' society (Sahlins 1972, cited in Naidu 1988:413). In Pacific value systems, kinship relationships, principles and practices of resource-use and wealth-sharing, respect for traditional leadership and for elders, agricultural products and artifacts used in ceremonial exchange, rituals associated with birth, initiation, marriage and death, all carry enormous weight. They define and support island cultures, and reproduce ways of life that are distinctively (though not exclusively) Pacific. These values have been challenged and eroded by the power of the market and influence of Western ideas and systems but they continue to be widely subscribed to and asserted.

Waring's (op.cit:21) exposure of the absurdity of a definition of `work' which discounts productive and life-sustaining activity simply because of the absence of cash, while counting, and therefore valuing, unproductive and life-threatening activities as economic activity, is also apt. In economics, as she pointed out, the concept of work, termed `economic activity' and universalised as a quantifiable index in national account reckoning, is attributed the narrow meaning of labour or activity that is remunerated with pay, or that otherwise results in monetary returns. And this is so irrespective of the social worth or otherwise of an activity (ibid). This narrow definition of work not only effectively dismisses the unpaid (domestic) labour of women as worthless non-work, it also consigns to obscurity and insignificance those engaged in subsistence production. Its usefulness as a concept in economies where subsistence production supports the overwhelming majority of the population, as is the case in large areas of the Pacific, is particularly questionable.

The concept of `livelihood', defined as `a means of living and of supporting life' (SID 1996:17) that has emerged from debates in the last decade on sustainable development is useful and appropriate, indicating as it does life-sustaining and therefore productive work. While paid work may indeed be a means of livelihood, millions of those in paid employment are engaged in the production of things which are damaging to the world, and spend their often considerable wages/salaries on things that in many instances are not needed (ibid:17). The accumulation of wealth and possessions that is so characteristic of lifestyles in industrialised countries contrasts with the simple lifestyles of those whose livelihoods are based on subsistence or semi-subsistence production. Because economic restructuring policies provide incentives to expand production of internally tradeable and export crops, or to move people from non-trade production to market production, they have particular impacts on the agricultural sector and on rural populations in non-industrialised economies (Coelho and Coffey 1996:2). Amongst other things, they may adversely affect subsistence and semi-subsistence production systems and undermine food security, as well as affect the social standing, self-image and value systems of subsistence producers. In other respects too, economic restructuring threatens subsistence livelihoods, not least by the pressure to privatise or create a market in land, rationalised by arguments that land should be freed up and allocated, via the market, to the most efficient producers.

Communal land tenure systems, and the relatively equitable access to land that they ensure, based on kinship and affinal relationships, are indeed under threat from market ideas that advocate commodification of land, purportedly to raise economic productivity, but also to provide security of property rights. The World Bank's controversial `land mobilisation' programme proposed for Papua New Guinea in 1995 as part of a SAPs package and as a conditionality for the release of a second tranche of World Bank loans, was aimed less at enhancing efficiency and economic productivity than at `reducing the transaction costs for outsiders, at the cost of increasing them for insiders' (Larmour 1996:13).

The encouragement of private enterprise, and of private wealth accumulation, is at odds with communal systems of ownership (or custodianship) of livelihood resources or means of production, as well as with the ethic of generosity and the practices of wealth-sharing, through which social standing and long term security are attained and leadership maintained. Schoeffel (1996:38) has commented on how economists disparage the redistribution mechanisms (specifically customary gift-giving and exchange of surplus food and traditional valuables) that are a feature of traditional land tenure systems in the Pacific and that validate individual rights to common property, as a `propensity for consumption rather than accumulation and savings by Pacific Islanders...and as `hedonistic behaviour in which surpluses... are quickly shared and consumed'. She made the important distinction that while the use of resources for social and political purposes is strongly encouraged and likely to persist so long as traditional forms of land ownership continue, *individual* consumption and self-indulgence are socially frowned upon, and that restraint and thrift are indeed valued (ibid:38, emphasis added).

Aside from customary gift giving and exchange practices, the value and practice of caring for kin and of wealth-sharing with extended family members, which essentially account for the enormous inflows of remittances to several Pacific economies, are being directly challenged by the market values of individual advancement, private savings and investment, and wealth accumulation which neoliberal economic policies encourage. In an earlier work, this researcher has criticised the World Bank for ignoring `the strengths of traditional lifestyles, values, resource-use and social support systems' and for its implicit disapproval of kinship remittances for artificially raising living standards and `reservation wages' and reducing export crop production (Slatter1994:26-27). Barr (2000) has written in the same vein.

The underlying operating principle of `sufficiency' in subsistence economies, both in terms of how much work is undertaken (and how much time is invested in work), and in how much food or other resources or goods is produced or extracted, contrasts with the guiding principle in neoliberal economics of producing or supplying as much as possible (at the least cost) for trade, while investing in advertising to create, sustain and extend the necessary demand for what is produced. Schoeffel cites a 1980 study of Tonga's agricultural sector which found that a greater volume of production was achievable if factors contributing to a low rate of land utilisation could be overcome. The study concluded that Tongan smallholders must therefore `*choose* to cultivate less intensively, *according to their own beliefs and preferences'* (Schoeffel 1996:50; emphasis added).

Vandana Shiva has argued that since the advent of industrialism, people's relationship with nature has been transformed `from one based on responsibility, restraint and reciprocity, to one based on unrestrained exploitation' (1992:207). Ironically, the concept of 'reciprocity', which ordinarily meant to `give in return', where 'giving' is a voluntary, self-determined act, arising from a spirit of goodwill, has been hijacked and given new meaning as a mandatory principle in WTO trade rules: here reciprocity is no longer determined by free will, but demanded, exacted and enforced as a matter of law and on the principle of 'non-discrimination' in trade.

Feminists, Bennholdt-Thomsen and Mies (1999:21) have rejected the negative connotation given the concept of subsistence, and associated it instead with an image of 'the good life'. Citing work by a German colleague who ascribed to subsistence the positive meanings of `an attitude of independence' and 'existence by one's own effort', and drawing on other insights from ecology, they have argued that the `subsistence perspective' is both `an approach to overcoming exploitation by capitalism, patriarchy and colonialism', and constitutes 'a liberation of nature within us and around us from the self-destructive growth logic of capital' (ibid). Bennholdt-Thomsen and Mies defend communal land tenure systems and critique Garret Hardin's 1968 essay, `The Tragedy of the Commons', which has been used to inform arguments in favour of privatisation, liberalisation and globalisation (ibid: 152-164). Bennholdt-Thomsen and Mies' work is read not as a glorification of subsistence livelihoods or as an argument suggesting that choice should be denied to those who presently pursue them, rather as a defence of subsistence production as a way of life in the face of threats posed to it by the advances of free market ideas and policies.

Subsistence, or sustenance, and caring activities, have been the focus of much work by feminist economists. In her introduction to a special issue of the journal, *Ecological Economics* in 1997 that was devoted to the theme of Women Ecology and Economics, editor Ellie Perkins (1997:105) reported that the call for papers had not only resulted in many more submissions, from all over the world, than they could print, but that 'the degree of complementarity and balance in the work of authors from all over the world [was] astounding' (ibid:105). All papers received took as a starting point 'the unpaid work which is virtually necessary to build and maintain homes, human relationships, and communities - and without which there is no economy', and provided 'the seed of a new theoretical vision of an economy which is socially and ecologically sustainable' (ibid:106).

The unsustainability of present industrial production systems and the 'in-built or planned obsolescence' of its manufactures have been strongly critiqued by Charkiewicz et al., who call for a shift `from efficiency to sufficiency' (2001:41). Feminist ecologists have been at the forefront of continuing work on sustainable production and consumption, highlighted as a priority at the United Nations Conference on Environment and Development in 1992, but subsequently relegated to the margins, as the sustainable development agenda was redefined as sustainable growth, and sustainable trade liberalisation (Charkiewicz 2003). Whereas Agenda 21 had acknowledged that the imperative to constantly expand production (in the interests of expanding private profits) had encouraged wasteful production and consumption patterns, extreme exploitation, dispossession and displacement of people, and destruction of the natural environment, this critical perspective had all but disappeared from the documents which ensued from the World Summit on Sustainable Development in Johannesburg in 2002 (ibid).

Radical development theorists in Europe have also advocated changes in thinking and in values by Europeans - such as re-conceptualising `wealth' in terms of time, as opposed to accumulated possessions or material objects, and encouraging `economies of sufficiency' (Wolfgang Sachs - informal presentation to a World Council of Churches' Consultation on Climate Change, November 1996; to which the researcher was invited). This perspective resonates with the values accorded by Pacific cultures to spending time in non-work, social activities, and enjoying leisure, though there is a difference. The enjoyment of leisure in industrial European societies would likely be considered positively (ie earned and deserved) if it is the result or reward for habits of hard work and thrift (savings or wealth accumulation). Its enjoyment as part of a subsistence production system based on sufficiency, and a social system based on redistribution, may be judged undeserved, and equated with unproductiveness or laziness. Teresia Teaiwa's metaphor of 'the lazy native' in a narrative of colonial resistance, provides an illustration of both differing work ethics and attitude to life:

> A white man sees a young Indian lounging on the steps of a trading post. He goes up to the Indian and says, 'My son, don't you have a job?' The Indian says, 'No, sir. What is a job, and why would I need one?' The white man replies, 'Well, a job is something that you work at for years and years so that you can earn enough money to retire and do whatever it is that you really want to do.' 'But sir,' the Indian says, 'I am doing what I really want to do right now.' The white man's work ethic does not make sense to the Indian, and so he is left behind--in this instance contentedly, but in many other instances quite miserably--in the linear progression of the white man's history. Perhaps foolishly, but nonetheless bravely, the lazy native resisted enslavement to the colonizer's work ethic (1999:12)

The foregoing discussion of Pacific values, and of their resonance with critical thinking emanating elsewhere, particularly from feminists, provides a framework for the thesis's approach. A critical perspective of the application of structural adjustment and trade liberalisation policies in the Pacific is taken in the thesis. Chapter 2 provides a background to global economic restructuring and trade liberalisation. It offers an account that draws on critical analyses of the political background to the global application of SAPs, highlighting tensions between developed and developing states in the 1970s over the latter's calls for a New International Economic Order; the opportunities provided by the Third World debt crisis 'to discipline the South', and the collapse of socialist regimes and consequent discrediting of state-led development.

Links between OECD states and the international financial institutions, the World Bank's key role in setting the `development' agenda based on SAPs until 1995, when the World Trade Organisation and its rules-based multilateral trading system assumed centre stage, and the convergence in the policy agendas of the international financial institutions and bilateral donors, are also drawn out in this chapter.

How SAPs were originally prescribed for the Pacific Islands states by a neoliberal think-tank with close links to the Australian government following the first military coup in Fiji, and how these prescriptions were subsequently 'validated' in World Bank assessments of Pacific Islands economies, then reiterated in an academic project funded by the Australian government, and finally distilled as Australian foreign policy, is the focus of Chapter 3. The chapter highlights the representation of Pacific Island states by the different agents of `reform' and the neoliberal critique of aid advanced to support the economic growth model of development they advanced.

The Pacific Island Forum Secretariat's subsequent facilitation of a region-wide strategy of implementing economic 'reform' programmes, informed by World Bank prescriptions and driven and funded by the governments of Australia and New Zealand and the Asian Development Bank, and an overview of the focus of reforms in the region, are the focus of Chapter 4. Chapter 5 looks critically at the Forum Secretariat's role since 1999 in advancing trade liberalisation in the region, at the substance and meaning of two regional trade agreements framed in conformity with World Trade Organisation (WTO) rules and principles, and at the Forum Secretariat's engagements with both the processes of the WTO and the Africa, Caribbean and Pacific (ACP)/European Union (EU) Cotonou Agreement.

The last two chapters, Chapters 6 and 7, focus on the specific case of restructuring or reform in Fiji. Chapter 6 highlights the origins of Fiji's reform policies and the non-democratic context and primary objectives of the early post-coup 'reform' programme - restoring the economy and investor confidence and disempowering workers and the labour movement. It examines the arguments for private sector led economic growth in the Government's economic blueprint for economic reform adopted in 1993, and the rationale and key features of public sector and public enterprise reforms and the Public Finance Management Act of 1999. Chapter 7 focuses specifically on the specific political context in which economic restructuring was being undertaken in Fiji, and highlights some questionable dimensions of 'reform' implementation, including its private beneficiaries.

CHAPTER TWO

THE POLITICS OF GLOBAL ECONOMIC RESTRUCTURING

> "...[N]o academic can be unaware of shifts in intellectual fashion, and the way in which the simple certainties of one decade may seem obviously fallacious to the next" (Clapham 1992: 24).

Economic rationalist ideas portray Structural Adjustment Policies (SAPs) as economic wisdom or common sense. This [mis]representation, together with the World Bank's framing of development discourses from 1978, have worked to obscure the politics of structural adjustment and the interests served by it. This chapter will highlight the political background to structural adjustment policies, the role that North-South development politics in the 1970s played in the early conceptualisation of SAPs, and how the agenda of global economic restructuring emerged and was operationalised. The chapter will draw on critical literature to show how direction was given by developed countries to the international financial institutions they primarily control to apply structural adjustment as conditionality for loans to developing countries, as a way of disciplining and controlling developing states. It will also survey a cross section of the critical literature on structural adjustment.

Structural adjustment, as an imposed global regime, is widely considered to have originated with the so-called Third World debt crisis which forced indebted states in the South to submit to the economic policy dictates of the International Monetary Fund (IMF) as conditionality for loans (Wood 1985, George 1988, de Rivero 2001). Following the hikes in oil prices imposed by the Organisation of Petroleum Exporting Countries (OPEC) in 1973 and 1979, commercial banks were flush with 'petro-dollars' and went on a lending spree. Bank representatives raced to capitals across the Third World indiscriminately offering loans to cash-strapped governments which were now struggling to pay for the increased costs of imports, in the belief that countries could never go bankrupt.[1] The loans were offered on attractively low but variable (i.e. market-determined) interest rates and, when the US government raised interest rates in 1981, debt service payments for the borrowing countries soared. Mexico shook the foundations of the international banking system when it announced in 1982 that it would have to default on its repayments. The resulting 'debt crisis' saw the IMF rallying to provide a loan package to Mexico, and subsequently to other indebted states facing the same problem, to save the international banking system from collapse and ensure that no debtor country defaulted on its loan repayments. The price of an IMF bail-out was high – recipient governments were forced to accept certain loan conditionalities which required them to put in place a slew of economic policies aimed at ensuring that they raised their foreign exchange earnings, repaid their external debts, and lived within their means.

The immense political power that accrued to the Fund and its sister Bretton Woods institution, the World Bank, as they became the lead creditors and economic directors of sovereign states after 1982, was augmented by the ideological credibility claimed for neo-liberal economics with the collapse of socialist economies and regimes from the late 1980s, and the concomitant discrediting of state-led economic development. The breadth and speed of global submission or conversion to what became, by the 1990s, a universal economic creed was reflected in the conceptual shift that occurred in the decade: structural adjustment policies came to be seen less as imposed austerity measures, than as accepted economic wisdom and the essential path to economic growth. By the mid-1990s, most governments, including several in the Pacific region, whether inspired by a newfound faith in the market or fatalistically convinced of the 'inevitability' of economic globalisation and of the need therefore to swim or sink, had fallen into line, and were fervently implementing IMF or World Bank prescribed policies.

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[1] This view, put forward by Citicorp Chairman, Walter Wriston (quoted in Bernard Nossiter The Global Struggle for More, Harper & Row, 1987:6; cited in Bello 1994:25) had encouraged banks to lend with abandon to governments in the Third World, irrespective of their financial or political credentials.

Not until the 1990s did the link between the global implementation of SAPs and its ultimate goal – a global regime of free trade presided over by the World Trade Organisation (WTO) – become abundantly clear. The global embracement of structural adjustment or 'economic reform' as it is euphemistically termed in the Pacific, was evidently a vital pre-requisite, laying the foundation for successful trade liberalisation on a global scale. The global application of SAPs is now widely recognised as having paved the way to a global regime of 'free trade', a 'borderless world' in which free access to the resources and markets of the globe will supposedly be equally enjoyed by all competitors, irrespective of where they are located. As Gita Sen of DAWN has put it, SAPs were evidently the softening process, the 'battering ram', for trade liberalisation (Pers. comment, 1998). In the latter years of the 1990s, the enforcement of trade liberalisation policies as part of structural adjustment was variously rationalised as necessary for compliance with the new global trade rules enforceable by the WTO, as a means of realising the 'benefits of trade liberalisation at the global level', and as a prescription for trade-led growth.

In the latter half of the 1990s, the pace of the march towards a global regime of free trade quickened. The successful conclusion of the Uruguay Round of the UN Conference on Trade and Development (UNCTAD), the establishment of the WTO, the erosion of commodity markets and of preferential trading agreements, the establishment of regional free trade and investment agreements like the North American Free Trade Agreement (NAFTA), the (secret) negotiations on a Multilateral Agreement on Investment (MAI) and the temporary abandonment of MAI following massive public opposition in countries of the North, all took place in the space of half a decade. Within this time frame, the systematic nature of economic globalisation and the significance of SAPs in achieving global trade liberalisation became more evident.

North-South Politics and the Advent of Structural Adjustment

The term structural adjustment, according to Susan George and Fabrizio Sabelli (1994:55), first appeared in the lexicon of the World Bank in a speech by its then President, Robert McNamara, to the Board of Governors in 1976, but was used in this instance in the narrow context of 'export diversification'. It was not until 1979, however, in an address he made to the Bank's Board of Governors in Belgrade in October, that McNamara elaborated on the purpose of loans, which George and Sabelli say were 'intended to help or coerce governments to make the transition to Bank-approved policies' (op.cit.).[2] According to a close collaborator of McNamara's, quoted by George and Sabelli, structural adjustment was never intended to be 'a quick fix to adapt to changes in the economic environment' after which a government could 'get back to a (pre)existing development strategy':

> `That, of course, always was a fallacy... [the previous development strategy proves obsolete] and adjustment becomes indeed a process of transition *from one set of societal goals to another... Whether we like it or not, the process of structural adjustment has become burdened with a much more ambitious agenda'* (1994:55; emphasis added).

What was the `much more ambitious agenda' that lay behind structural adjustment? Walden Bello, in a distinctly political analysis of structural adjustment (1994), traced the origin of SAPs back to North-South political dynamics in the 1970s, specifically the organised challenge from developing or Third World states to the economic power and dominance of Northern (capitalist) states. According to Bello, although states in the developing world in the early 1970s were widely divergent in their political/ideological persuasions and divided by both East-West conflict and domestic class politics, most shared:

> 'a common feeling of having been exploited by the North, a common goal of catching up with the rich countries, a common perspective that government leadership was central in economic development, and a common belief that co-operation amongst Southern governments would play a decisive role in rectifying the global imbalance between North and South' (1994:9).

Adams (1993:70), in his critical analysis of North-South relations and the international system, has also written of the 'uniting strand' of a common colonial experience which:

[2] McNamara had also made mention of structural adjustment in an address to the UNCTAD in Manila in May that year.

'served to embolden [newly independent] countries in seeking ways to press demands for a proper place in the international economic order. What started as the Afro-Asian bloc, largely anti-colonial in origin, was soon to lead to the more cosmopolitan Non-Aligned Movement, embracing a wider political platform, and eventually to a wider coalition or grouping of developing countries whose objectives were more closely focused on economic issues'.

According to Adams, it was in the area of trade that developing countries sought to bring to bear their increasing numerical strength and vigor to push for changes in the international economic system'. He recorded the resolutions submitted by Latin American and African states to the UN General Assembly in 1961 calling for international meetings to be convened to find a solution to the problems of trade of the developing countries, and a call for a UN economic and trade conference (which had often been mooted by the Soviet Union), that eventually led to the UN Conference on Trade and Development (UNCTAD) in Geneva, from 23 March to 16 June 1964, convened under the direction of the `outspoken and intellectually resourceful Latin American economist and head of the UN's Economic Commission for Latin America, Raul Prebisch (Adams 1993;75).

The founding of the Non-Aligned Movement (NAM) in 1961 and of the Group of 77 in 1964 certainly marked `the start of collective action by the South to advance its common interests' (South Commission 1990; 114). But it was the emergence of the Organisation of Petroleum Exporting Countries (OPEC) as a successful organisation of formerly colonised oil-producing nations which demonstrated to Third World states the political and strategic value, and economic benefits, of collective action in pursuing economic demands (op.cit; 146; Adams 1993; 114).[3] To the developed states, whose multinational oil companies' control of petroleum operations had now ended, OPEC appeared as an aggressive

[3] Although the OPEC states failed to support the demand made by non-oil producing developing states for a comprehensive deal on a range of commodities at a Conference on International Economic Cooperation in Paris in 1975, and were roundly criticised by Tanzania for turning their backs on LDCs (Bello 1994;9;24), they provided significant development assistance to developing countries, and at higher levels, proportionate to their GDP, than developed countries (South Commission 1990:147).

antagonist (Williams 1987).[4] At least one oil company Chief Executive appealed to the USA, Western Europe and Japan in his company's annual report to 'resist the massive financial demands of the oil-producing countries which were now prepared to use their power aggressively' (ibid). Not only did OPEC's success in seizing control from multinational oil companies over the supply and price of oil, and increasing their share of oil profits, encourage Third World producers of other minerals (e.g. copper and bauxite)[5] to form similar price controlling cartels and nationalise mining industries. OPEC's actions on oil in 1973 and 1974 encouraged the governments of developing states to believe that collective action could have an impact on restructuring international economic relations. In the wake of these actions they launched a demand for a New International Economic Order (NIEO).

The NIEO demand was first made through the NAM, and was subsequently taken up and pushed by the Group of 77, the Third World's collective voice. The NIEO proposals essentially sought to improve the global environment for development by reforming the international system that governed flows of trade, capital and technology (South Commission 1990:18). Amongst other things, the NIEO demand included the restructuring of world trade to ensure fair prices for Third World commodities exported to First World markets, stabilisation schemes for export commodities to protect producer countries against

[4] Anthony Samson's book *The Seven Sisters* (Bantam, New York, 1975) exposed the absolute control that five American and two British oil companies had over oil production in petroleum exporting countries of the South. In an extended discussion on the 'decade of the oil weapon' Adams (1993) made the points that the only benefit that host countries derived from the production and export of this natural resource was in the form of taxes levied on per barrel payments by the companies, but companies worked to keep per barrel payments from rising, forcing exporting countries to increase their oil earnings by expanding production and supply. The supply of cheap oil to the industrialised countries, he argued, underwrote their growing prosperity.

[5] A copper producers' association called Conseil Intergouvernemental des Pays Exportateurs de Cuivre (CIPEC), with aims very similar to OPEC, was formed in 1967 by Chile, Zambia, Peru and Zaire, which accounted for 40% of world copper production and 70% of world exports. Jamaica, Guyana, Suriname and Guinea, which contributed 40% of world bauxite production, also followed OPEC's lead, forming with Sierra Leona, Yugoslavia and Australia (the only non-developing country) the International Bauxite Association in 1974 (Adams 1993;117-118). Adams documents Jamaica's success in attaining an eight-fold increase in government revenue by forcing the bauxite companies to accept a formula which linked revenue to the price of the finished product (aluminium), an achievement that was followed by other bauxite producers, but for which they all later paid when the companies cut production and moved elsewhere (ibid).

the vagaries of the market, removal of trade barriers to Third World manufactures, increased official development assistance, greater sovereignty over national resources, and national control over private foreign investment in Least Developed Countries (LDCs). The successful adoption by a Special Session of the UN General Assembly on May 1, 1974 of a Declaration on the Establishment of a New International Economic Order and of a Charter of Economic Rights and Duties of States were politically significant achievements, illustrating the power of effectively organised Southern states. The Declaration proclaimed that the NIEO 'shall correct inequalities and redress existing injustices, making it possible to eliminate the widening gap between the developed and the developing countries and ensure steadily accelerating economic development'.[6]

Two years later, the Group of 77, meeting in Manila, resolved to promote and strengthen cooperation amongst themselves. 'Collective self-reliance ' was added to the goal of the NIEO. The Arab countries, brimming with petro-dollars became the focus of support for initiatives. According to David (1991), the recycling of petro-dollars 'fuelled a short boom and especially in Asia, it permitted the newly industrialising economies (NIEs) and the Association of Southeast Asian Nations (ASEAN) countries to modernise their economies and attain unprecedented growth rates'. At UNCTAD V in Manila in 1979, relations between the developing states and OECD were strengthened, but OECD countries virtually ignored the reiterated call for NIEO (ibid).

In actual fact, the NIEO and the Third World's evident strength in unity triggered a rear guard response from the OECD countries which began to show, according to Chakravarthi Raghavan, when, within the UN system, UNCTAD took the Declaration more seriously than others and began to push for a series of programmes and actions to change North- South relationships.

> 'In response, the US and other OECD countries united to resist the demands of the South; and the solidarity of the North became much

[6] Declaration on the Establishment of a New International Economic Order, General Assembly Resolution 3201 (S-VI), Preamble.

> more of a reality than that of the South. From the endless talk of restructuring through the forum game in the 70s, the US, in the 80s, began using the solidarity of the North to weaken the South and block its drive for NIEO (Raghavan 1987:39).

The response of US Secretary of State, Henry Kissinger, that 'the present economic system had served the world well' and that open trade, the free movement of capital and technology, and readily available supplies of raw materials had led to unprecedented and sustained high levels of economic growth, unequivocally signaled the US position - there was nothing wrong with existing economic relations between the developed and developing world and no need therefore for any structural changes or NIEO. Most Northern governments in fact shared the view that the development problems of the Third World were primarily *internal*, rooted in their own economic mis-management and corruption, and that these first had to be corrected before they would be willing to consider global economic restructuring through the proposed NIEO. This argument - that poverty and underdevelopment were rooted in Third World corruption and economic mismanagement - had been expressed at UNCTAD V in Manila. Few OECD governments held the view of Netherland's Prime Minister, Jop den Uyl, who supported the NIEO call, acknowledging that 'the international economic system is not as free as is often claimed, but is largely guided and manipulated for the benefit of rich countries'. Den Uyl believed that a system had to be found which would provide solutions to the problems of inequitable division of income and property, scarcity of natural resources, and despoliation of the environment.

The opposing viewpoints on the NIEO represented divergent schools of thought on the causes of the Third World's development problems, as reflected in the rival theories of development known as Modernisation theory and Underdevelopment theories[7]. Modernisation theory, the dominant or mainstream development framework of the 1950s and 1960s, had long problematised development in terms of internal constraints or obstacles

[7] A leading exponent of Modernisation theory was W. Rostow. Underdevelopment theories were originally developed by A. Gunder Frank and Celso Furtado, to explain the failure of capitalist modernisation in Latin America. See Ankie Hoogvelt (1976) for a clear exposition of both modernisation and underdevelopment theories.

(backward economic, social and political systems, ideas and values) which required external inputs as correctives (transfer of technology and capital - through foreign investment - institution of private property, inculcation of the values of individualism and competition etc). Underdevelopment theories, by contrast, posited that the origin of the development problems of the Third World and the reason for its continued failure to experience economic development lay in the relations of economic exploitation which characterised colonialism (through which countries in the developing world were incorporated into a world economic system) and which continued to underlie the structure of trade and economic relations between developed and developing countries. These opposing philosophies began to be reflected in the clash within UNCTAD between advocates of development and advocates of what by the end of the 1970s had come to be referred to as 'adjustment'. The former subscribed to protectionism and attaining national self-sufficiency while the latter promoted interdependence and the global expansion of free trade.

It was at UNCTAD VI in 1983 in Belgrade that the philosophies of development versus those of adjustment openly clashed. With the Reagan Administration now in power, hostility to the NIEO from the US became more pronounced. As Raghavan put it,

> '...after the advent of the Reagan Administration, the US opposition to any restructuring and NIEO came out into the open. From the use of stagflation in the 70s to thwart the terms of trade gains of the South, the US and other major economies in the 80s unleashed coordinated deflationary policies on the world and, through their control of the IMF and the World Bank, forced "adjustment" and contraction on the Third World' (ibid).

Following UNCTAD VI, the Heritage Foundation joined the US in attacking UNCTAD for opposing free market policies and for being ‘statist’, and called for reforms in UNCTAD to reflect ‘changes in the global economy’. According to Raghavan, although other OECD countries kept out of this conflict between the US and UNCTAD, they too called for reforms in UNCTAD, and for a review of its mandate and programmes to reflect the 'changes in the world economy since its founding' (ibid).

Bello discussed how the Heritage Foundation then worked to destroy the validity of the demand for a NIEO, portraying it as a systematic and conspiratorial political and economic strategy by the Third World to undermine the North (Bello 1994:19). Passages from a Heritage Foundation publication that he cited indicate fierce resistance to the NIEO and other initiatives by Third World governments aimed at achieving economic and financial redistribution, regulating access to the global commons, and gaining legal control over their natural resources:

> A key element of NIEO's demands is financial redistribution: international taxation, increased foreign assistance, the right to expropriate private foreign assets, commodity price protection, and commercial preferences regarding shipping and trade generally. Technological redistribution through mandatory transfer of industrial, seabed, space, and pharmaceutical technology has been another NIEO tenet. (Doug Bandow 'The US Role in Promoting Third World Development' in *US Aid to the Developing World: a Free Market Agenda*, Heritage Foundation, Washington 1985, cited in Bello 1994: 20).

Not only were Third World governments suspected of trying to bring the seabed, space and Antartica under their political control via United Nations treaties and agreements, they were also believed to be working to constrain free enterprise through the regulation and control of international businesses:

> 'Private business data flows are under attack internationally and by individual Third World countries; proposals for strict control of the international pharmaceutical trade are pending before more than one UN body; other international agencies are drafting restrictive codes of conduct for multinational corporations; and UNESCO has proposed international restraints on the press' (ibid).

The demand for economic redistribution through a NIEO was also interpreted as a strategy by which Third World governments sought to make up for their failure to produce wealth and for their economic mismanagement by :

> 'imposing restrictions on the natural operation of free market forces, such as protectionist mechanisms for domestic enterprises

that deprived consumers of quality foreign products; maintenance of over-valued exchange rates that discouraged exports; foreign investment controls that promoted inefficient production; and price policies that discouraged food production' (Bello 1994:20).

The Heritage Foundation's representation of an organised `Southern threat' to the West (i.e. North), and of enormous time and resources being devoted to 'spreading the NIEO ideology throughout the UN system'...[with] virtually no UN agencies and bureaus [being] spared' (ibid:19) fed a political backlash in the US against both developing countries and their demand for a NIEO, and domestic liberal democratic politics and welfare economics, which had encouraged the thinking that a more prosperous South would promote stability and be in the interest of the United States[8]. The backlash was further fuelled by strong right-wing arguments against aid in the early 1980s by economist Peter Bauer (Professor of Economics at the London School of Economics) and Basil Yaney. In an influential article entitled 'Foreign Aid: What is at stake?, published in *The Public Interest* in 1982, Bauer and Yaney disparaged the concept of the `Third World', arguing that aid was the *source* of the North-South conflict, not its solution, and that it was not conducive to development, but was likely to obstruct development by increasing the 'money, patronage and power of recipient governments and thereby their grip over the rest of society' (cited in Bello, ibid:21).[9] Such ideas reflected a plainly unsympathetic, if not damning, view of Third World countries and governments and strong resistance to their mobilisation for more equitable economic relations with developed countries. The debt crisis provided a golden opportunity to discipline them.

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[8] The Reagan Adminstration, Bello says, had a roll-back policy which entailed, on the international front, rolling back communism to liberate those living under communist rule; on the domestic front, cutting back big government, social welfare and support for labour, which together represented 'creeping socialism' (ibid:19). Chakravarthi Raghavan (1987) has written in a similar way about the Reagan Administration's response to the NIEO demand, saying the US worked to supplant the NIEO with a Transnational World Order in which assymetric North-South relations would be accentuated and the Third World rolled back to its frontiers in the colonial era (1987:40).

[9] In 1989 Bauer re-stated this analysis of the Third World and aid at a Pacific Regional Meeting in Christchurch, New Zealand, organised by the Mont Pelerin Society, where he contributed the opening paper ('Foreign Aid: Mend it or End it') in a discussion on development in the South Pacific. See Chapter 3: Re-forming the Island States of the Pacific: Ideas, Agents and Interests.

Susan George, in her book on the debt crisis, *A Fate Worse than Debt: a radical new analysis of the Third World Debt Crisis* (1988) similarly wrote of the `opportunity' presented by the debt crisis to 'keep the Third World in line':

> ... the Third World debt crisis has brought about greater internal consistency and cohesion of purpose among major actors in the international financial system. There are still some contradictions, but basically these actors are all working together, more or less harmoniously, to keep the Third World in line (1988:5)

She added satirically:

> These upstart nations made entirely too much noise in the 1960s and 1970s, with their demands for equal status with the rich countries, Codes of Conduct for this and that, a New International Economic Order (NIEO) and whatnot. The debt has become, at least partially, an opportunity for turning the clock back' (ibid).

Mohameden Ould-Mey (1994) in a useful article on the implications of structural adjustment for developing countries likewise contextualised SAPs within North-South (or centre-periphery) economic and political dynamics in the 1970s. He noted the strong Third World challenges to imperialism in the 1960s and into the mid-1970s through 'revolutionary struggle, radical nationalism and diplomatic solidarity', and highlights the strong role played by the UN General Assembly, where developing nations succeeded in imposing their voice, at a time when the Security Council was paralysed by superpower rivalry. Stressing agency and causality in the making of the `global strategy of adjustment', Ould-Mey stressed the primary agency of the leading capitalist industrialised countries, the Group of Seven (G7), namely Canada, France, Germany, Italy, Japan, UK and the USA (its 'lance-head'), from 1975, rather than the World Bank and the IMF, which in his view merely instrumentalised the strategy. Ould-Mey argued that SAPs developed out of :

> 'a fundamental contradiction between nationalistic, protectionist policies seeking to achieve accumulation at the national level, and globalist policies advocating the destruction of all borders, barriers

> and policies which might interfere with accumulation [on a] global scale' (1994:320).

Ould-Mey saw SAPs as a deliberate 'Western strategy' of `providing loans to developing countries and dictating development policies' and as a response to the economic crisis of the 1970's which was deeply embedded in 'the international relations between states and among blocs of states' (1994: 319-320). Nationally-based forms of capital accumulation characterised most nations/states in the period following World War 2, he said. They sought industrialisation and economic growth through forms of (nationalistic) protectionism largely inspired by the perceived success of the Soviet model of achieving industrial transition through central planning and protectionism. While this strategy did raise GNP growth rates of developing countries (which averaged between 6% and 7% between 1970 and 1980), it succeeded, in combination with semi-autarkic policies in the Eastern bloc, in shrinking markets for industrialised nations. This, he argued, occurred at precisely the same time as the US economy began to face challenges from new competitors in Japan and Western Europe, who had benefited from two decades of reconstruction after WW2 (1994:321). The collapse of the fixed rate of exchange between the dollar and gold in 1971, the emergence of strong Third World cartels, particularly OPEC, the subsequent increases in oil prices in 1973-1974, growing recession in industrialised countries, and the demand by Third World states for a NIEO, all contributed to an `economic crisis' in the 1970s. The crisis paved the way to the 'Western strategy of global adjustment' which, he argued, was focused on `dismantling nationalistic policies and opening new markets in the South and the East' (1994:321).

Ould-Mey highlighted how through annual summits from 1975, the G7 began to systematically address the twin goals of expanding world trade and 'stabilising' developing economies', evidently as an alternative to NIEO. The economic Declaration of Rambouillet which emerged from the first G7 summit in 1975, indeed warned against a 'return to protectionism', and urged the main trading nations of North America, Western Europe and Japan to 'pursue policies which will permit the expansion of world trade to their mutual advantage' and to 'use the IMF and other international fora [to make] urgent improvements in international agreements for the stabilisation of developing economies'. The Declaration concluded with a thinly veiled warning to OPEC that everything would be done to 'secure the energy sources' required for growth (op cit, 322). President Ford's statement at the second G7 summit in Puerto Rico in 1976 expressed the determination of G7 countries to stabilise the economies of the developing world by `agreeing on and working to implement sound solutions to their own problems' (ibid:322). A year later, President Carter and the other G7 leaders appointed special representatives to prepare for summit meetings and these advisors began to meet four times a year prior to each summit. It was these 'trusted advisors', according to Ould-Mey, who began to spell out the strategy of lending money in exchange for policy changes, and who agreed in principle that additional resources should be provided for the IMF and World Bank to permit their lending to rise in real terms (ibid).

By the end of the 1970s, in the face of strong resistance from industrialised countries, the NIEO had all but collapsed; what was left of it was soon destroyed by the strategy of SAPs, leading to what Ould-Mey called 'the re-compradorisation of the Third World' (ibid)[10]. Through SAPs, developing countries were made to adjust to the requirements for economic growth within industrialised countries (ibid). G7 governments began to attach strict conditionalities to both the provision of credit/loans and the rescheduling of debts, and the IMF and the World Bank were expressly directed to work together and consult with other developed countries to explore how best the strategy could be implemented (ibid).[11]

Operationalising SAPs - the World Bank and the IMF

Under the presidency of McNamara, World Bank loans to developing countries had substantially increased through a (new) lending policy which rewarded Bank staff for, in in-

[10] The term compradorisation has its origins in Marxist underdevelopment theory (UDT) and refers to what results when the bourgeois class in a peripheral capitalist state is unable to 'constitute itself as a dominant national force' and 'fulfill the historic role that the bourgeoisie has played elsewhere' (Amin 1989;115). The resulting subordination of the local bourgeoisie to metropolitan capital compradorises them as peripheral societies within an international capitalist system dominated by advanced capitalist (core) economies.

house parlance, 'pushing money out of the door' (George and Sabelli 1994; 42). In its 22 years of existence before McNamara became President, the Bank had financed altogether 708 projects at a total cost of $7.8 billion; in his first term alone, from 1968 to 1973, the Bank undertook 760 new projects costing $13.4 billion (ibid). McNamara's lending policy was apparently informed by two convictions: the first was a belief that poverty and deprivation were the causes of political violence, insurgencies and (communist) revolutions and had therefore to be tackled if revolutions (and the threat they posed to the 'free world') were to avoided – 'in a modernising society, security means development' (ibid, 48-49); the second, a belief in economic growth theory which emphasised borrowing and running substantial deficits (importing more than exporting) in order to generate high growth rates (the foundation of credit worthiness) and so maintain a steady flow of credit to accelerate the pace of development (see George and Sabelli, Chap 2). Neither of these rationalisations for loans would have any place in the new regime of structural adjustment lending which emerged after 1979.

Between 1979-1980 the World Bank shifted from project to programme lending[12]. Programme lending offered wider scope for conditionality and control because it enabled assessments to be made of 'the overall competence of the recipient government', since the success of programmes depended on the 'overall capacity of government to implement them' (Griesgraber and Gunter 1995:5). It led inevitably to the introduction of what were termed sectoral and structural adjustment lending. With sectoral adjustment loans, which were quicker disbursing than project loans, only part of the money went to meet the costs of a specific project. The rest was used to support policy changes in the sector. Hancock (1989) provided an illuminating example of a sectoral adjustment loan from Pakistan where, in 1985, a World Bank loan of $178 million for energy projects was disbursed

[11] Ould-Mey's sources include US Department of State Bulletins, US General Services Administration Weekly Compilation of Presidential Documents, and documents from the G7 summits.

[12] This resulted from realising the fallacy of searching for and concentrating on 'good projects'. The concept of the 'fungibility' of projects, which posited that good or high priority projects were likely to be funded by the governments from their national resources) cast serious doubt on whether the World Bank was actually financing the 'good projects' it had selected, or some otherwise unfundable, marginal project (Griesgraber and Gunter 1995:5).

against promises made by the Pakistani government to undertake specific policy changes. These changes included increasing the price of natural gas to induce private entrepreneurs to invest in exploration and development, reducing subsidies in national electricity prices to reflect cost of production, and generating electricity for Karachi using imported, rather than locally-produced, coal (Hancock 1989:56).[13]

Structural adjustment lending, or SALs, were also quick disbursing loans which could be used to `relieve a country's balance of payments deficit or to repay interest falling due to private banks' (Bello 1994:27). Hancock describes SALs as follows:

> `The characteristic feature of such loans is that they are completely disconnected from projects and are disbursed, usually very quickly, in return for major economic policy changes at the national level. Such changes are brought about `with considerable analytical support from the Bank' and are said to be the result of 'policy dialogue'. Third World governments that agree to go this route are rewarded by being allowed to spend the money that they receive on just about anything they like (1989:56).

To qualify therefore for SALs from either the World Bank or the IMF, a government had to undertake to put in place economic policy changes at the macro level rather than just at the level of a single sector. These macro-economic changes typically included lowering tariffs and other forms of protection, exchange rate management, reducing public sector involvement in the economy, and changing budgetary policies (ibid). '[O]stensibly designed to make its economy more efficient and capable of sustained growth' (Bello1994:27), the economic policy changes that qualified a country for SALs translated into radically reduced government spending, wage cuts, liberalised imports, the institution of export incentives, removal of restrictions on foreign investment in industry and financial services, devaluation of the local currency, privatisation of state enterprises, and radical economic deregulation (ibid). These same policy interventions would come to comprise structural adjustment packages or SAPs.

[13] Baffling as it may be, such policy directives made absolute sense in neoliberal economic terms as they aimed to promote private investment, reduce state expenditure, and expand trade by increasing imports.

In 1981/82, the G7 governments intensified their coordination in applying structural adjustment by giving the World Bank and the IMF 'central authority for exercising the collective power of capitalist nation states over international financial negotiations' (Ould-Mey: 323). Working together to operationalise SAPs was not difficult for the two institutions, which shared the same ideas on economic development. According to Hancock, the inspiration for SALs (and therefore for SAPs) came from the IMF, which had been 'obliging countries to adjust in one way or another since the 1940s.' (1989:58). Apart from collaborating in missions and holding joint annual meetings, the World Bank and the IMF worked in tandem to achieve compliance with their policy directives. They closed ranks against countries which refused to follow IMF directives and opened doors for those which did. Earning the IMF's seal of approval `unlock[ed] the very large amounts of development money at the disposal of the World Bank' (ibid).

In 1983, US Secretary of State, Donald Regan, announced a 'broad international strategy' for structural adjustment. It included the following essentials: effective adjustment in borrowing countries, the tying of IMF loans to the implementation of needed policy measures by borrowers, the provision of bridge financing by governments and central banks in lending countries in cases of system-wide danger, continued commercial bank lending for countries pursuing sound adjustment policies, and the avoidance of protectionism (Ould-Mey:323). Regan cited the IMF as the 'linchpin' of this international strategy and credited its efforts to promote and support adjustment for much the success that had been achieved (ibid). With SALs forming 23 per cent of the World Bank's total lending by 1987, Bank President, Barber Conable, declared that year that structural adjustment was 'absolutely fundamental to the Bank's assistance strategy.....there is no alternative' (Hancock 1989:57). In 1988, at their annual summit, the G7 governments expressed satisfaction with the success of adjustment policies and with the way they had sped up the `*globalisation of markets and increased economic interdependence'* (op.cit. emphasis added).

Providing Authoritative Frameworks for Development Policy

The IMF may have been the linchpin in operationalising the international strategy of structural adjustment through loan conditionality, but the World Bank's role in rationalising structural adjustment, proselytising and converting followers within the `aid industry', incorporating existing development concerns through co-opted language, and providing a framework for development policy and poverty reduction based on adjustment has been the real key to the success of the strategy. For, in reality, even as they have been compelled to adopt policies of structural adjustment, governments in developing countries have also evidently been converted to the theory of growth and the ideas of efficiency which provide their rationale. Moreover, other development agencies have not only taken their cue from World Bank analyses in adopting aid and development strategies prescribed by the Bank, they have also adopted the language, concepts and claims made by the Bank and have engaged, what is more, in producing supporting documents to the main texts. One of the ways in which the Bank has been able to sell neo-liberalism or economic rationalist ideas as economic wisdom or common sense has been through its publications on the state of the world economy (the *World Development Reports)* and on the state of the economies of different regions in the developing world.

The World Bank began publishing annual *World Development Reports* from 1978. These reports came to assume validity as authoritative texts both within the OECD countries and the UN system. In Ould-Mey's view, they provided `ready analytical frameworks for development policy' and 'shape(d) the foundation of the new global strategy of SAPs' (Ould-Mey op.cit). They also functioned to resolve the `development versus adjustment' conflict by pushing adjustment as not only the unequivocal route to development, but as the means to combating poverty. The opening words in the home-page of the World Bank's website (www.worldbank.org), *The World Bank Group – Our Dream is a World Free of Poverty'*, suggests that poverty eradication is the Bank's raison d'être or primary purpose. Susan George points out that when, in 1992, after a decade of structural adjustment, the World Bank President announced that 'the over-arching goal of the Bank is the sustainable reduction of poverty', he was echoing McNamara's mission statement almost twenty years earlier to the Bank's Board of Governors in Nairobi in 1973. McNamara's speech had been a defining one for the Bank and for development discourse as in it he coined the concept of 'absolute poverty', later to be contrasted with 'relative poverty' in analytical approaches and policy intervention strategies. Absolute poverty, as McNamara defined it in 1973, was:

> 'a condition of life so degraded by disease, illiteracy, malnutrition and squalor as to deny its victims basic human necessities...a condition of life so limited as to prevent realisation of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity - and yet a condition of life so common as to be the lot of some 40% of the peoples of the developing world' (cited in George and Sabelli 1994:38).

At the end of that speech McNamara had declared that it was 'development's task' to relieve the poverty of severely deprived men and women (ibid). If the World Bank President's 1992 statement on poverty rang hollow for many, it would be because 20 years and more of implementing SAPs accompanied by the Bank's typically top-down approaches to poverty reduction and alleviation had exposed a yawning gulf between the institution's declared intentions and mission statements on poverty and the reality of escalating levels of poverty resulting in large part from the Bank's very own adjustment programmes.

To get a sense of the issues and arguments contained in World Bank reports, and their influence, a survey of some of its development literature will suffice. The first *World Development Report,* published in 1978, set the 'global reality' context for SAPs by establishing recognition of the growing `interdependence' of nations, and the need to take this into consideration when designing development policies. The second *WDR,* released in 1979, developed a series of development scenarios and GDP projections, focused mainly on developing countries. The third *WDR*, in 1980, strongly endorsed the Brandt Commission's call for a North-South *Programme of Survival* based on bold economic reforms and advocated adjustment as the key to growth in the 1980s (Ould-Mey, op.cit). The strategy of adjustment became the consistent argument of all subsequent *WDRs.* That this was a strategy strongly endorsed by the G7 governments is evident in the statement they made at their annual meeting in Venice in 1980: '[W]e welcome the Bank's innovative scheme for structural adjustment' (cited in Ould-Mey op.cit).

In 1981, the Bank published the first of its prescriptive regional reports, the infamous `Berg Report' on African economies, entitled *Accelerated Development in Sub-Saharan Africa: An Agenda for Action.* In this report, the Bank roundly attacked government policies in Africa as the major cause of the continent's economic crisis and laid the basis for deep structural reforms. According to Ould-Mey, the Berg Report, which was widely read by politicians, planners and academics on the continent, caused an intellectual shift from radical dependency theory back to classic modernisation theory, and pre-empted the implementation of the 1980 Lagos Plan of regional cooperation and self-sufficient development by African governments. Written in an arrogant style which drew heavy criticism, the report succeeded in establishing an `intellectual and operational blueprint for [free market] development policies in Africa and the Third world generally'(ibid). The Berg Report was followed by three subsequent reports: *Sub-Saharan Africa: Progress Report on Prospects and Programmes* (1983) which repeated the diagnosis of the Berg report and advocated the same solutions; *Towards Sustained Development in Sub-Saharan Africa: A Joint Programme of Action (*1984) and *Financing Adjustment with Growth in Sub-Saharan Africa ('1986-1990*). The latter two reports, according to Ould-Mey, focused on structural adjustment and set the stage for the `sweeping adjustment movements of the 1980s' (ibid).

The Bank's 1989 report, *Sub-Saharan Africa: from Crisis to Sustainable Growth,* in the Banks's own words, 'sketche[d] a menu of options and ideas to guide the formulation of long term development strategies' for Sub-Saharan Africa during the 1990s and into the 21st century. The menu of options for the 1990s were set within the general framework of more adjustment but offered in language that suggested optimism in Africa's future. Perhaps most significantly, the 1989 report on Sub-Saharan Africa introduced a concern with the issue of 'governance', a concern which would come to dominate World Bank reports on the economies of developing regions and spark a major discourse on governance in academic and development circles in the 1990s. Like World Bank reports on other developing regions, which would follow, the World Bank reports on Africa became powerful authoritative texts on the development problems of the region. In Ould-Mey's view, all of these reports:

> `destroyed confidence in the capacity of governments to manage the economy, and developed the idea of the `sacred cow of free trade' that few governments dared challenge. They provided pro-adjustment forces in African governments with a powerful argument and a huge amount of statistics and techniques of persuasion geared to support World Bank diagnoses and prescriptions for African economies' (ibid:325).

What helped give World Bank regional reports their `authority' and the institution its considerable influence in inducing agreement or conformity in economic thinking were the Bank's method and style of operating. Within borrowing countries, several mechanisms were deliberately employed by the World Bank to influence the process of policy-making. They included: i) on-going dialogue on development policy issues with borrower country nationals; ii) the Bank's country memoranda, which provided knowledge of the borrower and which formed the basis for dialogue on policy; iii) the Bank's process of project selection and execution which provided the basis for policy dialogue at the micro level; iv) the use of the size and sectoral composition of the country lending programme to influence policy; and v) the Bank's chairmanship of consultative groups (cited in Ould-Mey: 323). All of these mechanisms allowed the World Bank to make permanent and thorough reviews of the policies of its major borrowers annually, and of all others at least once every three years. As a consequence, the Bank developed extensive country data bases, and a store of knowledge accumulated from years of sectoral analyses and project work in most developing countries. By this means it elevated its consultants to economic experts and endowed itself with the authority of 'knowing best'. [14]

[14] This contrasts with the modus operandi of the IMF, which according to former World Bank Chief Economist, Joseph Stiglitz (2000:4), when it decides to assist a country, `dispatches a "mission of economists [who] ....frequently lack extensive experience in the country... [and] are more likely to have first hand knowledge of its five-star hotels than the villages that dot its countryside.' From Stiglitz's account, IMF missions often used `flawed or out-of-date mathematical models', adopted `a cookie cutter approach to economics', have been known to `draft reports before visiting', and, in one case, 'copied large parts of the text from one country's report and transferred them wholesale to another' (ibid).

The Bank describes its flagship publication, the annual *World Development Report* (*WDR*), as an `invaluable guide to the economic, social and environmental state of the world today' and `the Bank's best-known contribution to thinking about development' (http://econ.worldbank.org/wdr/index.php). It credits its *WDRs* with providing useful in-depth analysis each year of a specific aspect of development, as well as updated social and economic statistics for more than 200 countries (Selected World Development Indicators). Certainly the *WDRs* produced during the 1990s covered a wide range of topics,[15] albeit with little variation in the actual analysis. For there is a consistent set of ideas, a familiar refrain, which runs through all *WDRs* and it includes the idea (or ideal) of market-led growth, and the mantra that 'growth is good'. In all of the reports, the neo-liberal economic ideas which underpin SAPs are firmly articulated and re-stated. These ideas are, firstly, that the market, rather than the state, is the most efficient allocator of resources and provider of goods and services; secondly, that in the market all competitors are, or should be, equal, in the sense that they should be *treated equally* and should have free and equal access to opportunities, resources and markets (the so-called level playing field). Thirdly, that the state's role should primarily be one of facilitating the development and free play of market forces and of ensuring law and order and adherence to contractual obligations. Economic liberalism's ideals of small government, free enterprise, and equal rights clearly provide the philosophic core of SAPs.

The collapse of socialist regimes from the late 1980s, and the capitalist triumphalism that it engendered, strengthened the World Bank's hand in globally marketing economic restructuring as the only way to economic growth, and thereby development. *WDR 1996*, entitled *From Plan to Market,* focused especially on the transition of countries in Central and Eastern Europe and the newly independent states of the former Soviet Union, China, and Vietnam back to a market orientation. As the Bank saw it, these countries, comprising

[15] The themes of WDRs produced in the 1990s were: Attacking Poverty (*WDR* 2000/2001), Entering the 21st Century (*WDR* 1999/2000), Knowledge for Development (*WDR* 1998/99), The State in a Changing World (*WDR* 1997) From Plan to Market (*WDR* 1996), Workers in an Integrating World (*WDR* 1995), Infrastructure for Development (*WDR* 1994), Investing in Health (*WDR* 1993) and Development and the Environment (*WDR* 1992).

one third of the world's population, had conducted a `vast ...experiment' that began between 1917 and 1950, involving the construction of 'alternative systems of centrally planned economies'. In its view, the experiment had transformed the political and the economic map of the world, and the course of much of the twentieth century, but the model of state-led development had failed. The Bank's analysis of the failure of state-led development was continued in *WDR 1997*, entitled *The State in a Changing World* (World Bank 1997).

Perhaps the most significant of all the *WDRs* in terms of encapsulating the Bank's self-appointed role as authoritative definer of the essential development problems of the Third World, and in terms of catalysing supportive academic research and analysis, *The State in a Changing World* brought together the results of the Bank's continuing work on governance since it first used the term in its 1989 report on Sub-Saharan Africa[16]. In it, the Bank argued that experience had shown that the state could not deliver on its (development) promises and this had meant that `transition economies had to make a wrenching shift from state-led central planning and much of the developing world had to cope with the failure of state-led development strategies'. Yet the minimalist, market-friendly state of the 1980s was not the optimal solution. Citing the East Asian miracle economies as proof of the key role of the state in achieving economic growth, the report went on to emphasize the kind of state and government needed – an `*effective* state that plays a catalytic, facilitating role ...[by enforcing] the rule of law to underpin market transactions... and civil society more broadly...' and a '...government [that plays] by the rules itself, acting reliably and predictably and controlling corruption' (World Bank 1997:iii). Development, it intoned, requires an effective state, meaning, one that `encourages and complements the activities of private businesses and individuals'. An effective state is vital for the provision of the goods and services, for the maintenance of rules and institutions that `allow markets to flourish and people to lead healthier, happier lives.' Without an effective state, it says, sustainable development is impossible.

[16] The Bank elaborated on its concern with governance in a report to its Board in 1991 entitled *Managing Development – the Governance Dimension.*

The report argued that states should not assume roles for which they `lack capability'. It defined `capability' as 'the ability to undertake and promote collective actions efficiently', and `efficiency' as 'a result of using that capability to meet society's demand for those goods.' (1997:1,2). A two-part strategy was proposed to generate state credibility as an 'effective partner' in development (that is, a partnership where markets and governments are complementary). The first strategy entailed matching the state's role to its capability and improving its effectiveness by focusing on what the Bank calls 'fundamentals' – these include establishing and enforcing the rule of law, protecting property rights ('the foundation for market-led growth and poverty reduction') from theft, violence and other acts of predation and from arbitrary government actions, ensuring macroeconomic stability, avoiding price distortions and liberalising trade and investment, provision of basic services and infrastructure (control of infectious diseases, provision of safe water, roads), protecting the vulnerable, and protecting the environment (1997:41-45). The second strategy involved reinvigorating public institutions, designing effective rules and restraints, checking arbitrary state action and combating corruption, improving performance and incentive structures, and broadening participation and decentralisation (1997:7-8).

The Report restated the essentials for macroeconomic stability - a `benign policy environment' that enables countries to 'benefit from competitive market forces', providing the right signals and incentives for 'economic agents to accumulate, use resources and innovate' (1997:45-46). It advised against high inflation rates, price distortions, over-valuation of currencies, unrealistic wages (i.e. legal minimum too high), and hidden taxes or subsidies on the use of capital (46-48). It proposed liberalising trade and investment regimes to increase access to supplies of equipment, technology and finance and enable domestic and world prices to align, making for efficiency in resource allocation, a shift towards consumption taxes, and 'locking in good policies' (by legislation) to 'restrain any impulse to depart from announced commitments' (50). It emphasised credibility, or `reliability of the institutional framework', for securing the confidence of investors, and provided a ranking of countries on a 'credibility index' developed by the Bank from a survey of entrepreneurs in 69 countries (1997:5).

In short, the 1997 *WDR* provided a comprehensive, and internally coherent, argument for what states must do and why to achieve the twin goals of market-led growth and poverty reduction. In the Bank's own words, the report prescribes `what the state should do, how it should do it, and how it can do it better in a rapidly changing world' (http://publications.worldbank.org/ecommerce/catalog/product?item_id=216987). The elevation of the market above the state, and the privileging of entrepreneurs above other citizens, which is very evident in the Bank's analyses, reveals an ideological bias in favour of free enterprise that evidently blinds it corporate profligacy, inefficiency and corruption, not to mention labour and environment exploitation, none of which have been made the focus of a World Development Report.

WDR 2000/2001, on the theme, *Attacking Poverty,* followed two earlier *WDRs* on poverty (one in 1980, and another in 1990). Despite acknowledging that `at the start of a new century, poverty remains a global problem of huge proportions' with 2.8 billion people living on less than $2 a day and 1.2 billion on less than $1 a day.... and with `rising disparities between rich countries and the developing world [increasing] the sense of deprivation and injustice for many,' the Bank in no way conceded in this report to the possibility that its prescribed interventions to combat the world's most pressing development problem had been unsuccessful; much less that worsening poverty might actually be the result of such policy interventions.[17] To the contrary, it proclaimed confidently that major reductions in all dimensions of poverty were possible and that 'the interaction of markets, state institutions, and civil societies can harness the forces of economic integration and technological change to serve the interests of poor people and increase their share of society's prosperity'. Specifically, it proposed actions in three complementary areas:

[17] To the contrary, World Bank poverty figures are used to support the current economic course it is directing. As recently argued by two critics of the World Bank's methodology of counting the poor, the Bank's figures, which carry enormous influence and authority, are used to answer the question of whether the world is on the right track in terms of poverty reduction strategy and a primary conclusion of WDR 2000 is that it is. Yet the Bank's methodology in estimating poverty entails distortions and biases, resulting in an underestimation of the extent of world poverty. See Thomas G Reddy and Thomas W Pogge (2001) "How *Not* to Count the Poor", Unpublished paper, Departments of Economics & Philosophy respectively, Columbia University. For a recent World Bank defense of growth policies on the argument that they benefit the poor, see David Dollar and Aart Kraay (2000).

> `promoting economic opportunities for poor people through equitable growth, better access to markets, and expanded assets; facilitating empowerment by making state institutions more responsive to poor people and removing social barriers that exclude women, ethnic and racial groups, and the socially disadvantaged; and enhancing security by preventing and managing economy-wide shocks and providing mechanisms to reduce the sources of vulnerability that poor people face.' (http://www.worldbank.org/poverty/wdrpoverty)

World Development Report 2002, released in September 2001 on the theme *Building Institutions for Markets*, further elaborated how the state should support markets by building/strengthening the `basic institutions needed for markets to function properly'. Arguing that `weak institutions — viz tangled laws, corrupt courts, deeply biased credit systems, and elaborate business registration requirements—hurt poor people and hinder development', the report went on to lay down the basic functions of institutions which support markets. These functions include `reducing information asymmetries', `defining and enforcing property rights', `reducing the costs of dispute resolution/contract enforcement', and enhancing competition in markets'. It argued that only countries with `efficient and inclusive markets' had seen significant income growth and poverty reduction'.

Moore's (1997) description of the Bank as the key institution for the 'hegemonic spread of global capitalism to the harder to reach areas of the world's periphery - such as most of Africa'[18] - is apt. Certainly its self-assumed role of providing regular global analyses of development issues and challenges (as it sees them), of producing unsolicited hard-hitting regional and national economic analyses and proposing appropriate policy responses to identified development problems, and its strategic engagement with national economic policy makers within member countries in the developing world have been effective means of building consensus on and support for structural adjustment.

[18] Moore refers mockingly to the Bank's self reference as the 'knowledge bank'.

At a broader level, the World Bank has come to have enormous influence in shaping mainstream development thinking. So much so that both within OECD and the UN system, its analyses and prescriptions have long been accepted as received wisdom and rarely challenged. The Bank's framing of the development challenge and of critical development issues requiring attention has indeed come to determine both the focus of bilateral programmes of development assistance and how bilateral donors understand development issues and their role as donors. Graham Hancock, in his sharp exposé of the aid industry, described the World Bank as follows:

> .... it is the pace-setter of Development Incorporated. It is not just...that a growing number of regional development banks have been specifically modeled on it - although this is indeed the case. Much more important is the fact that *all* official aid agencies, whether bilateral or multilateral, cooperate very closely with it, imitate its policies and its priorities and, to a large extent share what might be called its 'philosophy of development'. Thus, at a time when the Bank is putting more and more emphasis on policy dialogue with developing countries, it is almost a matter of course that the UK's Overseas Development Minister should speak enthusiastically of British 'support for structural adjustment', and should affirm 'We will devote a greater share of our aid budget to policy reform'....[and that USAID]..tells us: 'Through policy dialogue, the United States communicates with governments to eliminate inappropriate subsidies, price and wage controls, trade restrictions, overvalued exchange rates and interest rate ceilings that curtail economic performance (1989:57).

By 1989, all the bilateral agencies, according to Hancock, were following the World Bank's lead to a greater or lesser degree - meaning that they were making a substantial portion of their aid conditional on the implementation of structural adjustment and policy reforms by recipient governments. Adrian Leftwich (2000:106-107) writes of the use of aid to promote the 'open, market friendly and competitive economies' idealised by the Bank, and highlights the fusion of economic and political conditionalities as defining features of `Western' aid and development policies in the 1990s. As former British Minister for Overseas Development, Lynda Chalker, plainly put it in 1991:

> 'We will use all levers at our disposal to encourage respect for human rights, free markets, sensible economic policies, and efficient public administration' (cited in Leftwich 2000:107).

Nine years later, the UK is still echoing the wisdom of the World Bank, albeit without acknowledgement, as indicated in the following words of Clare Short, UK Secretary of State for International Development, who summarises with easy confidence what she says they have learned `works in development':

> Over the last few decades we have learned a lot about what works in development. The poorest countries need faster economic growth than population growth – or poverty grows invincibly. We must harness the private sector both domestically and internationally to generate investment and growth. To do this we need sound regulation of banks, action against corruption, and proper enforcement of contracts. We need effective government systems that provide education and health care for all their people. And to get such a government we need democracy and respect for human rights and core labour standards so that the voices of the poor can be heard and their needs respected. We also know that to achieve sustainable development, poor countries need to attract greater flows of private investment and they need to expand their trade. Protectionism and autarky have been tried and failed. Far from reducing poverty these approaches have increased the numbers of poor and worsened their plight. Only with increased investment and trade do poor people get access to the basic necessities that we take for granted – like clean water, sanitation, electricity, telephones and transport systems (Short 2000:10).

Even the EU became a 'reluctant convert to this economic orthodoxy', incorporating SAPs as a form of conditionality for the first time during the negotiations for LOME IV (Holland 2002:128). That this was a direct result of closer relations between the Bank and the EU is made clear by Holland who refers to the `implicit consensus' between the European Commission and the World Bank especially after 1996, when the two institutions adopted a series of measures towards a joint approach to SAPs (ibid:127). The imposition of SAPs for a decade under LOME IV, he says, 'symbolised the changed balance in the original concept of partnership that defined European-ACP relations' (ibid:128).

The WTO, Global Trade Liberalisation & Coherence Agreements

With the establishment of the World Trade Organisation in 1995, following the conclusion of the Uruguay Round of trade negotiations and agreements, global trade liberalisation assumed centre stage as the ultimate objective, or end point, of global economic restructuring. Bello recalls the WTO's establishment being celebrated by the mainstream media in capitals of the North:

> '.... the WTO was hailed in the establishment press as the gem of global economic governance in the era of globalization. The nearly 20 trade agreements that underpinned the WTO were presented as comprising a set of multilateral rules that would eliminate power and coercion from trade relations by subjecting both the powerful and the weak to a common set of rules backed by an effective enforcement apparatus' (Bello 2003:1).

Global trade liberalisation was to be achieved though binding global trade rules, negotiated and agreed to by the trade ministers of WTO member countries, and enforced where necessary through the WTO's own dispute settlement machinery. To accede to the WTO, countries were required to implement structural adjustment policies advocated by the IMF, the World Bank, and the latter's regional counterparts. The WTO's enforcement mechanism, as pointed out by Jordan (1999:3), could reinforce liberalisation in a way that the World Bank had never been able to do'. As such, as Jordan has argued, the WTO presented `a real threat to democratic due process in developing countries' and could `limit the development options of very small and poor countries' (Jordan 1999:3).

At the First WTO Ministerial in Singapore in November 1996, the IMF, the World Bank and WTO had declared that their primary challenge lay in making their policies on global trade, finance and development cohere, so as to 'lay the basis for global prosperity' (Bello 2003:2). According to Caliari (2002), between 1995 and 1999, 65% of all the World Bank's adjustment operations supported trade policy and exchange rate reforms, and between 1997 and 2001, 36 countries made commitments in their IMF loan agreements to bring their trade regime into line with WTO accession requirements, or to accelerate implementation of WTO trade rules (Caliari 2002, cited in Williams 2002:3). WTO-compliancy became the focus of multilateral donors' loan conditionalities.

Although global trade liberalisation was presented as 'a neutral, technical matter of establishing a [multilateral] rules-based system to promote the free flow of goods, services and capital (but not labour) for the global good of all' (Williams 2003:2), developing states soon became aware that the trade rules being developed under the aegis of the WTO clearly favoured developed states and their national economies at the expense of developing countries. The WTO's decision-making processes were also found to be neither transparent nor democratic. Governments of developing countries were often excluded from crucial smaller meetings where texts and negotiating strategies were decided by the WTOs main players. They were also pressured during negotiations by developed states, and placed at considerable disadvantage as they were unable to match the technical advisory capacity of the latter. Corporate interest groups from the group of countries known as the QUAD (US, EU, Japan and Canada) were also seen to be closely involved in the making of trade rules.[19]

Prior to the WTO's 3rd Ministerial Conference in Seattle in 1999, details of a draft Multilateral Agreement on Investment (MAI) that was being secretly negotiated under the auspices of the OECD were leaked out to Canadian NGOs, which instigated a successful global civil society campaign against it. The MAI was intended to 'provide the private sector with a set of guaranteed rights regarding investment, and a standardised means of seeking

[19] Mariama Williams (2003) has written of the privileged insider-outsider position of the business sector in the WTO, of Monsanto's claim of 'paternity' in relation to the Trade Related Intellectual Property Rights (TRIPS), and of the extreme degree of similarity in the position papers of business and industry (which were circulated long before country positions were formulated) and QUAD governments' positions for Seattle. According to Clarke (2001) the powerful lobby group US Coalition of Service Industries (USCSI) has claimed credit for establishing the agenda for GATS 2000. USCSI comprises major corporate enterprises with interests in securing global markets for their service products, among them AT&T and IBM, Citicorp, Bank America and J. P. Morgan Chase, Goldman Sachs and General Electric Financial, Chubb Group, KPMG, Price Waterhouse Coopers, United Parcel Service and Federal Express (ibid).

recourse against host governments in investment disputes' (Jordan 1999:8).[20] It proposed to give such freedom and privileges to multinational corporations that it was described by New Zealand Professor of Law, Jane Kelsey, as a 'Charter of Rights for TNCs'. Negotiations on the MAI were halted by strong protests from civil society, especially in the North. More than any other single issue, the MAI alerted northern based citizens' organisations, international development NGOs and broader social movements (including peasants/farmers organisations, labour unions, women's organisations) in both the North and the South, and galvanised a broad-based movement of global civil society against the power of the WTO and the corporate business lobbies that were seen to be driving its agenda.

Discontent among developing countries within the WTO, combined with massive protests by civil society organisations outside the meeting, resulted in a failed Ministerial Conference in Seattle in November 1999. Yet, even as the WTO became increasingly challenged from both within and without, a marked coherence in the policies of the international financial institutions and the WTO was evident. The WTO was now clearly setting the global economic liberalisation agenda. In the view of Jordan (1999:3-4), the convergence between the Bank and the WTO meant that the World Bank was choosing to 'adjust its concept of "development" to accommodate the existing international trade regime' and was thereby effectively 'relegating itself to a secondary position in the global public policy arena', and becoming `an institution that no longer makes decisions but can only address the consequences of decisions taken elsewhere'.

Jordan saw the convergence in the policy agendas of the WTO and the World Bank as detrimental to the Bank's internal reform efforts (Jordan 1999). Midway through the 1990s, in response to massive criticisms of the policies it had promoted for more than two decades (based on the belief that economic growth will alleviate poverty), the World Bank, she said, had begun to 'tacitly admit' to the negative social impacts of policy conditions

[20] Jordan disclosed that the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) had provided 'some of the initial details' for the MAI, as well as 'the baseline model for dispute mechanisms between governments and investors' (1999:8).

imposed on poor countries (ibid:3). Bank President, James Wolfensohn had acknowledged in 1998 that choices made through structural adjustment programmes could result in 'lost opportunities for whole generations and thus lost generations', while the Bank's Chief Economist at the time, Joseph Stiglitz, had several times denounced the 'Washington Consensus' on growth (ibid:3). The Bank had also begun lending for social safety net programmes to mitigate the impacts of the policies it prescribed, and in 1998 it counted half of its adjustment lending as social safety net lending (ibid:3). It had also made several senior appointments which had brought in key outsiders, some of whom had 'reputations that [were] in some cases ...nothing short of revolutionary' (ibid:8).[21] Jordan argued that:

> 'While growth still appears to be the holy grail,[22] the Bank is now attempting to better incorporate social research into its lending operations, to understand the influence of governance on a country's capability to grow, and to look at equity and distribution as an indicator of development....[The] emerging convergence between the World Bank and the WTO is likely to end these fledgling attempts to define the development paradigm through a social lens' (ibid:3).[23]

In the lead up to the 4th Ministerial Conference in Doha in November 2001, trade liberalisation was being touted not only as a reliable route to attaining development, but also as a primary means of alleviating poverty. The argument of `trade-led development' was used in the lobby for a new, so-called `development round' of comprehensive trade negotiations within the WTO, to be launched in Doha. The resulting `Doha Development Agenda' was subsequently endorsed in the consensus-based documents emerging from both

[21] The only example of such appointments provided by Jordan was that of Dr Mamphela Ramphele, Vice Chancellor of the University of Capetown, who was appointed as Managing Director of the World Bank who had amongst other things been a civil rights leader in South Africa.

[22] Jordan acknowledges that there are diverse views within the Bank, and adds that while official Bank documents may lay out the risks associated with accession to WTO, and risks may be identified by Bank officials in workshops, 'the supremacy of liberalisation continues to prevail in the overall tone'. According to Jordan, the Bank's website is a 'virtual advertisement for trade liberalisation.' (ibid;5).

[23] Jordan refers here to James Wolfensohn's proposed `Comprehensive Development Framework', articulated in a 14 page document, addressed to the Board, Management and Staff of the World Bank Group in 1998. The CDF proposed a matrix for assessing 'both sides of a country's balance sheet' - `macroeconomic, financial and trade statistics, and structural and social representations' (Wolfensohn 1998:13). See also Wolfensohn's 6 October, 1998 Address to the Board of Governors of the World Bank Group following the East Asian financial crisis, titled 'The Other Crisis' where he called for 'balanced development' (Wolfensohn 1998b).

the UN Financing for Development Conference in Monterrey in March 2002, and the World Conference on Sustainable Development in September 2002, thereby endowing it with apparent broadly -conferred legitimacy.[24]

That the Doha Development Agenda gives primacy to trade liberalisation rather than development is clear, and hardly surprising. As the WTO interpreted it, the Doha Development Agenda had 'underscored the importance of consistency of trade and action between trade and development communities, of improved market access opportunities, and of partnership between multilateral, bilateral and regional partners in support for policy reform in least-developed countries and developing countries' (ibid:7). After 1997, the WTO had been working with the World Bank, the IMF, UNCTAD and UNDP to develop and operationalise the `Integrated Framework', initiated by the 1996 WTO Ministerial Declaration for a Plan of Action and launched in 1997 in Geneva. As World Bank officials understood it (according to Jordan) the Integrated Framework is a tool through which developing countries can `increase their capacity to make trade rules useful' and a mechanism through which the Bank can 'help the WTO generate a broader sense of local ownership over the new trade rules within developing countries' (Jordan 1999:5). Based on the idea that 'trade is an engine for growth and development' and that trade policies required 'mutually supportive companion policies', the Integrated Framework aimed to 'mainstream trade into development strategies for least-developed countries' (WTO Integrated Framework Steering Committee Report on the Mainstreaming Seminar II, Geneva 31October -1 November 2002:2).[25]

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[24] Ewa Charkiewicz, writing for DAWN, analysed the shift in discourse between the Earth Summit in Rio in 1992 and the Johannesburg Conference (WSSD) in 2002, arguing that issues which were paramount in Agenda 21, the plan of action from the former conference, were subordinated to the project of neoliberalism, and the concept of 'sustainable development' was reconceived as 'sustaining free trade' (Charkiewicz 2003a).
[25] According to Jordan the Integrated Framework differed markedly from Wolfensohn's Comprehensive Development Framework. While the CDF does not give primacy to trade, and does admit that 'a wrong step on the macroeconomic side can have dire consequences for the structural, social and human dimension', it nonetheless does underline the crucial elements of structural policy required for a vibrant private sector (comprising domestic and foreign investors), among which are trade policies, tax policies, competition and regulatory policies and corporate governance. And it certainly commits to working with and supporting the work of the WTO.

The Integrated Framework Steering Committee's report on a second Mainstreaming Seminar on Integrating Trade into Development Strategies, held in Geneva in October/November 2002 and attended by representatives of Ministries of Finance, Commerce or Trade in 21 developing countries, highlighted in its concluding remarks three aspects of trade mainstreaming which had emerged in the discussions and were considered noteworthy. These were:(i) bringing together ministries of trade and finance ' to work towards furthering the trade agenda in the country'; (ii) connecting trade policies with 'complementary' macroeconomic and regulatory policies and institutional reforms that lead to capacity building to 'create a competitive environment' in the country; and (iii) 'linking both domestic and foreign private sectors to work together and get the full benefits of integration in the world economy' (ibid:4). Delegates reportedly emphasised, amongst other things, the importance of: improving donor responses and coordination at country level; ensuring 'country ownership' when articulating a development strategy in which an essential component was trade policy formulation; and making trade an 'essential component of any Poverty Reduction Strategy Paper' (PRSP) (ibid:4-5)[26]. The proposal was also made that, rather than relying on grant funding, countries should `make fiscal allocations for trade capacity building in national budgets' and that developing countries and LDCs should be 'urged to consider borrowing in order to build trade capacity because it is an important investment for growth' (ibid:5).

A meeting which WTO arranged between the heads of the World Bank, the IMF, and the entire membership of the WTO, in May 2003, was described by the Geneva-based Institute for Agriculture and Trade Policy as a `clear signal from the three institutions to step up a more coordinated approach to expedite liberalisation on developing countries and to bring development, trade and finance ministers to move 'coherently' in that direction' (Geneva Update, IATP, May 20, 2003). Former World Bank Chief Economist, Joseph Stiglitz, captures well the global configuration of power represented by the convergence in

[26] PRSPs are a joint IMF/WB policy initiative that involves preparation of a set of papers by national teams working under the supervision of IMF and WB, which identify the causes of poverty, establish who the poor are, and propose strategies to overcome poverty. Shalmali Guttal (2000) provides a concise and sharp critique.

both the policy agendas and implementation strategies of the World Bank, the IMF and the WTO:

> '....we have a system that might be called global governance without global government in which a few institutions - the World Bank, the IMF, the WTO -and a few players - the finance, commerce and trade ministers, closely linked to certain financial and commercial interests - dominate the scene, but in which many of those affected by their decisions are left almost voiceless' (Stiglitz 2002: 21-22).

Globalisation Discourses

By the early 1990s, the term `globalisation' had become a catch-word within global `macroeconomicspeak'. The term became a shorthand reference for both the forces behind and the processes by which all nations, societies and economies of the world were becoming increasingly and systematically integrated (economically, technologically, educationally, ideologically and culturally) into a global economic system, served by a global labour pool, and supported by a global `market culture'.[27] Portrayed as an autonomous and inevitable process of transformation affecting all nation states and resulting from a number of trends that had emerged by the early 1990s, globalisation was manifested, so it was theorised, in the following: the spread of liberal democracy (political systems based on free elections among competing parties, civil liberties and accountability), the dominance of market forces (and ascendancy of economic liberalism as the dominant ideology), the integration of the global economy (and freer movement of capital, labour and goods across national borders), the transformation of production systems and labour markets (smaller, more flexible production systems, expansion of service sector), the speed of technological change (computerised production and communications systems), and the media revolution and consumerism (the global reach of the international media and of consumer product/service advertising) (UNRISD 1995:9). While globalisation as a process was not new, and could indeed be traced back to origins more than a century ago, recent technological advances in

[27] Slatter, C ' None of our Business? Women and Political and Economic Issues in the 1990s', *The Pacific Journal of Theology*, Series II, No 15, 1996, pp64-72.

information and communication systems had begun to produce a level of global interconnectedness in the 1990s that was unimaginable a decade before.

Advocates of global economic restructuring and free trade took to using the term 'globalisation' readily in their arguments. Globalisation was most often represented as a neutral, multi-dimensional process, propelled by its own momentum, which will inevitably affect everyone. It was cited as another reason for embracing economic and trade policy changes. Countries were urged to adapt to globalisation or be left struggling in the wake of its inevitable force. The idea that 'There Is No Alternative' (TINA) was advanced by those who advocated conformity to the one-size-fits-all model of economic restructuring and trade liberalisation - globalisation, they argued, is inevitable and adjustment holds the only hope of national economic growth and development [28]

Globalisation was also always projected as a positive phenomenon, as a set of changes which would bring growth, opportunities and challenges to those who recognise and seize them. Nitin Desai, Under-Secretary General for Economic and Social Affairs at the United Nations, defined globalisation in 1998 as:

> 'a widening and deepening of economic, political and cultural transactions across national boundaries between citizens, enterprises and governments in a large number of countries' (Desai 1998).

Here globalisation was portrayed as positive transformation, replacing (adversarial) core-periphery relations by multilateral relationships, involving the growth and deepening of *relationships* at a number of levels: between governments, among enterprises ('most manifest in the growth of transnational enterprise'), and between individual citizens (ibid). Desai saw the emergence of an international civil society as a (positive) outcome of globalisation and believed that globalisation had brought enormous benefits to many countries, adding that

[28] The counter-perspective to TINA, that 'There Must Be Alternatives' (TEMBA), was adopted by those who argued that alternatives development paths were possible and were best decided by national societies for themselves.

without `effective and robust multilateralism, globalisation was bound to lead to crisis' (ibid). In his view, multilateralism was not just required in international trade and finance, but in areas of the environment and social development, areas in which the UN system had played a major role in defining the framework for multilateral cooperation (ibid).

In a similar vein, Eduardo Bascun and John Durston of the UN Economic Commission for Latin America and the Caribbean (ECLA) have portrayed globalisation positively, in terms of the benefits or gains it has brought, even to formerly marginalised indigenous peoples. They argued in 2000 that globalisation and the opening up of Latin American markets would not necessarily lead to the disappearance of indigenous cultures. To the contrary, they argued that globalisation provides indigenous people with opportunities they cannot regularly receive when 'confined by national boundaries', including communication and forging alliances. Free trade agreements signed as part of the internationalisation of the economy were also considered to present `new opportunities for native cultures, since they opened markets for the `self development of indigenous people'. Evidence cited of the expanded opportunities and freedoms enjoyed by indigenous peoples included increased Internet use by Mexico's Zapatista rebels, and enhanced communications between Chile and Argentina's Mapuche organisations (Inter-press Service/TerraViva, 6 April 2000, cited by Dionne Stout, 2000).

Clare Short, UK Secretary of State for International Development, has also described globalisation positively, indeed as the answer to global poverty:

> 'Globalisation is generating great wealth. This could be used to massively reduce poverty worldwide and to reduce global inequality' The world's richest 225 people have a combined wealth equal to the annual income of the poorest 47 per cent of the world's people. We must try to manage this new era in a way which reduces these glaring inequalities and that helps to lift millions of people out of poverty' (*Developments*, 2000: 11).

The idea that the immense wealth generated by the forces of 'economic globalisation' or more specifically, economic, financial and trade liberalisation, and increasingly concentrated in private hands, can somehow be 'managed', harnessed for the public good in the fight against rapidly escalating levels of poverty, is contradicted by present tendencies. Yet the ideology of globalisation continues to inspire believers. As Firth (2000) explained it:

> `The ideology of globalization combines the notion of a lost golden age, said to exist before governments began regulating economies, with the promise of a future utopia, still out of reach but attainable if the right path is taken. Difficulties along the way--high unemployment, job insecurity, financial crises, and so on--must be endured for the sake of getting to the final goal. Ideologies do not come from nowhere; they coincide with interests, in this case with those of the American and European multinational banks, pension funds, and hedge funds that benefit from global economic arrangements characterized by free movement of capital, small government, low taxes, constrained labor, low wages, and a diminished welfare state. Conspiracy theories are not needed to explain this coincidence of ideology and interest. It is to be expected'.

Within the anti-globalisation movement, globalization is broadly understood as a process of accelerated global integration of capital, production and markets, 'driven by the logic of corporate profitability' (Bello 2003:1). The growing anti-globalisation movement, which emerged in the latter years of the 1990s largely in opposition to the growing power of the WTO but equally fuelled by anger over the impoverishing effects of SAPS in the developing world, constitutes more than an orchestrated popular backlash against economic globalisation. The movement reflects the agency of global citizenship and the power of organised social movements determined to provide an effective countervailing force to what Taylor has called the `compacts of power' among leaders of nation states, public financial institutions, and multinational corporations, and an insistent demand for both political accountability and economic justice.

Today, the voices of opposition to the economic order being fashioned by the triad of international financial institutions and the WTO, multinational corporations and governments in developed countries, emanate not just from the `usual suspects' - left-wing activists, unionists, environmentalists, feminists and other human rights advocates - but also from mainstream people, including former key figures in the international financial institutions, like Joseph Stiglitz:

> 'Those who vilify globalisation often overlook its benefits. But the proponents of globalisation have been, if anything, even more unbalanced. To them, globalisation (which typically is associated with accepting triumphant capitalism, American style) *is* progress; developing countries must accept it if they are to grow and to fight poverty effectively. But to many in the developing world, globalisation has not brought the promised economic benefits. A growing divide between the haves and the have-nots has left increasing numbers in the Third World in dire poverty, living on less than a dollar a day. Despite repeated promises of poverty reduction made over the last decade of the twentieth century, the actual number of people living in poverty has actually increased by almost 100 million. This occurred at the same time that total world income actually increased by an average of 2.5 per cent anually' (Stiglitz 2002: 5).

Those who question and oppose economic globalisation propose alternatives. 'Localisation', or a process of protecting and rebuilding local and national economies, is one such alternative model that is increasingly being advocated in both North and South. European Parliamentarian (Green Member), Dr Caroline Lucas, member of the European Parliament's Trade Committee and author of a report entitled 'Time to Replace Globalisation' explains it thus:

> `In essence it means that the purpose of a country's economic policy is to protect and strengthen its local and national communities by producing as many goods and services as feasible and appropriate from within its own borders. This obviously does not mean putting an end to all trade. It simply means trying to meet more of our basic needs from closer to home. Anything that cannot be obtained locally is then sought in the region or continent. Finally long distance trade reverts to its original purpose - the quest for what cannot be easily obtained domestically' (Corporate Europe Observatory, 2002).

Calls from the North for a retreat from the export-oriented, production for external markets model, and a return to rebuilding *national* economies on the basis of self-sufficiency are echoed by Southern intellectuals and activists within the anti-globalisation movement, such as Walden Bello. Bello's 'de-globalisation' model proposes a strategy that 'consciously subordinates the logic of the market and the pursuit of cost efficiency to the values of security, equity and social solidarity'. Speaking for `Focus on the Global South', a key network within the anti-globalisation movement, Bello outlined its main elements at the 2nd World Social Forum in 2001 (Fisher and Ponniah 2003; 286):

- Drawing on internal financial resources for development rather than becoming dependent on foreign financial markets
- Carrying out measures of income redistribution and land redistribution to create a vibrant internal market
- De-emphasising growth and maximising equity to radically reduce environmental disequilibrium
- Not leaving strategic economic decisions to the market, but making them subject to democratic choice.
- Subjecting the private sector and the state to constant monitoring by civil society
- Creating a new production and exchange complex that includes community cooperatives, private enterprises, and state enterprises, and excludes TNCs
- Enshrining the principle of solidarity in economic life by encouraging the production of goods to take place at community and national levels, if it can be done at reasonable cost, in order to preserve community.

Bello stresses that de-globalisation, or 're-empowerment of the local and national', can only take place within an alternative system of global economic governance, a new world economic order, that comprises, not another centralised and all-powerful global institution, but rather a 'pluralistic system of institutions and organisations interacting with one another, guided by broad and flexible agreements and understandings' (ibid:286-287).

Critiques of Structural Adjustment Policies: a selective overview

Much has been written and published on Structural Adjustment Policies (SAPs) and market-oriented economic reforms (MOERs) since the 1980s, and since the mid-1990s there has been a burgeoning literature on trade liberalisation. The following summary of some of the issues and arguments raised in the critical literature on SAPs is intended to provide a framework for the critique of SAPs in the Pacific that this thesis presents.

Some of the early literature exposed the role of finance capital in precipitating the debt crisis and highlighted how SAPs primarily served to benefit finance capital. Much of the literature has focused on social (and/or environmental) impacts. Critical feminist analyses of SAPs have emphasised the gendered nature of structural adjustment policies and their specific implications for women.

Among the earliest critical published work on SAPs were books produced by radical development scholars who analysed the debt crisis and its origins, focusing particularly on the part played by both the banking industry in the 1970s and into the 1980s in precipitating the crisis which led to the global regime of SAPs. This literature highlighted both the massive over-lending to Third World states indulged in by private banks in the seventies, and the principle interest of international financial institutions (IFIs) and the US Treasury in protecting these investments by ensuring that indebted nations paid their debts through structural adjustment. It also highlighted how the banks thrived during the debt crisis, while the economies of developing countries were ravaged, with disastrous social effects, through the imposition of SAPs (Wood 1985; George 1988; Branford and Kucinsky 1988; Pollin 1989; Burkett 1990). By locating SAPs and the IFIs within the workings of global capitalism, these studies were especially useful in showing both how SAPs have functioned to support the global capitalist system, and the private financial interests at its core. The enormous success of the Bretton Woods Institutions in opening up national economies to free flows of trade and investment and in generally opening up the world to globalisation over the last decade highlights this crucial dimension of SAPs (DAWN 1995b).

One of the first *institutions* to challenge SAPs was UNICEF, with its call in the early 1980s for debt reduction with a human face (Griffith-Jones 1989). Following UNICEF's initial publication *Adjustment with a Human Face* (Jolly 1988), a series of papers on Structural Adjustment in Sub-Saharan Africa produced by UNICEF's International Child Development Centre in 1991 provided case studies on alternative approaches to SAPs, specifically in Zimbabwe (Davies, Sanders and Shaw 1991) and Burkino Faso (Savadogo and Wetta 1991). The ICDC also produced a special sub-series on fiscal policy and the poor which included studies on the impact of economic crisis and adjustment on health care in Mexico (Rivero, Ascencio and Vinagre 1991). These early UNICEF reports were among the first to sound the alarm on the likely devastating social impacts of SAPs: declining health standards and reduced female participation in schools with health and education budgets slashed; rising male unemployment and increased pressure on women to earn money; and a boom in informal sector activities, including those which entail forms of female exploitation, such as unorganised outwork or piece-rate home-based employment and sex industry work.

The high social costs of SAPs became the main focus both of empirical studies and opposition to SAPs. Ironically, the World Bank, the IMF and regional development banks have themselves been amongst those documenting how vulnerable groups have, in many instances, borne the brunt of adjustment impacts (Griffith-Jones 1989:50). World Bank reports have also triggered alternative reports, aimed at documenting the negative impacts of SAPs and countering World Bank claims of the benefits of SAPs. The publication, for instance, of a jointly authored World Bank/UNDP report on *Africa's Adjustment and Growth in the 1980s* in March 1989, which claimed that those countries receiving World Bank advice and assistance were doing better in terms of growth of GDP, agricultural production, domestic investment and per capita consumption than those which were not, and predicting that `recovery is possible, and is underway in Africa', had the effect of intensifying debate in the African region on SAPs and future directions for African development (ibid). Not only was the report rejected by African Planning Ministers who bitterly criticised its glossing over of the high social costs of SAPs, the Economic Commission for Africa (ECA) produced a response in the way of an alternative document, entitled *An African Alternative to Structural Adjustment Programmes: a framework for transformation and recovery*. In this alternative document, ECA rejected the claim that recovery was underway and accused the IMF and the World Bank of `systematically neglect(ing) social, political and humanitarian aspects of the development crisis' in Africa (ibid). It said that the Bank's claims of imminent economic recovery in Africa, in the context of the fact that real income for Africans was lower that year than in 1970 highlighted the tension between classic economic indicators and the grounded reality of peoples' lives (ibid).

The impoverishment of vulnerable sectors of society is widely acknowledged to be a direct consequence of SAPs. Vulnerable groups (which include women) are adversely affected by the full range of economic reform policies, including the elimination of food, housing and health subsidies; the shift from a progressive to regressive tax structure; budgetary cuts to the social sector and the introduction of a `user pays' policy for state-supplied services; retrenchments, wage and job freezes and competitive (i.e. lowered) wages; restriction of credit; privatisation of state enterprises; the removal of barriers to foreign investment and protection for national industries; and currency devaluation. The impacts have been experienced in terms of massive job loss and unemployment; spiraling inflation and declining wages; flexible labour practices and employment insecurity or loss of traditional livelihood; higher cost of living, lowered living standards and generalised poverty; deterioration in health and education services and resultant declining health and education standards (George 1988; Burkett 1990; Heredia and Purcell 1994; Hansen-Kuhn 1993; Isla 1997).

A singular feature of SAPs and MOERs has been their impact in producing a highly skewed distribution of wealth, characterised by `a steep concentration of income and wealth and ... a massive transfer of resources from the salaried population to owners of capital, and from public control to a few private hands' (Heredia and Purcell 1994). An intensification of poverty and a growth in the absolute numbers of poor has indeed been the other face of wealth concentration, which according to many, has been the most salient feature of SAPs and MOERs (Heredia and Purcell 1994; Wee and Heyzer 1995; Isla 1997).

Chossudovsky (1998:34) has written of SAPS generating social polarisation and the concentration of wealth, with `a privileged social minority [accumulating] vast amounts of wealth at the expense of the large majority of the population'. In his view, 'macro-economic stabilisation' and structural adjustment programmes are responsible for the 'globalisation of poverty', the impoverishment of `hundreds of millions of people'. They have contributed to the destabilisation of national currencies, to the ruin of economies of developing countries, and to the destruction of the natural environment (ibid). The overall effect of deregulation and liberalisation policies, according to Pacheco(1998:1), has been to position local elites on favourable terms with their foreign counterparts, at the expense of workers, consumers and communities. The environmental damage entailed in implementing SAPs has been widely documented (George 1988; Shiva et al 1997).

Additionally, SAPS have been critiqued for the political repression that has often accompanied their implementation (Isla 1997; Brownhill, Kaara and Turner 1997), and for other political impacts, including the generation of `social apartheid' and destruction of civil society, encouragement of racism and ethnic strife, undermining the rights of women, and precipitating `destructive confrontations between nationalities' (Chossudovsky 1998:34).

The gender-differentiated impacts of SAPs, which were thrown up in the early UNICEF reports, became the focus of feminist scholarship from the late 1980s. An early feminist critique of mainstream development policies released in 1985 by Development Alternatives with Women for a New Era (DAWN), anticipated the negative impact of cutbacks on nutrition, morbidity, mortality, child survival, sanitation, transport and education, based on Chile's experience in the 1970s and the impact of government service cutbacks on women and the poor in the USA (Sen and Grown 1985:61). The DAWN analysis predicted that SAPs would expand women's employment opportunities under primarily negative conditions of the so-called `informal' sector, under sweatshop conditions in export factories, and on export-oriented factory farms, and increase women's (unpaid) work burden and responsibilities, while reducing their access to, or enjoyment of, health and education (ibid:63). It also challenged the economic growth model of development and argued that it was impossible to obtain `sustainable improvements in women's economic and social position under conditions of growing relative inequality, if not absolute poverty, for both women and men' (ibid:20); and that it was impossible to achieve equality for women `within the existing economic, political and cultural processes that reserve resources, power and control for small groups of people' (ibid:20). A subsequent DAWN publication (1995) similarly challenged the `development' model represented by SAPs, highlighting growing global inequalities in resource distribution and shrinking investments in social programmes, and criticised the international financial institutions for eroding the capacity and legitimacy of the state, in the interests of advancing free trade and the free movement of capital, `without working seriously for institutional alternatives'.

Diane Elson's work exposing the gender bias of macro-economic policies (Elson 1992) and Bakker's on the resulting widening `gender gap' (Bakker 1994) followed the approaches of early feminist development critics, Esther Boserup (1970) and Barbara Rogers (1981). Implicitly accepting the replacement of the state by the market (as primary allocator of resources, services, opportunities etc), and without apparently challenging either the economic model that SAPs support or their principal beneficiaries, this literature challenged SAPs on their own terms, demonstrating why macro-economic policies have failed to have `their intended effects' (Coelho and Coffey 1996) and arguing that a (or the) primary flaw or design fault in SAPs was its `gender blindness' (ibid; Elson 1992). It was argued that SAPs ignored the additional burdens which they place on women and thus did not make accurate assessments of (non-market) costs, which were eventually revealed in statistics on the (declining) education, health and nutritional status of women. By transferring costs from the market or paid economy to the unpaid or domestic economy, on the assumption that women's unpaid labour is `infinitely elastic', SAPs did not increase efficiency but entailed enormous costs - declining health, education and general well-being of women, and with that, declining food security and wellbeing of their households (ibid).

These feminist critiques challenged SAPs on the economic logic of cost-effectiveness and efficiency, but did not challenge the economic model it represented, which was taken as a given. Elson, who lead this analytical approach, argued in an earlier work that `[T]he state does *not* always operate *in* the interests of women', and the market does *not* always operate *against* the interests of women' (1989:68, emphasis added). The market, she argued, `treat(s) women as individuals in their own right. If women can sell their labour or their products and get a cash income of their own, this lessens their economic dependence upon men, increases their economic value, and may increase their bargaining power within the household' (1989:69). It was the double burden of women's unpaid reproductive work, and paid work producing goods and services, both of which were intensified by the impact of SAPs, which prevented women from being able `to compete with men in the market on equal terms' (ibid). Removing gender bias through economic policy modification and changes in the gender distribution of labour and responsibilities at the household level so that women may be enabled to compete on equal terms with men appeared to be the principal objective of advocacy within this paradigm.

Elson's analysis of the gendered impacts of structural reform usefully highlighted the inadequacies of economic restructuring policies in terms of opening up economic opportunities and transforming gender relations. For instance, the ability of women to enter into economic contracts, Elson argued, remains constrained by the way state legislation often construes women as less than citizens, which is illustrated in women's inability to enter credit contracts where they had no right to family assets (1994:35). Importantly, Elson also highlighted the way that reforms often eroded rights enjoyed by individuals. She argued that what is claimed to be an enhancement of individual rights through privatisation actually entails the *reduction* of rights. This was illustrated in shifting employment from the formal to the informal sectors which reduced the individual social rights of employees, and the erosion of customary use rights to land by commercialisation of land which reduced the collective rights of citizens over economic assets (p35). It was also apparent in direct legislative change to withdraw or restructure state-provided services and benefits, or abolish employee rights (e.g. to strike) and minimum wage legislation (ibid). Elson perceptively argued that 'removal of rights is very often undertaken in the name of removing 'distortions' from markets. However, unequal distribution of wealth and income is not considered a 'distortion' and reduction of the property rights of the rich and powerful does not tend to feature on the current agendas of economic policy reform' (p35). She argued that it was apparently only the poor and weak whose social rights were regarded as 'distortions'.

Elson (1994) used the language of 'economic reform', calling for the integration of human development targets into macro-economic policy `reform programmes' to facilitate a view of human beings as ends, not just means; as persons with social rights, rather than as factors of production with prices. Programmes for `economic reform' should, she argued, be required to specify whose rights (dis-aggregated in gender terms) will be affected/changed and how. Advocating the introduction of gender-awareness into the design of economic policy reforms to benefit men as well as women, Elson added that this would combat the existing male bias in policy reforms which she argued was 'far from ....deliberate....' on the part of those who designed reforms, but rather the 'result of oversights and omissions facilitated by a one-sided concern with monetary variables' - i.e. their emphasis on paid work in the productive economy and neglect of unpaid work in the reproductive economy (1994:43).

Wee and Heyzer (1995:139) argued, somewhat similarly, that in the unregulated free market, with its `every man for himself' ethos, women were not able `to maximise their self-interest', and were `disadvantaged in this individualistic contest' by their `socially assigned responsibilities for the more vulnerable members of society'. They insisted, however, that what was required for equitable development were: an understanding of the intrinsic link between wealth and poverty, a fundamental shift in values towards an ethic of equity, and a shift in development priorities and processes `so that our modes of resource allocation, production and consumption will ... be pro-poor and pro-women'. This, they say, ultimately involved `a transformation of the global economy' (ibid:140). This broader critique, reflecting the growing concern with global political economy issues by feminist development analysts, shared with the DAWN analysis a vision of transformation of the global political economy.

The relationship between social reproduction and international debt policies in Africa and Latin America was the focus of a Marxist feminist critique of SAPs which located the purpose of SAPs in the advancement of the interests of international capital. Not only were SAPs seen as deliberately worsening the conditions of social reproduction, their impetus was seen to lie in 'something very similar in form and intention to capital's first phase of 'primitive accumulation', the aim of which was:

> 'to create a new foundation and stratification on a world wide scale for a class condition characterised by few jobs, high unemployment, extensive precarious employment and widespread denial of the conditions for survival' (Dalla Costa and Dalla Costa 1993:1).

Caffentzis (1993), in an article in Dalla Costa and Dalla Costa (1993), summarised the IMF/WB strategy as:

> 'a long term effort to make Africa more profitable for capital investment, a process which involves both completing the privatisation of African land, and eliminating the last remnants of communal social relations. Put in Marxist terms, the debt crisis is the means by which a new phase of original or primitive accumulation in being activated in the African continent. [And] the success of the IMF/WB policies ....is [to be measured in terms of their success in] reshap[ing] social reproduction [and making] the production and expenditure of labour power more functional to the needs of international investors and the international labour market' (1993:18).

Some feminist scholars have explored the positive dimensions of women's organised responses to SAPs. Isla (1997), for instance, has documented women's survival and resistance activities in Peru, noting their likely wider impacts in raising women's political consciousness, encouraging leadership, improving representation, and giving women a basis for gaining authority within their households. Brownhill, Kaara and Turner (1997) recorded Kenyan women's successful resistance, in the face of harsh discipline from their husbands, of World Bank and IMF schemes for expanding coffee production through women's intensified (unpaid) labour on their husbands farms. By consciously reallocating their agricultural labour time from export crop production to food crop production (for subsistence and local trade), the women laid the bases for alternative (and more sustainable) agricultural production as well as food security, and replaced a household-based labour system controlled by husbands with a collective production process organised by women's work groups. Brownhill et al argued that where SAPs rely for their effectiveness on husbands' control over wives' labour, such as in this case, they were likely to provoke strong resistance, which could have significant transformative impacts, both on economic production systems and on gender relations.

By contrast, Hale (1996), has documented women's loss of protected public sector jobs and the expansion of female employment in insecure, low-wage manufacturing or other export production as consequences of privatisation and the deregulation of labour markets. Expanded employment opportunities for women under the increasingly flexible labour conditions of a free market economy were judged dubious benefits, given that preference for female labour was predicated on the expectation of lower (wage) costs.

One of the areas of critique relevant to the case study of this thesis is that relating to the political impacts of SAPs. It is apparent that although there is the idea of rolling back the state and allowing market forces free rein, in fact the state is not disempowered at all as a consequence of economic restructuring. A 1993 study by Robert Bates and Anne Krueger, cited in Kelsey (1995:46), found that, to the contrary, the state and its economic functionaries in fact became *more* powerful during the restructuring process. They stressed the irony of this finding:

> `... economic reform clearly leads to an increase in the power of the executive branch of government, and in particular of its financial units. It is important to savour the irony embedded in this finding. Many who advocate economic policy reform in the Third World advocate an expanded role for markets and call for a reduction in the role of the state. In their rhetoric, they pit the market against the state; expansion of the role of one implies, in their conception, a reduction in the scope of the other, as through privatisation, cutbacks in public spending, and a reduction in regulatory powers. And yet, as suggested in the country studies, ...economic policy

> reforms are not `anti-state'; rather *they appear to strengthen the powers of the core of the state, the executive branch, and to enhance its control over key economic policy variables which affect the outcome of economic activity....; the expansion of the role of markets requires a strengthening of the state and especially of its financial bureaucracy'* (p462-463) (cited in Kelsey 1995:46;emphasis added).

Kelsey's critical studies of structural adjustment in New Zealand (1993, 1995) have uncovered some of the political and ideological dimensions of voluntary economic structuring in that state. Among other things, Kelsey has highlighted the empowerment of national `technocrats' and `technopols'[29] (the key advocates and implementers of New Zealand's restructuring programme), the role of libertarian think-tanks and overseas consultants imported to assist New Zealand's technocrats in the restructuring programme, and the public portrayal of advocates and supporters of economic restructuring as `neutral and objective' (having only the `public good' and the `national interest' at heart) while critics and opponents of SAPs were represented as `vested-interest lobbyists'(1995:80). She also highlights the privatisation of power that is entailed in SAPs. In her words, SAPs have seen:

> `the systematic transfer of power over [New Zealand's] economic, social and political future to individuals and institutions of private capital, driven by profit and market forces, devoid of any ethical or moral responsibility for the social effects, and backed by the institutions and agencies of international capital, who remained shadowy figures in the background'.

DAWN's Viviene Taylor (2000:59), analysing what she called 'the marketisation of governance', has argued that the state has been refurbished to fit the needs of the market, and essentially to support the powerful *private* interests that dominate it. There was 'a very real compact of power...between state-led institutions and transnational corporations',

[29] A 1993 colloquium sponsored by the Washington-based Instititute for International Economics (IIE) aimed at devising a manual for `technocrats' and `technopols' involved in the implementation of SAPs. These were defined, respectively, as `those who advocate organisation and management of a country's industrial resources by technical experts for the good of the whole community' and `technocrats who have assumed a position of political responsibility'.

Taylor argued; and a noticeable shift `from parliamentary democracy and the public interest role of the state' to 'how to secure faster gains for the private sector to promote economic growth' (2000:17).

> `The international debate on governance has been reduced to what kind of state is needed for the global market. The emphasis is on efficiency and engagement with market forces in a competitive environment. Government's attention has been diverted from providing for its citizens to how to secure foreign investment and markets. In the ensuring race to open markets and promote free trade, countries in the South lag far behind' (2000:8).

While the state's social responsibilities and capacities for meeting these have certainly been eroded by policies of economic restructuring, its repressive capacities have remained untouched. Moreover, there is increasing evidence that 'authoritarianism, not democratisation, is the flipside of the market reforms' (Mkandawire and Olukoshi 1995; cited in McWilliam 1997: 17), and that a willingness to use repression if necessary is considered elemental and a function of a strong state. Thus, states which buckle in the face of domestic pressures against neo-liberal market reform programme are castigated by the World Bank and the IMF for lacking `political will', which, according to Mkandawire and Olukoshi, is `the coded language for repressive capacity' (ibid).

Ould-Mey's argument that all the might of the North could not have marshaled SAPs without the close collaboration of states in the South, and that the latter's complicity or capitulation is always crucial to the effectiveness of the strategy of global adjustment through SAPs, is pertinent. That the price of a strengthened state or state bureaucracy through SAPs is often a weakened democracy is a widely held view. George and Sabelli (1994:59) have written of the longstanding campaign by popular movements in both the North and the South to force the Bank and the IMF to change policies that undermine the `well-being of families, food producers, workers, and the natural environment, *as well as the viability of fragile democracies'* (emphasis added). Their gloomy analysis that SAPs have not only entrenched poverty and despair but also "a kind of exhaustion of potential opposition forces" was perhaps unintentional, given George's active involvement in the growing global civil society movement against economic globalisation, but it highlighted the irony that implementing SAPs in the post-socialist era has obviated the political need to combat poverty, which originally informed World Bank policy:

> 'At the end of the millenium, the suffering and deprivation of McNamara's absolute poor no longer readily cause revolution, only deeper despair' (George and Sabelli 1994:56).

It remains to be seen whether heightened insecurity in the capitals of the North, following the 9/11 terrorist attacks and President Bush's subsequent war on terrorism, will trigger a renewed concern by multilateral institutions to combat poverty, as an insurance against terrorism.

Conclusion

This chapter has endeavored to firstly situate SAPs within the context of what was seen as the growing political strength of organised Third World states in the 1970s, particularly within the United Nations' General Assembly, and the opposition of leading developed countries to the demand for an NIEO. The so-called Third World debt crisis from the early 1980s, together with the collapse of socialist regimes from the late 1980s, provided perfect conditions for the global application of SAPs as austerity measures by the IMF and the World Bank. The role of OECD countries in directing the IMF and World Bank to work together in applying structural adjustment, the power of the IMF in demanding compliance and the Bank's self-defined role as the repository and dispenser of development knowledge and wisdom have all enabled the successful globalisation of SAPs.

Increased coherence in the policy agendas of the multilateral institutions since the formation of the WTO, has seen global trade liberalisation emerge as the ultimate goal of economic restructuring. WTO trade rules and processes, and the mechanisms by which compliance with trade rules are enforced have begun to drive a new wedge between the North and the South as inequities in the rules-based multilateral trading system, and evidence of increased protectionism in developed countries have become increasingly apparent. Even as developing countries were being pushed to eliminate subsidies, liberalise faster and open up new areas such as services, investment and government procurement to liberalisation in ways that will primarily benefit transnational firms located in the OECD countries at the expense of domestic industries and enterprises, blatant new protections (e.g. for the US steel industry and for US and EU farmers) were being put in place in the North.[30] That the unequal rules and unfair play within the WTO contradict the 'level playing field' espoused by the advocates of trade liberalisation, and advantage the strongest players is plain. The emergence since the 1980s of a considerable critical literature on SAPs, and since the mid-1990s of a broad-based global civil society movement opposed to the growing power of the WTO and its evident alignment with the interests of large corporations, indicate however that there is both strong contestation of the claims of neoliberal economic policies and vehement opposition to its institutionalisation and enforcement through the WTO.

[30] The beneficiaries of these are wealthy industrialists and agribusiness owners. As Roman Grynberg aptly pointed out in 1992, 'while both the US and the EC have claimed their respective systems of agricultural subsidy benefit mid-Western grain farmers and French peasants, they are in fact massive subsidies to their millionaires' (Grynberg 1992:16).

CHAPTER THREE

RE-FORMING THE ISLAND STATES OF THE PACIFIC: IDEAS, AGENTS, AND ISSUES

The origins of economic restructuring or structural adjustment in Pacific island states can be said to lie beyond the region, a product of what Kelsey (1995) calls `a much broader [global] reconfiguration of economic and political power ...driven by forces beyond [their] control'. Yet, as Kelsey shows in the case of New Zealand, there are agents, employing deliberate and carefully worked out strategies in this process. These agents are economic zealots or fundamentalists, mostly trained in economics, convinced of the infallibility of their free-market prescriptions to produce economic growth and further the general good, and on a dedicated mission to transform the world and create a global free market.

This chapter explores the roles variously played by think tanks and academic institutions based in Australia and New Zealand, international financial institutions and intergovernmental agencies, in both influencing thinking and policy in the Pacific region and triggering economic restructuring within Pacific Island states. The chapter uncovers one of the earliest sources of neoliberal economic policy prescriptions for the island states and highlights its timely articulation in the context of crisis, shows the subsequent convergence in ideas among different 'agents of reform' in the region, and the beginnings of an externally driven, region-wide economic reform agenda.

Tracing the Origins of Economic 'Reform' in the Pacific Region

The policy prescriptions for economic restructuring that are being followed in the Pacific can be traced to the World Bank's first ever report on the economies of its six Pacific member countries in 1991, entitled *Towards Higher Growth in the Pacific Island Economies: Lessons from the 1980s.* Based on missions to the region undertaken in 1989 and 1990, the report examined the island countries' growth performance in the 1980s, assessed factors that underlay their relatively weak performance and offered a framework for achieving higher rates of growth in the 1990s. We will return to consider the substance of the World Bank's report in this chapter but suffice it to say at this stage that the economic prescriptions offered in this first economic report on Pacific Island economies were standard structural adjustment policies offered by the Bank to countries as widely varying as Ghana and Burkino Faso in Africa, Columbia and Brazil in Central and South America, and Vietnam and India in South and Southeast Asia. It is significant, however, that even prior to this first World Bank report, economic restructuring was being advocated in the Pacific region, specifically for Fiji but also more broadly for other island states, by a (then) little-known economic think-tank, called the Centre for Independent Studies (CIS).

The role of think tanks in advancing analysis and policy advice and universalizing consensus on economic liberalization is crucial, albeit often overlooked. In the Pacific Islands region, the CIS played a significant if unacknowledged role in strongly advocating economic restructuring in Pacific Island states. By producing analyses of Pacific Island economies that reflected economic rationalist thinking and by proposing economic policy `reform' well in advance of policy changes taking place, the CIS laid the foundation for re-thinking economic, development and aid policies in the Pacific. Through its links to regional economists, on the one hand, and the government of Australia on the other, the CIS was in a strong position to influence thinking and change.

The chapter begins by tracing the beginnings of the push towards economic liberalization in the Pacific region, chronicling the early roles played by the Australasian think tank, CIS, the World Bank, the National Centre for Development Studies (NCDS) at the Australian National University in Canberra, and other agencies, in the order in which they `appeared' or assumed a public role, and assessing their respective contributions to economic restructuring in the Pacific. The substance of their various proposals and policy shifts, and how they inter-linked with one another, are highlighted.

Opportunity from Adversity

In 1988, barely a year after the first military coup in Fiji had shocked the region, triggering an economic, social and political crisis, and producing a (temporary) break in Australia-Fiji relations, a team of Australian economists conducted `an intensive survey of the Fiji economy' with the aim of `developing strategies to revive the economic and civic life of Fiji'. Initiated by the NCDS at the Australian National University, and funded by the Australian International Development Assistance Bureau (AIDAB), the study produced a book entitled *Fiji - Opportunity from Adversity* (Kasper, Bennett and Blandy, 1988). In the words of a reviewer, the book proposed `a three-pronged reform agenda to gain opportunity from adversity, and to transform Fiji into a mid-Pacific Hong Kong'.

The book was published by the CIS, an ideological (free market) think tank that describes itself as `the leading independent public policy research institute in Australia and New Zealand', and promotes free markets, individual liberty, `democratic government under the rule of law', and a "free civil society". The collaborative effort that resulted in the book's production illustrated the often close links between right-wing economic thinks tanks, universities, and government aid bureaus, in this instance, the CIS, the ANU and AIDAB (subsequently renamed AusAID). CIS then had an office in St Leonards, New South Wales and, until 1992, another in Auckland. From the mid-1980s to the early 1990s many of its members were also members of the powerful New Zealand Business Roundtable whose proposals, according to Kelsey, were indistinguishable from those of both Labour and National governments from 1984, when New Zealand's economic reform programme began to be implemented (1993:135-6).[1] In all its publications the CIS describes itself as `an independent economic and social research institute concerned with the principles underlying a free and open society'. Its stated objects are to promote the testing of different public policy ideas `by competition' and to encourage this by conducting

[1] For an expose of the NZ Business Roundtable, see Paul Harris and Linda Twiname (1998) *First Knights: an investigation of the New Zealand Business Roundtable*, Howling at the Moon Publishing, Auckland.

or supporting research into important issues, and publishing the results to the public at large.

Most of its research, CIS says, is concerned with economics, particularly 'the study of markets and pricing systems as technical devices for registering preferences and allocating resources'. However, because it recognises `a link between economic freedom and personal liberty' studies are also made of `the relation between individuals and the effects of excessive government regulation', with `emphasis ... placed on the potential role of voluntary processes in providing the services normally supplied by the compulsory method of government'. Apart from these illuminating descriptions of itself, the list of CIS's recent publications provide a clear indication of the organisation's orientation in favour of economic deregulation and free markets, and against big government and welfarism.

Written by two of the listed members of CIS's Advisory Council, Wolfgang Kasper (survey team leader and lead writer of the book) and Richard Blandy, the Fiji book's chief recommendations were: constitutional guarantee of civic and economic rights to all Fiji citizens to restore confidence and security; rapid deregulation of labour, capital and produce markets; and comprehensive privatization to reduce the size of the government and invigorate activities stifled by bureaucratic and union controls. This was the first clearly articulated neo-liberal economic policy guide proposed to a Pacific state. Offered to Fiji's political leaders by apparently disinterested academics (who indeed described themselves as `fair minded friends of Fiji, who respect the independence and sovereign decisions of the people of Fiji') with the aim of rescuing the country from the political and economic doldrums into which the coups had plunged it, the publication's strategic timing was classic. The exploitation of political and economic crises is a deliberate and acknowledged strategy advocated by neo-liberal zealots within right wing think tanks such as CIS. The study would be followed by other economic analyses, written by Australian academics, published mostly by the NCDS, underwritten by the Australian government, and focused on advocating neo-liberal policy directions for Pacific island states.

The CIS project not only supported `the growth scenario' of free market economics, it revealed the important advocacy role of neo-liberal academics working through think-tanks closely connected to governments and the private sector. The tripartite links between academia, government and the private sector evident in studies such as this were also apparent in and strengthened through tripartite fora such as the Pacific Economic Cooperation Council, formed in 1980, and headquartered in Singapore.[2] The significance of this new tripartism - which essentially eclipsed the original tripartite accords and arrangements between governments, employers and organised labour - in advocating, articulating and legitimating the agenda of global economic restructuring is only fully appreciated when considered in the context of the broad global advocacy for economic restructuring and liberalization of which it is a part. Kelsey's (1995) work, provides a useful framework for considering the role of CIS in the Pacific. Kelsey highlights how neo-liberal think tanks and agencies link and reinforce policy makers and neo-liberal academics, and rationalise and legitimise economic liberalization, so that it becomes economic commonsense.

Although the collaboration between the Australian government and academia in advocating policy reform in a single direction in the Pacific Islands did not begin in earnest until 1994, the Australian International Development Assistance Bureau (AIDAB) was

[2] The PECC, founded at the behest of the Prime Ministers of Australia and Japan, describes itself as a `tripartite non-governmental organisation devoted to promoting economic development in the Pacific rim'. It brings together `government officials, academics and business people [in Pacific rim countries] to share perspectives and expertise in search of broad based answers to regional economic problems'. By 1995 it had 21 member committees representing the economies of its members. Pacific island nations are members as a group and represented in PECC by the Forum Secretariat. Each committee sends a tripartite delegation to the PECC general meeting every 18 months. The PECC organises task forces, fora and working groups on particular policy areas (eg capital and financial markets; fisheries development and cooperation; human resource development; science and technology; transportation; telecommunications; tourism and trade policy forum; minerals and energy forum; food and agriculture forum; and a Pacific economic outlook project. The task forces and forum meet irregularly, organise seminars, workshops, conduct studies and publish their conclusions for the benefit of the Pacific rim community.

supporting CIS publications which advocated such policy reform as early as 1988. Why did the Australian government's official development aid organisation fund this type of research undertaken by an openly ideological organisation such as the CIS? And what else triggered the subsequent re-orientation of aid policy and practice by both Australia and New Zealand toward supporting, if not outrightly pushing, economic liberalisation in the Pacific Island states. These questions are dealt with in the latter part of this chapter, after an investigation into the process by which convergence in thinking and general agreement on what needed to be done in the Pacific Island states, and how, was achieved. The entry point appeared to be the post-Cold War inclination to re-cast the development debate in the Pacific region.

Changing the Aid and Development Discourse

In their introductory chapter to the Fiji book, Kasper et al declare that they are critics of `post-colonial romanticism' in aid policy, that `casts aid donors in the role of rich, indulgent uncles who sympathetically fund, without too many conditions, the experiments of young nations in return for friendship and, perhaps, even a little adulation'. This `development approach', they allege, had supported unsustainable and wasteful policies. The 1987 break in Australia-Fiji aid relations as a consequence of the coups offered a good opportunity to Australia to re-evaluate the entire strategy `and place the future bilateral relationship on a more mature footing' (xii). Such a reappraisal, they added, was timely, given changes in general thinking and in perceptions of economic and development policy around the world, and the new `hard-nosed philosophy' that was now spreading in donor countries (ibid).

In the book's final chapter on strategy for Australian assistance, the authors argued strongly against an aid strategy that makes recipient governments the prime beneficiaries and reinforces `the statist ways of the past' (ibid:136). Foreign aid, they argued, can make only a very marginal contribution to overall economic growth - the `key factors are economic and social policies and the attitude of the population to work, learning and capital formation' (ibid:136). Aid had the potential to create an environment of little genuine entrepreneurship and low growth, a situation that donors should want to avoid (ibid:137). They advised against unconditional aid to post-1987 Fiji on the grounds that such aid `amounts to little more than an outright subsidy to a growing class of politicians, military and bureaucrats who are not really accountable to either Australian or Fijian taxpayers' (140):

> `In the circumstances of 1988, Australian aid can easily be viewed as substituting for the shrunken revenue base of post-coup Fiji, or as letting the Australian taxpayer pick up part of the tab for the political experiments of 1987. Aid should not help to create the illusion in Fiji that these events were cost-free, and - more importantly - it should not reduce the need for a critical strategic re-evaluation of the entire approach to economic and social policy' (ibid:40)

Arguing for conditionality in Australian aid, they suggested launching Australian aid to Fiji on a new path, supportive of the `growth scenario' (smaller government, deregulation, privatization) by directing more aid through `private channels' - specifically voluntary agencies and private companies who could become involved in `privately run projects to administer and implement official aid funds', thereby desirably combining official funds with `private know-how and supervision' (p144). Kasper et al recommended using aid funds to pay `entrepreneurs, advisors and supervisors' to undertake the important role of raising the productivity, or enhancing the efficiency, of Australian aid (ibid:144). This, they suggested, can be facilitated through the establishment of a number of `development trust funds', to which Australia and Fiji would appoint trustees with industry-specific business and local expertise, to assess (`in the flexible manner of businessmen'), fund and monitor projects.

In this extraordinarily ideologised reinterpretation of development assistance the authors renounced what was a universal understanding of bilateral aid as assistance to poorer countries by richer nations. They asserted instead that `in the new international climate, it is no longer sufficient to be poor to qualify for aid' and that leaders of Fiji and other heavily aid-dependent Pacific nations should realise that. The aid relationship, they insisted is between two (theoretically equal) sovereign nations `and our neighbours have no claim to aid: it is a gift' (Kasper, Bennett and Blandy 1988; 141). As such, they proposed a more (openly) self-interested approach to using aid funds allocated to support Fiji's health care system and advocated `facilitat(ing) direct projects by Australian institutions', for example, inducing (private) Australian health clinics and hospitals to set up branches in Fiji and pre-retirement Australian health personnel to take up two or three year work contracts. Such approaches, they said, in addition to outrightly supporting private hospital ventures which were then being planned in Fiji, would be `more efficient than simply handing over big sums to the cumbersome public health administration in Fiji' (ibid:146). A similar self-interested line of argument was offered in proposals for new directions in educational aid, including: reducing assistance to the University of the South Pacific; providing a considerable number of scholarships to Fiji citizens to study in Australia; using aid to provide Australian supervision and technical advisors in private schools and training schemes, thereby helping to develop excellence in education and training; and marshaling Australian experience and support to set up `cheap community colleges' that would help improve racial balance in economic life (ibid:146).

The call by three `independent' academics for a `hard-nosed' approach to the Pacific by Australia would fit well with ideas implicit in later World Bank reports. To be sure, the CIS's economic survey of Fiji in this critical time of crisis was not simply concerned with providing a rationale or justification for a change in Australian aid policy to Fiji toward one which would more directly serve Australia's own economic interests, and see more Australian aid funds going into Australian hands. Its timing suggested the seizing of a golden opportunity to promote neo-liberal economic ideas to both a government anxious to find a panacea for a crisis it needed to resolve, and to a leading bilateral donor, which could usefully employ conditionality to achieve economic policy change. The insistence on the need to resolve Fiji's constitutional crisis, and the references to improving racial balance would have found broad support in post-coup Fiji, even if, at this early stage, the economic rationalism at the heart of the authors' prescription failed to be wholly understood.

In the early 1990s, Australia and New Zealand began to apply economic rationalist thinking to their Pacific policy. In pursuit of their demand for management reform within regional institutions, Australia went so far as to put forward its own candidate for the post of General Secretary of the South Pacific Forum, and introduced conditionality for the first time into its extra-budgetary assistance to the South Pacific Commission, a move that was bluntly explained at the 1992 South Pacific Conference as Australia wanting `more bang for its buck' (Fry 1997;323). Two years later, in 1994, the perception by policy-makers in Australia of `a regional economic crisis' would prompt the Australian government to take strong steps towards compelling Pacific Island states' to restructure their economies in line with prevailing neo-liberalist thinking.

It is interesting that in reflecting on the origins of the Australian Government's support for economic restructuring in the Pacific, John Davidson, head of the AusAID office in Fiji, omitted mentioning the CIS study, as did others who have been tracking the beginnings of the Pacific's trek down the road of economic liberalism (Davidson; Interview, 1999, Suva; Fry 1994, 1996, 1997; Sutherland (2000a). Yet a subsequent series of research papers, produced by the NCDS and funded by the Australian Government, is officially acknowledged to have influenced the Australian Government's policy shift toward `reforming' the Pacific:

> `I suppose you could say the most significant point was probably the 1994 Forum in Brisbane. Our then Minister for Pacific Island Affairs, Gordon Bilney, had a strong interest in the economic fortunes of the South Pacific and there was a lot of work going on around that time by groups like the World Bank, and also we had ...ourselves commissioned a series of academic papers by the National Centre for Development Studies on where the Pacific was going - that was the Pacific 2010 series .... some fairly startling things came out of that .... At the same time there were a number of other papers released that were put together in a document called The Pacific at the Crossroads, which as I remember was edited by ESCAP ....Siwa(tibau) was involved.... A series of excellent papers they were - they highlighted a number of problems in the Pacific...' (Davidson; Interview, 1999, Suva).

Three years after the publication of *Fiji - Opportunity from Adversity*, CIS published another influential book addressing aid and development questions in the region as a whole. Entitled *Aid and Development in the South Pacific* and written by Wolfgang Kasper, (Lord) Peter Bauer and Savenaca Siwatibau (1991), the volume brought together papers presented at a session on development in the South Pacific during a Pacific Regional Meeting in Christchurch in November 1989. The meeting was sponsored by the Mont Pelerin Society, a highly influential, private `think tank' founded in Switzerland in 1947 by European and American intellectuals strongly opposed to socialism, central planning and the regulatory state, and dedicated to promoting the ideas of economic liberalism. The moving force behind the formation of the Mont Pelerin Society was Austrian-born British economist, Fredrich Von Hayek; one of its 39 original founders was Milton Friedman.[3] Kasper and other members of the CIS were members of the Society in 1997, as was Ruth Richardson, former National Government Finance Minister in New Zealand (Lindsay 1997).

In its opening paper, `Foreign Aid, Mend it or End it', Peter Bauer, former Professor of Economics at the London School of Economics from 1960-1983 and a member of the peerage since 1982, made three astonishing claims about foreign aid:
i) that it had `brought into existence the Third World (also called the South) as concept and collectivity'[4] ii) that it is `the source of the North-South conflict, not its solution'; and iii) that it had `promoted the politicization of life in the recipient countries'. Aid had therefore been damaging to both `the West' and the peoples of the `less-developed world'

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[3] Executive Director of CIS, Greg Lindsay, provides a history of the Society, with which CIS has clear ideological affinity, in `Threats to Freedom then and now: The Mont Pelerin Society After 50 Years' in the Autumn issue of *Policy*, the quarterly journal of the Centre for Independent Studies. See Richard Crockett (1994) for a more critical study of the society, the Australian School theorists at its core (including Karl Popper) and its anti-Keynesian counter-revolutionary objective to counter tendencies towards socialism, collectivism and totalitarianism. Georgina Murray and Douglas Pacheo (1990) in a concise analysis of think tanks and the popularisation of economic liberalism Australia and New Zealand, also shed light on the Mont Pelerin Society.

[4] In Bauer's view the Third World is `merely a name for the collection of countries whose governments, with occasional and odd exceptions, demand and receive official aid from the West. This is the only bond joining together its diverse and often antagonistic and warring constituents, which have come to be lumped together since the late 1940s as the underdeveloped world, the less developed world, the non-aligned world, the developing world, the Third World and, more recently, the South (p5).

(1991:3). Bauer was mainly critical of official economic aid (bilateral and multilateral) given to `governments pursuing policies which plainly retard economic advance and damage the interests of their poorest subjects' (ibid:8). He argued that such aid had the effect of increasing the governments' `resources, patronage and power compared with those of the rest of society', thereby enhancing the hold of governments over their people, increasing the stakes in the struggle for power, encouraging a diversion of attention, energy and resources from productive economic activities to concern with the outcomes of political and administrative processes and decisions, and provoking tension which can erupt in armed conflict, especially in countries comprising different ethnic and cultural groups. All of which, he argued inhibited economic advance (ibid:9).

Bauer further argued that capital needed for development can be secured through foreign direct (private) investment, making aid unnecessary – 'externally financed plantation, mining, trading and other commercial enterprises have been established in many parts of the less developed world in apparently unpropitious conditions in the absence of a hostile social and political climate' (ibid:8). Moreover, that enterprises and governments in the Third World `capable of using capital productively; could borrow commercially, at home and from abroad.' He rejected the idea that there were mutual interests in aid for donor and recipient countries, arguing that the interests of donor countries would be better served by domestic spending than by `giving money to distant governments' (ibid:17).

Bauer believed that aid `should be terminated'. Yet, recognising the impracticality (given existing commitments) of this happening, he argued for a reform of aid procedures and practices. Specifically, he advocated that official aid should i) go to `those governments whose policies are most likely to promote the economic progress and general welfare of their peoples through humane leadership, effective administration and the extension of personal freedoms; ii) be bilateral, not multilateral, to give donors control; iii) be untied; and iv) take the form of grants rather than subsidised loans. He concluded, somewhat cynically, that such reforms in procedures and practices of official aid were unlikely in the foreseeable future because existing policies and practices benefited `powerful and vocal special interest groups' including the World Bank, the IMF, the United Nations and its regional commissions in Asia, Africa and Latin America, churches and other aid lobbies and the commercial beneficiaries of aid transfers' (ibid:18). Although Bauer's paper is peppered with examples from the `less-developed world' (primarily Africa and Asia), he made only one reference to the `South Pacific' - in a sentence about most aid recipients being `of no political or military significance' (ibid:16). The inclusion of his presentation in a session (and publication) devoted to discussing development in the South Pacific was evidently to set the ideological parameters of the debate.

Savenaca Siwatibau's contribution to the publication was wholly focused on South Pacific economies. A former Governor of Fiji's Reserve Bank, and before that Director of Economic Planning and Permanent Secretary for Finance in Fiji, Siwatibau outlined the usual economic characteristics of Pacific Island states[5] which needed addressing, before commenting on how economies were being managed in the region, and with what effects. The role of the public sector in Pacific Island economies was judged `pervasive and dominant' - as the largest employers in island economies they set the pace for national wage and salary settlements and this was not conducive to the growth of the private sector, particularly where high public sector wages and salaries were supported directly and indirectly through aid receipts (Kasper, Bauer and Siwatibau 1991:25). Moreover, fiscal policies had not supported the growth of private sector savings and therefore had not mobilised domestic resources for investment (ibid:26), per capita aid to the region was high and lack of capital or financial resource flows had therefore not been among the constraints to development in the Pacific. Siwatibau said economic growth rates had been lower than growth targets projected in development plans and speculated that the standard of living had not improved or declined in a large number of island countries over

[5] These were: narrow production bases, small domestic markets, short supply of skills, low volume production, heavy reliance on a limited range of export products, remoteness from external markets, fragile physical environments, relatively high population growth, high vulnerability to internal (natural disaster-induced) and external (market-induced) economic shocks, relatively high wage levels and low productivity, large ratios of GDP to import and export of goods and services, heavy reliance on overseas aid which functions to defray otherwise chronic and unsustainable current account deficits, free movement of capital despite exchange controls, extensive regulation of economic activities, a heavily regulated labour market, and difficult land tenurial problems (especially in Melanesia).

the last 10 years, `given the high population growth rates in most of the island economies' (ibid:26). He saw increasing political and social instability in the region, as a consequence of rapidly rising aspirations that could not be matched by economic performance and a growing conflict between `slowly evolving cultural and traditional norms on the one hand and ... the necessity for rapid changes in a modern world where effort, efficiency and merit are essential for the satisfaction of aspirations'. (ibid:24-5).

Siwatibau highlighted the high proportion to GDP of remittances or private transfers in Tonga (28.7%), Samoa (22.8%) and Kiribati (8.6%), with similar figures for Cook Islands and Niue. Like the World Bank report published the same year (1991; Vol 2:139), he took a negative view of these transfers of wealth from Pacific Islanders living and working abroad to their families at home. The impacts of remittances on GDP, employment, reserve wages and salaries, current account and foreign reserves were as important as those of aid receipts, he argued. Elaborating, he highlighted `aid- or remittance- induced increases in public sector wages and salaries' and argued that the upward pressure on national wages that they exert may have exacerbated difficulties in a number of Pacific Island countries by, for example, raising agricultural wages in Tonga, Samoa and Cook Islands and making it increasingly difficult to secure agricultural labour. The situation was compounded by emigration to urban centres and abroad, and contributed to poor performance in agriculture.

Large aid flows also had a secondary impact on the tradeable goods sector, he argued, as they enabled countries to avoid currency adjustments that were necessary for long term growth (Kasper, Bauer and Siwatibau 1991:29). Moreover, if used mainly for increased consumption, remittances `steadily increase an economy's structural dependency', Siwatibau argued (ibid:29). Anticipating donors' changing economic and security interests in the region, and pointing to IMF, World Bank and ADB conditionalities, he suggested that island countries would be wise to make a conservative assumption about future aid growth (ibid:29).

Although Siwatibau noted the central importance of agriculture which supports a majority of Pacific Islanders, and the fact that subsistence agriculture had been neglected and this needed to be rectified, he did not propose how this should be done. His evident interest in new developments in export agriculture (vanilla, avocado, pawpaw, mango, spices, pumpkin, medicinal plants, orchids, and other tropical ornamentals) and export-based mariculture or marine-harvesting industries (seaweed, shellfish, crustaceans, eels, pearls, beche de mer, and black and pink corals), and his argument that greater reliance should be placed on the private sector with government playing a supportive role, suggested strong endorsement for orienting agriculture toward the production of new export crops.

Significantly, Siwatibau stressed the benefits to be enjoyed by foreign investors in the Pacific:

> `The island countries have resources whose commercial development requires expertise, capital and technical know-how from developed countries around the Pacific Basin. The mineral resources of Melanesia are substantial and the full potential of their forests will take years to develop. Tourism is a growth industry and agricultural development a continuing priority. The development of all these sectors will reap mutual benefits to overseas and domestic investors' (ibid:39).

Wolfgang Kasper provided a far harsher critique of island economies, states and societies than Siwatibau. Titled `The Economics and Politics of South Pacific Development: An outsider's view', Kasper's paper was prefaced by the following explanatory note:

> `[W]hile the outsider might be ignorant of many important details and nuances...he is more likely to see the wood for the trees...(and) speak with an impatience, bluntness and frankness which is part of the make-up of the dynamic open cultures which have developed in the outside world but which is not customary ...to those brought up in the Pacific Way' (ibid: 47).

Kasper's summary of what he considered the salient features of Pacific Island states and economies reflected judgements about the inherent economic development constraints posed by a combination of traditional systems (such as the absence of a tradition of genuine private property), favourable natural endowments (which provide basic necessities with little effort, conditioning a work ethic that does not link work effort to survival), a benign or non-traumatic colonial experience and continuing post-colonial patronage through aid (which subsidised Pacific economies and maintained a level of `subsistence affluence' and inappropriately large national governments modeled on those of larger states and run as personal fiefdoms by traditional or new elites.

Kasper differentiated between Melanesians (who are `born into a world of equals, have a tradition of trade...[and] invented money independently of the rest of the world' and for whom `leadership and status are dependent on economic efforts, achievement and wealth') and Polynesians and Micronesians (who `inherit social status through the rank hierarchy', and whose chiefs 'show disdain for economic efforts' and are `used to claiming economic rents from ordinary people as well as tribute from other tribes (and nowadays from development aid agencies)' (ibid: 49). While this might suggest criticism only of the latter, his criticism of rent-creation and rent-seeking, illustrated in a footnoted example of Bougainville, and his comment that control mechanisms such as the rule of law, genuine democracy and a free and inquisitive press were not firmly in place, are clearly commentaries about Melanesia as much as the other regions of the Pacific. Indeed, Pacific Island states as portrayed by Kasper are primarily aid-seeking and/or rent-seeking.

In Kasper's view, most independent island countries with the exception of Papua New Guinea were unfamiliar with genuine poverty, enjoying middle income status by World Bank definition, with French Polynesia and New Caledonia `exceeding New Zealand's modest living standards'. Such high living standards could not be maintained by local production and productivity without perpetual aid, Kasper said. He saw aid as `retarding' economic development (ibid:64), blamed the Pacific tradition of gift-exchanging and the `Pacific brand of Christianity' for making aid dependency `quite acceptable', and pointed out, without any reference to the political-strategic interests which aid to the region served in the Cold War years, that per capita aid transfers `are the highest of any region on earth' (ibid:52).

On the basis of the overview he provided, Kasper went on to assert that fundamental problems (`impasses and contradictions') were developing in the South Pacific because `the economic order is incompatible with economic aspiration'. In his view, `openness, vertical mobility and the scope for individual rivalry and self-realisation which markets, civil rights and equality before the law offer are increasingly needed to safeguard peaceful social evolution, cohesion, prosperity, stability and a worthwhile challenge to the young' (ibid: 64). Then, in a telling passage reflecting his ideological bent, Kasper lauded the triumph of capitalist or market economies:

> `Outside the Pacific the competition of alternative socio-economic ideas is now being overwhelmingly won by the individualist, liberal system. The sheer material success of market economies has spawned privatisation, deregulation and reductions in central planning around the world. Recently liberated entrepreneurs in many developing countries are now rapidly creating productive jobs where bureaucracies and central planning previously failed' (ibid:65)

The South Pacific, Kasper argued, could also benefit from relying much more on individual or cooperative initiative and the market place'. In any case, he said:

> `the demonstrated advantages of the market economy will make it, in the longer term, impossible for the South Pacific societies to avoid facing up to the challenge of market-oriented attitudes, whether through individual entrepreneurs or through small cooperatives.....this will entail some changes in Pacific ways: more work, more systematic work, more savings and a longer-term planning horizon'.

Kasper believed that Melanesians would 'find it less difficult to adapt' to the required changes in 'Pacific ways'. Invoking images of their `risk-loving, enterprising, seafaring forebears, whose voyages opened the vast South Pacific, and who developed a distinct material culture and civilization in remote, resource poor islands' he appealed to Polynesians and Micronesians to be confident about their cultural inheritance facilitating 'the required social evolution' and to take heart from the way those from their islands who had ventured into the outside world `have adapted well to an extended individualistic order' (ibid:70).

Kasper's concluding remarks combined ridicule and insult with arrogant assurances that there would be no cost to cherished culture and values in embracing the `growth and performance-oriented economic lifestyle'. Kiribati was ridiculed for seeking to `play a grand international role' by hosting a regional Ministerial meeting in 1989 at enormous cost to Australian taxpayers who footed the bill for a Navy ship despatched to provide accommodation for participants. `Most of the best-educated Pacific Islanders' were disparaged as `professional aid seekers who increasingly regard foreign aid as a right and threaten to make political mischief if they don't get it'. Pacific leaders were evidently expected to swallow these deprecatory remarks, accept the 'wisdom' of economic restructuring, and trust that Western technology, management and economic modes of behaviour can be absorbed in the Pacific region, as they had been in Asia 'without giving up one's Chinese, Malay, Korean, Japanese or Indian identity' (ibid:79).

It is difficult to make conclusive links between the ideas contained in these CIS publications and Australian Government policy towards the Pacific, especially since Australian policy makers may have been quite unaware of any influence that such a Centre might have had on individuals within government. It is, however, sobering to read the views that those inside the CIS and their ardent and politically powerful supporters have of their impact on Australian and New Zealand economies and societies. At CIS's 20th anniversary dinner in 1996, attended by Australian Prime Minister, John Howard, Premier of New South Wales, Bob Carr and former Finance Minister and lead architect and implementer of New Zealand's economic reforms, Sir Roger Douglas, there was much celebration of CIS's success in Australia and New Zealand in `the world-wide mission to advance reason in economic life'.[6] Howard's tribute highlighted the CIS's success in influencing thinking across the political spectrum within Australia:

> 'I salute the Centre (for) Independent Studies. It has made a tremendous contribution to the intellectual debate. It has made better policy. We have better governments *on both sides of the political equation* as a result of organisations like the Centre (for) Independent Studies' (CIS Turns 20, CIS Website; emphasis added).

Howard's point was richly illustrated by the thinking of Premier Carr, who began his address with the accolade that CIS was `a jewel in Sydney's crown':

> `Its true what Vaclav Klaus said....`Ideas do have consequences' and the Centre is a generator of ideas and a generator of concepts and they do have consequences. They have consequences for people running governments. Federal and State governments are run in an intellectual or ideological setting, a climate of ideas, and for us in NSW, it is significant that there is a climate in 1996 that says policies need to take account of the realities of the market, and my government, *yes the Labour Government*, has introduced market-based policies in two areas where up till now there had been cosy monopolies....One is electricity .....the other is rail ....so our agenda of introducing market-based competition and reducing state debt is the agenda of the only Labour Government in Australia. That agenda could not be understood without the contribution of the Centre for Independent Studies and the intellectual climate it has helped create' (Ibid).

Rupert Murdoch also sent a strong message of support from News Corporation to the CIS, congratulating it for promoting rigorous public debate' and tackling issues `fundamental to our free and democratic society'.

What is remarkable about the above statements is that they testify to the enormous power of ideas, to the climate of thinking that can be created through the

[6] These were the words of Lord Harris of High Cross, one of the founding directors of London's Institute of Economic Affairs which influenced Margaret Thatcher so strongly. Vaclav Claus, Prime Minister of the Czech Republic, in his message to the CIS on this occasion said ` It is a well-known fact that ideas have consequences, and therefore ideas are extremely important. For me - in the remote Czech Republic - one of my permanent soures of ideas is the never ending stream of books, pamphlets and journals coming from the Centre for Independent Studies. I use them very often as quotations in my own texts'.

strategic initiation and development of public debates, and to the general consensus that can be built among those who create or shape policy through carefully targeted dissemination of booklets and pamphlets that espouse new thinking. It is likely therefore that the CIS's publications on the Pacific, which were produced for the express purpose of influencing Australian and New Zealand Government thinking and policy towards Pacific Island states, would have had some effect in altering perceptions and mind-sets about the place of aid in Pacific development and in inspiring a role for Australia and New Zealand in promoting `economic reform' in the region[7].

The CIS's analyses of Pacific economies pre-dated the World Bank's Pacific reports of 1991 and 1993 which set the stage for a concerted effort by multilateral and bilateral donor agencies in advancing economic restructuring in the region. Yet, there are obvious echoes of the CIS authors' perspectives and arguments in the World Bank reports. The reiteration of ideas and notions first articulated through the CIS publications and then given authority by their re-assertion in World Bank reports, would eventually cohere into the language of `reformspeak', articulated alike by international and bilateral donors and governments in the region.

Prescribing for Growth: The World Bank Reports

Towards Higher Growth in the Pacific Island Economies: Lessons from the 1980s (1991), the World Bank's first substantive analysis of its six Pacific Member Countries (PMCs)[8], came to be considered an authoritative assessment of Pacific Island economies, at least by those who shared its analysis. The two volume report (regional

[7] By 2001, open collaboration between the CIS and the Australian Government (specifically the Australian Agency for International Development (AusAID), the Department of Foreign Affairs, and the Treasury) was evident, as indicated by the electronic publication on the DFAT website of the report, *Globalisation and Poverty - Turning the Corner*, prepared by CIS with the assistance of the above-mentioned government agencies and departments (http://www.dfat.gov.au/publications/globe_poverty/index.html).

[8] The six member states in the Pacific at the time were Fiji, Kiribati, Solomon Islands, Tonga, Vanuatu and Western Samoa.

overview and country surveys), which bears critical analysis, began by acknowledging that the PMCs had relatively high living standards and social indicators that `compare[d] favourably with developing countries at the same or higher levels of income'. Ignoring their remarkable social development achievements, the report went on to express profound disappointment over PMCs' economic growth indicators, pointing out that despite some of the highest inflows of per capita development assistance, economic performance in PMCs had been `sluggish', compared with the `more dynamic island economies of the Caribbean (5%) and the Indian Ocean (7%) (1991:1,3). This was posed as the major `development' problem, and the PMCs' inward-looking economic strategies, including their protection of local industries, as well as the burden placed on public finances by state enterprises, and a general stifling of the private sector by over-regulation, were summarily blamed for it.

While unequivocally addressing the problem of `economic growth', rather than problems of `development', the report went on to argue that increasing `the pace of development' was an imperative for the 1990s, and that, given the poor prospects for primary commodities, PMCs needed to `develop new sources of growth' (1991:ii). All six countries were judged to `have the potential for more rapid growth' and could achieve reasonable rates of economic growth (ie 2.5% per annum) in the first five years of the 1990s and maintain such rates throughout the decade if they rose to the challenge of finding new sources of growth, the report said. It proposed a number of trade-centred `dynamic growth strategies' : abandoning inward-looking, import-substitution policies and promoting private sector investment and export production; shifting away from producing primary commodities toward production of processed products for export; concentrating on a few specialised areas in which PMCs had `a clear comparative advantage'. The Maldives (tourism and fisheries) and Mauritius (sugar and garments) were flagged as small island economic success stories for the PMCs to emulate (ibid:61). The report projected the private sector as the `engine of growth' and argued that sustained growth can be achieved through a `leading sector approach in which public policy facilitates the private sector's search for profitable niches in domestic and world markets' (ibid:ii). It applauded Fiji's adoption of growth-centred market policies, highlighted the success of its export-oriented garment industry, and made specific policy recommendations for macro-economic management, public sector management and private sector development.

Among the recommended macro-economic policies were fiscal adjustment to reduce fiscal deficits to more manageable levels, appropriate wage and exchange rate policies to maintain external competitiveness and keep wages in line with economy-wide productivity, restructuring the tax system to broaden the tax base, lower direct taxes, eliminate trade-inhibiting taxes, and shift toward an indirect tax system that `does not discriminate across productive sectors' (ibid:iii). Tariff reform, to reduce high tariff levels and remove protective arrangements, were recommended as an esential part of tax reform. Corporate taxes were recommended `at rates conducive to private investment and growth' (ibid:iv).

Recommended public sector management policies included reducing the administrative budget (particularly public sector wages and salaries which were considered to have grown excessively and inflated wages throughout the economy), improvement of physical infrastructure, and introduction of a programme of privatization, particularly for commodity marketing boards and other enterprises which `crowd out private investment' or which `could be more efficiently managed by the private sector'. Additionally the report proposed the abandonment of five-year planning and the adoption of a new approach to national planning - one which `emphasises macro-economic assessment and the preparation of broad development strategies (ibid:viii). It warned that a new pattern of aid allocation `will be likely in the future', with private entrepreneurs receiving a share of aid resources through `financialisation', that is the channeling of resources through the commercial financial system (ibid:viii).

In short, the three central policy directives to PMCs in the report were: put in place an `outward-oriented incentives regime; introduce greater flexibility in wages; and help develop `entrepreneurial capacity'. The key to economic growth in the PMCs was said to lie in expanding private sector participation in investment and economic activity. Thus the primary challenge for PMCs in the 1990s was providing 'a policy environment that facilitates private investment' (ibid:iv). With expanded export production, economic and labour market deregulation, privatization or corporatisation of state-owned enterprises, and a strengthened private sector as its main policy prescriptions in this first analysis of Pacific Island economies, the World Bank report showed little consideration for PMCs peculiar limitations as small economies suffering distinct disadvantages in respect of resource bases, physical infrastructure, human resources and geographical location, to name a few of the limiting features of island economies as outlined by Siwatibau. The policy package offered to the PMCs was little different from those offered by the Bank elsewhere.

Along with the above policy prescriptions, the World Bank report delivered a baggage of notions, values and assumptions which are intrinsic to neo-liberal economic thinking but highly contestable. The notion of the private sector as the engine of growth and of markets, not states, being the means to economic - and implicity social - development assumes that private wealth accumulation will mean improved living standards for Pacific people as a whole. The notions of `efficiency' and `productivity' are narrowly grounded in market assumptions about the meaning of work and the value of labour which are not universally shared, despite the evangelism of neoliberals, not least within powerful agencies like the World Bank. The Bank's evident judgement that the `quite high levels of income' and `relatively high standard of living' in Pacific states are unearned, in the sense that they are enjoyed not because of increased productivity but as a result of subsidisation by aid and migrant kin living and working abroad, demonstrated little understanding or appreciation of long-standing social and economic values and practices within Pacific societies and illustrates the arrant narrowness of economic rationalism.

In its second regional economic report, published in 1993 and entitled *Pacific Island Economies: Toward Efficient and Sustainable Growth*, the World Bank covered eight PMCs (the Marshall Islands and the Federated States of Micronesia having subsequently become members of the Bank). The nine volume report comprising a regional overview and eight separate country economic reports appeared to be more mindful of the peculiar specificities of PMCs, claiming that the objective is `not to impose some model derived elsewhere but to adapt approaches'. It was also more holistic in its coverage, with comprehensive chapters on human resource development and environmental issues. Yet its economic analysis and policy prescriptions differed little in substance from those offered in its earlier report. Public sector `reform', efficiency in the use of foreign aid, and the crucial role of the private sector were reiterated as the keys to attaining sustainable economic growth, while the high growth economies of East Asia, Maldives and Barbados were projected as models for PMC emulation.

The report introduced two new concepts in the Bank's analysis of PMC economies and prescriptions for growth. The concept of `the Pacific Paradox', was advanced to describe the analytical conundrum posed by the PMCs' absence of growth in average real per capita income in the last decade despite favourable natural and human resource endowment, high levels of aid and reasonably prudent economic management (1993:ix,1). The second concept, advanced as a central strategy for achieving economic growth, was that of a `development partnership' between the state and the private sector (ibid:37). Elaborating on the Pacific Paradox, the report said:

> 'While investment has been high and macro-economic policy largely under control, the overall economic climate has favoured public sector interventions of low effectiveness rather than more efficient private sector activity. Education and human resource programs have been strengthened substantially, but limited domestic opportunities have resulted in substantial emigration of skilled workers, partially compensated by technical assistance, foreign aid in human resource development, and worker remittances. The blend of customary practices and modern systems has both inhibited development and helped provide some stability and social safety nets. An alluring but fragile environment also contributes both to the potential for tourism and to limitations of modern sector growth' (ibid:5).

Aside from this attention to the peculiar features of PMCs, the report offered simply more of the same advice provided in the 1991 report - viz more effective economic engagement with the rest of the world, enhancing international competitiveness, broadening trade and investment links especially with the East Asian growth centres, and reforming the public sector by restructuring, consolidating, privatizing, down-sizing, and lowering public sector wages, deemed to be `well in excess of average national incomes' (ibid:ix-x). Like the 1991 report, the 1993 report emphasised private enterprise as the key to generating economic growth in PMCs and argued strongly for an economic environment more conducive to private sector development - there was potential for private sector led growth, it argued, but `tapping such potential will require supportive policies and investments on the part of Pacific Island government' (ibid:37).

Brandishing the East Asian model as a success story of state-private sector partnership, the report advocated a similar partnership between the state and the private sector in PMCs. The model promoted was a `market-friendly' state that `complement[ed] rather then supplant[ed] the private sector' and that worked to ensure macroeconomic stability and competitiveness through appropriate exchange rate, fiscal, monetary and wage policies, removed impediments to private and especially foreign investment, promoted and disseminated information, and provided physical and social infrastructure. The island economies of Maldives and Barbados were applauded for following the `development partnership' model with `heartening results' (ibid:37).

The report welcomed the replacement of `target-oriented, needs-based five year plans' by `more flexible [strategic] planning processes' in Fiji and Samoa (ibid:27), saying:

> `The shift in emphasis towards strategic planning is consistent with a growth strategy that favours more of a partnership between government and the private sector. In Fiji, for example, economic summits were held in 1989 and 1991 during which Government and the private sector jointly formulated sectoral growth strategies and defined a policy reform agenda. The benefits of such cooperation extend well beyond the preparation of a strategic plan: forging a consensus between Government and the private sector on strategy and policy has helped build credibility and speed adjustment to difficult reforms'.

Sutherland (2000a), a former Deputy Director of the Forum Secretariat, described the second World Bank report as 'highly influential'. Issued at a time when the global situation had changed dramatically and 'the islands were clearly struggling even more under the weight of increasing globalisation', Sutherland said the 'influence' of the Bank's report lay mostly in its assumed authority as an official World Bank publication and it began to be widely cited by those who supported its economic analysis (2000:459). One of the first agencies to draw upon the World Bank's first Pacific report as an authoritative text, was the NCDS at the Australian National University. At a planning workshop held in February 1992 with `a group comprising representatives of (Pacific) island governments', graduate students from the Pacific and academic staff at the NCDS on `the implications of population levels 20 years hence', the Pacific 2010 project was born (Cole 1993:viii). A series of `forward looking' research papers under the theme Pacific 2010 were written and published by the NCDS as a direct outcome of the workshop.

The Pacific 2010 Project

Funded by the Australian International Development Assistance Programme (AIDAB), the aim of the Pacific 2010 project was `to alert Pacific Island governments and those responsible for the design and delivery of development assistance to the island states of the Pacific' to the `doomsday scenario' that, in the opinion of the project's lead scholars, awaited the Pacific states unless they met the challenge of facing up to their looming economic and social problems.

In his foreword to the first publication under the Pacific 2010 project, titled *Challenging the Future* and focused on the development implications of demographic projections for seven Pacific Island states (Cole 1993), the Director of the Islands/Australia Programme at the NCDS, Rodney Cole (a former officer in the colonial government in Fiji), put the hard word to the Pacific. Portraying Pacific island states as `adroit players of the aid game', who had ensured for themselves `a strong and regular flow of largesse, first from former colonial powers, but now, at the beginning of the 90s, from the world at large'

(1993:vi), Cole said aid `in its numerous forms' had made a major contribution to the `economic well-being of both (economically) dependent and independent countries in the Pacific', but that the inhabitants of South Pacific island states now `want more out of life than subsistence affluence'. In the years ahead, Cole said, Pacific Island leaders `and their financial mentors' would face enormous difficulties meeting the wants and needs of their 'rapidly expanding populations'. Pacific 2010 was conceived by its implementers as `a base on which those of us concerned for the future of the Pacific can build'. Cole entreated reviewers of the issue papers produced under the research project to `*join with us* in meeting the challenge' (iv; emphasis added).

The Psychology and Politics of the `Doomsday Scenario'

The opening paper in this first 2010 publication was not an academic analysis, but an imaginative piece written by lead Australian Financial Review journalist, Rowan Callick, a media specialist on Papua New Guinea and the South Pacific Islands. The inclusion of Callick's 11- page futuristic portrayal was a deliberate and very patronizing gimmick employed by the project leaders to present `a more colourful picture, a grim and challenging picture, but one that is nevertheless disturbingly close to the drier portrait available from the data' (1993:1). Callick's `doomsday scenario' of the Pacific in the year 2010 was based on population projections of NCDS's demographers on the project, who predicted that the region's population would double to 9 million in just over 15 years. His wild imagining of the Pacific in the year 2010 was evidently calculated to shock Pacific leaders (who may not find the picture the demographers paint `easy to read') into taking steps to avoid what is portrayed as an inevitable nightmare. The `horrors' he portrayed, however, reflect little more than his own stereotypes: beggars on the street of every South Pacific town, endemic malnutrition and a rising incidence of AIDS deaths, lagoons declared unfit for human activity and public water supplies unsafe for drinking, labour a major export from the region, modern and traditional narcotics major sources of foreign currency, gangs of youth extorting their own form of `tax' and `a greater number of Asian workers arriving, ... [with] mosques ....now found in almost every island capital' (1993:5).

And in case anyone did not get the picture, Callick put the situation in plain terms:

> `Pacific Islanders lack sufficient savings to develop their region in pace with their aspirations and dreams, as opposed to their nightmares. Most forecasts assume a static or declining level of direct aid, concessional loans and even commercial capital available to the region, as other priorities take precedence. The South Pacific, it is said in such quarters, has had a good enough run, and now is its chance to stand on its own two feet' (1993:7; emphasis added).

Advising a fundamental value shift, he said this requires regional policy makers accelerating the `conceptual shift...from a traditional emphasis on the importance of *distribution* of wealth (where a chief or big man gains stature from his gifts and from the generosity of his feasts) to an emphasis on *production*, on building (amassing), managing and re-investing that wealth'.

> `A new type of generosity is thus required - *one that may mean standing by to make room for people with special talents, especially to do business profitably*. This shift can only take place through an example being set by the South Pacific leaders themselves - politicians, senior officials and traditional chiefs' (1993:7;emphasis added).

Callick wrote assuringly, as if to authenticate his imagined `future shock', that `the appropriate domestic policies, implemented wholeheartedly by island nations - not just governments, but communities as a whole - ...with the support of a friendly external environment [can] turn the grim trends around'. Policies which he said were urgently required to be put in place included, firstly, population policies to reduce national growth rates, national environmental policies based on national audits of existing environmental problems confronting each nation, and economic adjustment (pp8-9).

Elaborating on economic adjustment, Callick called for a `frank discussion between donors and recipients or between bankers and borrowers, based on the best available information', and for a sharing of this within each national community:

> `As both Papua New Guinea and Fiji have demonstrated over the last five years, when confronted with their own economic crises, when the wider community is fully acquainted with the sometimes brutal facts it is remarkable how people are willing to accept even radical change...'(1993:10)

Dismissing the goal of economic independence as `no longer an option' Callick itemised the required reforms (which he says are `best delivered together, for presentation purposes, as a package'): tighter budgetary discipline; measures to enhance competitiveness; corporatization and privatization; reform of the financial sector; adjustment of exchange rates; altering the way wages are determined; and reorganization of government priorities so that a greater proportion of the budget is spent on education, health and infrastructure (ibid:10-11).

> '... a greater sense of international interdependence will have to emerge, perhaps starting within the South Pacific Forum. The success stories, economically and politically, will be those emphasizing openness and links - trade, investment, even the movement of skilled workers, foreigners and nationals, in and out of the country - rather than those emphasizing a defiant independence'. A greater focus within the region on free trade would help to frame the right mentality ... '(ibid:11)

Callick suggested that the best available information was provided by experts writing from within the World Bank or the NCDS. His proposal for free trade within the region, and the development of a greater sense of international interdependence, perhaps starting within the South Pacific Forum, would eventually come to pass.

Re-cycling Received Wisdom

In the only substantive analysis in the book, Ken Gannicott (a professor of education and an economist by training) discussed, and statistically illustrated, the likely higher costs of education within the seven countries over the next 20 years. Gannicott's tables provided, for each country, three different scenarios of the financial burden of providing primary and secondary education. These aimed to show the comparative costs (as a percentage of GDP) of providing education in the different situations of a) moderate increases in enrolments and `low GDP', b) more rapid increases in enrolments and low GDP, and c) more rapid increases in enrolment and `High GDP' (Cole 1993:18-24). Highlighting the serious challenges ahead for the Melanesian countries (Papua New Guinea, Solomon Islands and Vanuatu) of continuing to meet national educational needs, Gannicott went on to prescribe `what needs to be done' (ibid: 26): a population policy, a lowering of school unit costs by World Bank recommended strategies such as cost recovery in higher education, reallocation of expenditure within the education sector and decentralised management, and higher economic growth through structural economic reforms (ibid:26-7).

Gannicott's reliance on the World Bank's `High GDP' projections for the Pacific reflected an unquestioning acceptance of the `truth' of the Bank's projections `of the faster growth that would be possible from structural and policy reform in the region' (ibid:21). Indeed, the aim of the tables was evidently to show that `if the economy grows at the much faster rates considered feasible if structural economic reforms are carried out (World Bank 1991b), ... [educational objectives] can be achieved [at a lower] per cent of GDP' (ibid:27, emphasis added).

In the second half of the paper, Gannicott addressed labour force growth and employment, highlighting the particularly difficult times that lay ahead for Kiribati, Papua New Guinea, Solomon Islands and Vanuatu with high rates of increase of the labour force, the generally `poor record' of Pacific Island countries in creating employment, and the fact that much of the wage employment in the Pacific region (around 40 percent) has been in the public sector (p30-31). He reiterated the exaggerated employment projections of the World Bank's High GDP scenario (with structural reforms) for PNG - `formal sector employment could grow from 214,000 in 1990 to 327,000 in 2000' (World Bank 1991a:30, cited by Gannicott in Cole 1993:32), cited low rates of economic growth as the basic reason for low employment growth and argued that, for incomes to rise, investment needs to grow faster than the labour force. Citing extensively from the World Bank's 1991 report, *Pacific Island Economies: Towards Higher Growth in the 1990s*, Gannicott reproduced its arguments that incomes are too high in the Pacific, that they are sustained not by domestic savings but by remittances and official transfers, that the large inflows of aid have fostered growth in the government sector at the expense of the private sector, and that high wages in the government have `disincentive effects' on other sectors in the labour market, notably agriculture. (Cole 1993:39).

Gannicott asserted that much work had been carried out in recent years on economic development in the South Pacific and Papua New Guinea and that `it would be safe to say that the major issues inhibiting economic development in the region are now well understood' (ibid:39). He concluded by making a number of proposals for further work that could have been lifted verbatim from the World Bank report. Ways should be found he said to i) develop policies to promote a climate for private investment by removing `distortions in exchange rates, wages, and tax and trade policies' as well as `regulatory hurdles to private activity'; ii) channel more aid to the private sector to support the development of private sector employment opportunities; iii) improve efficiency in the public service and improve its capacity `to support private sector development' through public expenditure restructuring, tax reform, public pricing policy and reduced public sector involvement in services which the private sector can provide more efficiently; and iv) provide cost-effective education.

Australia's New Pacific Policy

While the NCDS is more than a think tank, its function in the Pacific 2010 project and in subsequent projects (which are similarly concerned with offering policy prescriptions for economic and social development in the Pacific states) has not been dissimilar from the CIS. The Pacific 2010 project was unabashedly prescriptive and its prescriptions were unequivocally those of the World Bank. Its commissioning by the Australian Government and subsequent use to support Australia's firm nudging of Pacific Island states toward an economic restructuring agenda in 1994, made it less a respectable academic endeavour than a poorly disguised instrument in a larger agenda. While many prominent Pacific Island leaders rejected its more extreme prognoses, it was welcomed by some prominent island economists and officials (Fry 1996:3). Among them was Sir Mekere Morauta, then Governor of the Bank of Papua New Guinea, who stated at the launching of the project in June 1994 that :

> `The doomsday scenario... is not surrealistic. The seeds and signs of that scenario have been planted in every Melanesian state and are growing daily' (Morauta 1994; quoted in Fry 1996:3-4).

Greg Fry, a Pacific specialist and a critical analyst of Australia's relations with the Pacific region, has written expansively on the Pacific 2010 project and changing Australian images of and policies towards the South Pacific (1996,1997) . He argued that the NCDS report served as an `intellectual authority' for the newly elected Australian Labour Government's new policy on the South Pacific which Gordon Bilney, the Minister for Pacific Island Affairs (a new portfolio) enunciated in an address to the Foreign Correspondents' Association just one month before the South Pacific Forum meeting which the Australian Government was to host in Brisbane in August 1994. The headlines of Australian media reports on Bilney's address were illuminating, even if the stories were uncritical of the 'facts' as portrayed by Bilney - `Paradise Lost' (*Sydney Morning Herald* 20/6/94), `Visions of Paradise Blur as South Pacific Sails off the Map' and `South Pacific Policies Not Working: Bilney' (*Sydney Morning Herald* 16/6/94), `Tough Talking in the Pacific' (*Australian Financial Review* 27/6/94) and `Problems Generalised, Policies Lacking' (*Pacific Report* 27/6/94).

According to Fry, Bilney's 1994 statement clearly enunciated a new post-Cold War Pacific policy for Australia, one which would be focused not on the earlier Cold War preoccupation with `regional security', but on `radically transform[ing] the regional economic order' to bring it into line with Australia's own reform agenda and generally prevailing policy trends (Fry 1997). This policy approach, Fry commented, `involved an intended level of intervention in Pacific island societies and states not contemplated since the colonial period. The purpose was to transform not only the development model and to reform government procedures, but also to effect change in cultural structures and traditional practices, such as customary land tenure' (Fry 1997).

Fry dissected the new policy framework to reveal five underlying notions (or images) about the Pacific. The first of these was that the end of the Cold War had reduced the interest earlier shown to countries in the region by larger powers. The second notion was that the region was doing very poorly in terms of economic development, an idea that had its origin in the World Bank's Pacific Paradox analysis, and in outdated World Bank estimates of growth performance and comparisons with Indian Ocean and Caribbean island countries. Indeed, the World Bank's comparisons of the Pacific with the dynamism of the Asian region encouraged the imagery in Australian policy circles of the Pacific Islands as `the hole in the Asia-Pacific doughnut' or `the eye of the Asia-Pacific cyclone' (Fry 1997). Thirdly, the new policy framework reflected the idea or understanding that the South Pacific was failing badly in managing its natural resources, an idea that was implicit in the World Bank's second report on PMC economies. Fourthly, there was a belief that the region was experiencing `soaring' population growth, an understanding based entirely on the demographic projections of the Pacific 2010 project. And finally, there was the judgement that the Pacific Islands would be marginalised and severely disadvantaged in the changing global economy, particularly after the conclusion of the Uruguay Round of trade negotiations:

> 'Although Bilney claimed that his intention was not to prescribe or impose, much of the policy statement was about what Pacific Island governments should do if they expected donors to continue to assist their countries and if `doomsday' was to be avoided. He outlined the familiar structural adjustment reforms: public sector reform, stimulation of the private sector, and the possible abandonment of `old social and economic attitudes', making traditional land use patterns more compatible with the needs of investors, and giving consideration to the appropriateness of maintaining costly national airlines. As the problems lay in inappropriate policy settings, the solution lay in adopting responsible and sound policies which would ensure sustainable growth. What he was advocating could be broadly described as the neo-classical economic strategies associated with the World Bank: a free market ideology moderated by concerns with sustainability and the environment [since he] ... also indicated a particular

> concern with instituting sustainable practices in the forestry industry and in pursuing multilaterally a greater share of the income from the region's tuna resource'[9] (Fry 1997:298)

Bilney's new policy thrust toward a regional agenda of economic restructuring, informed by World Bank and NCDS thinking, made an impact at the Brisbane Forum. In the words of Sutherland (2000a:465) the Brisbane meeting was a `turning point' in the history of the Forum. That it was Australia that provided the leadership is clear. For the first time, at the suggestion of the Australian Government, Forum discussions focused on a theme, and at Brisbane the theme of `Managing Our Resources', evidently framed to sound inclusive and to be about common interests, was in fact intended to focus on how [poorly] the Forum Island countries were managing *their* natural resources, specifically forests and fisheries and, implicitly, how Australia and New Zealand could lead the way to resolving the problem. The patronising use and actual intent of the inclusive pronoun in Bilney's address to the Foreign Correspondents Association earlier in 1994 was wryly commented on by Fry (1996:23)

> `It is a speech about how 'we' are seeing 'your' problems. When 'we' is used inclusively to mean 'we in the South Pacific' it is only in the context of what 'we' have to do about 'your' problems' (1996:23)

The appropriateness of Australia's implicit claims to superior knowledge and experience in matters of national resource exploitation and environmental concerns at the Brisbane Forum meeting was likewise questioned by Fry (1996:23-4).[10] Nevertheless, the Communique issued at the end of the meeting expressed concern at the highly destructive way in which forests were being managed and welcomed the agreement between the Prime

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[9] Fry attributed this embracing of the issues of sustainability, biodiversity and environmental consciousness by the Australian Government and policy-makers to `following conceptual shifts within World Bank thinking' (Fry 1997)

[10] Fry (1996:23-4) points out, in relation to Australia's expressed concerns about the problems of Pacific Island states in relation to their earning of meagre incomes from tuna fisheries, the looming problem of climate change, and issues of deforestation and coastal deterioration, that Australia received even less from Japanese fishing fleets for fishing off the east coast than Pacific states did, that it was not only a major contributor to the problem of climate change but had actually worked against a meaningful global agreement and that problems of deforestation, coastal management, coral reefs and land degradation were as serious in Australia as in the island Pacific.

Ministers of Australia, Fiji, New Zealand, Papua New Guinea, Solomon Islands and Vanuatu to work towards a `common code of conduct governing logging of indigenous forests' and to co-operate in improving the monitoring of logging and exports of timber. While this was certainly an issue on which Forum Island countries needed to act, and collaboratively, the idea that this might not have eventuated but for pressure from Australia was patronising and took no account of the long history of Forum Island countries' concern to protect their environment through regional instruments.

Significantly, Pacific governments made three decisions directly relating to economic restructuring at the Brisbane Forum. First, they agreed that the private sector `had an important role to play in the reforms now being undertaken in the region and needed to be strengthened to enable it to lead the next stage of growth' and accordingly they directed the Forum Secretariat `to undertake a greater facilitating role in providing policy advice to member governments in these areas.' (*Forum Secretariat News*, No 13, December 1994). Second, they agreed to hold annual Forum Finance Ministers Meetings to consider appropriate aspects of economic `reform' and accepted Australia's offer to fund the first such meeting at the Forum Secretariat the following year. And, third, they agreed to encourage the participation at FFMMs of representatives from the International Financial Institutions (IFIs), that is, the World Bank, the International Monetary Authority and the Asian Development Bank.

The Forum Island governments also stressed the need to adopt `a global perspective in regard to the development of economic policies' (Sutherland 2000a:465) and noted proposals made in the meeting that Trade Ministers should also meet regularly to consider, inter alia, free trade arrangements within the region and means to promote the region's products and services. They welcomed the announcement by Australia to contribute A$900,000 towards the establishment of a Foreign Investment Advisory Service office to support quality investment in the region, assist improved product development and market research and overcome non-tarrif barriers to trade. They also welcomed the decision by

New Zealand to reduce the rules of origin requirements from 50% to 45% for garment imports under SPARTECA[11].

Two other significant decisions made in Brisbane at the leaders' retreat which followed the Forum have been highlighted by Sutherland. Both arose from proposals made by the Australian Government and they were, firstly to `reform the Forum process to ensure greater effectiveness' and, secondly, to restructure its Secretariat (which, Sutherland says, was by then already underway (Sutherland 2000a: 465).

Conclusion

This chapter has provided a background to the externally directed programme of economic restructuring in the Pacific region by identifying its ideological and material origins, firstly in the thinking, deliberations and published works of members and associates of an Australasian private sector based think-tank, secondly, in the economic analyses produced by the World Bank, and finally in officially commissioned analyses produced through the Australian National University. It uncovered the inter-linkages between the

[11] SPARTECA, which was conceived in 1980, was originally an agreement designed to assist the development of Forum Island countries. This is made clear by the provision for derogation from the 50% `rules of origin' on manufactured exports to Australia to allow for special problems of Forum Island countries (eg force majeur), by the provision for special circumstances of small island countries, and by other statements in the agreement (see Chand 2001:15-21). Eg provisions covering promotion of technical, economic and commercial cooperation requires Australia and NZ to `consider appropriate forms of assistance within their bilateral and regional development assistance programmes *in accordance with the development priorities of the individual Forum Island countries';* and the requirement that the governments of Australia and NZ give support to Forum Island Countries applications to other international technical assistance agencies for training, research or funding support (ibid:19). While certainly Australian and NZ suppliers of raw materials and other services, plus investors in joint venture schemes also benefited from SPARTECA, the language of the agreement indicated benevolent support to Forum Island Countries from their two largest, developed neighbours, a position in keeping with accepted development wisdom at the time that emphasised a certain responsibility on the part of richer nations toward the development of poorer nations. In concert with Fiji's tax free factory policy, and after 1989 anti-worker, pro-employer laws, SPARTECA helped create a boom in garment and footwear production for export in Fiji in the 1990s by providing assured markets. The boom was short-lived - the expiry/non-renewal of the tax free factory system in 2000, the reluctance by Australia to extend SPARTECA's derogation provisions, and the coup of May 2000, together led to the closure of many operations by 2001.

articulation of neo-liberal ideas by private sector based think tanks, academic authentication and legitimation processes, and the political and policy-making pathways used to achieve policy implementation.

The following chapter will focus on the specific role played by the restructured Forum Secretariat from 1994 in providing policy advice to facilitate and advance the agenda of economic restructuring in the Pacific Island states. It will examine the Forum Secretariat's function in co-ordinating economic restructuring within the Pacific region, the significance of both collective, time-bound commitments to implement 'reform' targets and of monitoring mechanisms established by regional level fora such as the Finance and Economic Ministers Meetings, and the introduction of unprecedented, competitive financial inducements by aid donors to encourage and/or reward national 'reform' efforts.

CHAPTER FOUR

THE FORUM SECRETARIAT
AND THE REGIONAL REFORM AGENDA

Sutherland (2000a) argues that while some efforts towards economic restructuring began to be undertaken in the Pacific from as early as the end of the 1980s, these efforts were 'patchy' at best. From 1991, however, the World Bank began to urge bilateral donors in the Pacific, and especially Australia, New Zealand and Japan, to 'provide sound policy advice' in their regular programming discussions (1991:85). The increased pace and scope of 'reforms' from the mid-1990s was, he says, a direct result of a deliberate 'donor-driven regional reform agenda' that unfolded from 1994. According to Sutherland, a Deputy-Director of the Forum Secretariat between 1993-1996, the reason that 'donors with the greatest influence in the region' (namely Australia, New Zealand, the World Bank and the Asian Development Bank) took concerted action to force Pacific Island governments to restructure their economies was to ensure that such adjustment did take place:

> `Left to their own devices ...there was no guarantee, especially in view of their sub-optimal economic performance in the 1980s, that the islands would adjust or adjust sufficiently. On the evidence of past performance, it was unlikely that they would take the tough decisions which donors considered necessary. They clearly needed prodding and the only question was how to do this without excessively offending national sensitivities.... Diplomatically....bilateral interventions to urge reforms were inherently risky. A multilateral approach on the other hand was less likely to cause offence.... A multilateral approach thus became a key strategy of donors in their attempts to push the islands toward greater reforms' (2000a:460).

Sutherland did not highlight the central agency of the Pacific Islands Forum (formerly known as the South Pacific Forum) and its secretariat, the Forum Secretariat, in this regional 'reform' agenda. Yet, since 1995, the Forum Secretariat has played a pivotal role in relation to implementing an externally driven programme of economic, financial and trade 'reforms' aimed at achieving region-wide economic, financial and trade liberalization. Following an administrative and programme restructuring exercise in 1994-95 which effectively narrowed its functions to providing technical and administrative support for the region-wide implementation of economic policy 'reforms', the facilitation and oversight of economic, financial and trade 'reforms' in the region has indeed become the core business of the Forum Secretariat.

This chapter will examine the origins of the multilateral approach to economic restructuring in the Pacific region, highlighting especially the emergence of apparent regional consensus on the need for economic and trade liberalisation, and the critical role of the South Pacific Forum in building this consensus. The significance of the Forum Secretariat's administrative and programme restructuring from 1994-95 in terms of redefining and streamlining its responsibilities to support regional economic restructuring will also be examined, as will the institutional mechanisms put in place through the Forum and its Secretariat to advance national programmes of structural adjustment. The chapter will also broadly survey the operationalisation of structural reform in Pacific countries, highlighting the specific involvements of different donor institutions and governments in the regional 'reform' programme and the institution of new financial inducements to encourage and reward national 'reform' efforts. It will be argued that the Pacific Islands Forum, and the Forum Secretariat, have been used to facilitate the implementation of an externally-driven programme of economic and trade liberalisation which is not in the best interests of Pacific Island states.

The Unfolding of a Regional Restructuring Agenda

The Pacific Islands Forum and its predecessor, the South Pacific Forum, has been an effective avenue for the transmission of neo-liberal economic ideas and thinking to Pacific Island leaders by external agents. As members of the Forum with the most resources and the considerable leverage of their donor status, the Australian and New Zealand governments were in a strong position to influence agendas, frame debates and propose policy decisions. By 1994, when the broad outlines of a regional restructuring agenda began to emerge with distinct coherence within the South Pacific Forum, Australia and New Zealand were themselves heavily committed to economic restructuring within their own countries, and intent on exporting their economic policies to the Pacific region.[1] By 1998, the Asian Development Bank (ADB) was the lead financial supporter of structural adjustment in the Pacific Island states and no less than 11 donor agencies were funding or had assisted public sector reform projects in one or more of the following seven countries of the region – Cook Islands, Federated States of Micronesia, Fiji, Republic of the Marshall Islands, Vanuatu, Samoa and Tonga (ibid).[2]

Tracing the emergence of the multilateral programme of structural adjustment through an examination of Communiqués issued over the last 12 years by the South Pacific Forum provides clues to the likely origin of Forum agenda items concerning economy and trade and the more than likely authorship of the Communiqués themselves. The first Communiqué to signal a discussion of global economy and trade issues was that issued in 1988 by the 19th South Pacific Forum, which noted a number of concerns of Forum Island leaders including the Pacific states' dependence on the export of certain agricultural and other commodities, and 'the proliferation of trade-distorting policies that characterize the present international trade regime and represent a substantial trade and economic burden, especially on the economies of developing countries in the region'. It also noted the importance of the GATT/Uruguay Round in addressing the question of reform of agricultural and commodity trading systems, and called for participants in the negotiations (specifically Australia and New Zealand) to take full advantage of the mid-

[1] Neo-liberal ideas, termed 'economic rationalism' in Australia, began to take hold under Bob Hawke's (Labour) Government in the 1980s and early 1990s; more radical commitment to structural adjustment emerged under the government of Paul Keating from 1993-95 (Fry 1997; 317). New Zealand's 'experiment' with structural adjustment began in 1984, with the application of 'Rogernomics' (the neo-liberal economic policies of Treasurer, Roger Douglas) under the Labour Governments of David Lange and subsequently Mike Moore. It was continued, with even greater vigour, by successive National Party governments.

[2] These included the IMF, the Pacific Financial Technical Advisory Centre (PFTAC), WHO, UNDP, the European Union, AusAID, the New Zealand Ministry of Foreign Affairs and Trade (MFAT), the Japanese Development Agency, French Aid Agencies, USAID and other US agencies and ESCAP Pacific Operations Centre

term review of the Round by agreeing to early reform action, particularly in tropical products and agriculture'. The Communique recorded a New Zealand government proposal to host a meeting of Economic and Trade Ministers in Auckland later that year to discuss the GATT/Uruguay Round and other issues relating to trade and economic co-operation, a proposal which was welcomed by Forum leaders, and which suggested that this agenda item on the GATT/Uruguay Round had been brought to the Forum table by New Zealand (Forum Communique, 19th South Pacific Forum, Tonga, 20-21 Sept, 1988, SPEC (88)17; 9pp)

As proposers and hosts of the very first meeting of Economic and Trade Ministers from the Pacific Island states, New Zealand was in a strong position to shape the meeting's agenda and influence the discussion and debate. The institution of annual meetings of Ministers in the region responsible for finance, economic and trade affairs would become a key mechanism in achieving economic restructuring and trade liberalization within the region. Through such meetings, economic and trade issues could be discussed and policy positions proposed and debated. With the Australian and New Zealand governments closely involved in the GATT/Uruguay Round negotiations, direction for economic and trade policy positions would have primarily come from their technical experts on whose information and interpretations of issues the Pacific Ministers would have relied. Once regional agreement and commitment to specific policy measures had been secured through the forum of economic and finance Ministers, the progress of policy implementation could be advanced and monitored, as I shall show later.

Not surprisingly, the GATT/Uruguay Round was a key item of discussion at the 20th Forum meeting in Tarawa in 1989 which agreed 'to explore new trade and investment initiatives to promote national development'. Pacific Island leaders declared their recognition of 'the importance of the GATT/Uruguay Round of Multilateral trade negotiations' and decided that a further meeting of economic and trade ministers should address specific economic and trade issues. They also expressed satisfaction with the

Secretariat's 'strengthened capacity' to provide economic analysis and advice since the Nuku'alofa Forum meeting just a year ago[3], and directed the Forum's two committees on regional economic issues and regional trade to meet conjointly to address economic and trade issues. (Communique, South Pacific Forum Secretariat (89)19;10pp). The Tarawa Forum was the first to be followed by a post-Forum Dialogue with non-regional governments (Canada, France, the United Kingdom, Japan and the United States) and, not surprisingly, trade and investment were among the main topics discussed at this first post-Forum Dialogue.

The Communiqué from the 1990 Forum in Vila, Vanuatu, recorded that Pacific leaders took cognizance of rapid changes in the international political and economic situation, in particular the changes in Eastern Europe and the 'impending implementation of a single European Act in 1992 – all of which could have an impact on the region'. It reported that the Secretariat had been directed to monitor these developments and assist the Forum in registering its concern and interests within the international community' (South Pacific Forum Secretariat (90) 16;10pp).

A number of significant statements appeared in the Communique from the 22nd Forum Meeting in Pohnpei in 1991. Firstly, Forum Island leaders expressed concern at the 'continuing difficult economic situation' facing many island states and endorsed the view that while many issues such as economic structural adjustment needed action at the national level, there was also a key role for '*regional action*'. Secondly, they noted that while the delivery of substantial aid flows remained critically important to the Forum Island countries, greater emphasis needed to be given to *'issues involving the private sector, including trade and investment'*. Thirdly, they recognised the importance of 'continuing high level dialogue' between Forum Island Countries and the region's 'main development partners' and gratefully noted the 'firm resolve' shown by all those interested

[3] This was evidently a reference to the appointment of Gary Wiseman in 1989 to the new post of Director, Economic Division, with the role of providing policy support to economic development (Interview with Wiseman; 12 September 2000).

in South Pacific development to 'foster greater levels of co-operation, coordination and *policy dialogue'.* Fourthly, a number of important issues were identified for further development of strategic planning and policy formulation capacities.

The 22nd Forum Meeting also expressed concern about duplication and proposed that the Forum Secretariat work with other regional agencies and donors to 'develop a statement of priority programme needs for the region that could be met through collaborative regional assistance programmes complementing national activities'. It agreed that the region should continue to strengthen its links with the rest of the world and especially through groupings like the Asia Pacific Council for Economic Co-operation (APEC), formed in 1989 to encourage economic integration among countries situated around the Pacific Ocean and support the high levels of economic growth then prevailing in the Asian region, and the Pacific Economic Co-operation Council (PECC), a tripartite council of government officials, academics and business representatives, formed in 1980. It also encouraged a continuing relationship between the Forum Secretariat and the ASEAN Secretariat (South Pacific Forum Statement (91) 15:13).

The significance of these statements is that they reflected regional endorsement of economic adjustment at the national level and *regional action* to support it; support for a greater emphasis on the private sector, trade and investment in national and regional economic policy; receptiveness to continued *policy* dialogue with donors; the identification of areas for policy and programme development (including the role of the private sector and progress in the development of strategic planning and policy formulation capacities); and a strategy of regionally prioritizing programme needs, to be met through regional assistance programmes. In other words, the Communique from the 22nd South Pacific Forum reflected a coherent set of ideas about the economic policy requirements for Pacific development and the role to be played by donors. It also reflected a new orientation towards building closer economic ties with East and South East Asia, a stance which was as much connected to the widely proclaimed success of the Tiger economies and the assumed economic benefits that association with Asia might therefore bring, as it was to recent shifts in perceptions and policy positions of both Australia and New Zealand with respect to Asia. The World Bank's first Pacific report, released early in 1991, was probably the main trigger for the statements that emerged from the 22nd Forum meeting. Certainly, as an introduction to that first World Bank report, the Forum had convened its first Economic Country Development Partners Meeting soon after the report was released, at which, according to Gary Wiseman, Director of the Forum's Economic Division from 1989, the World Bank together with other donors 'made a big play about the importance....and need for reform.' (Wiseman; Interview 12 September 2000, Suva).

A year later, the communiqué from the 23rd South Pacific Forum in Honiara stressed the importance of Forum Island countries recognizing the impact of global macro-economic trends on their open economies and their susceptibility to external change. It underscored the importance of 'putting in place effective domestic economic policies' and 'recognizing the vital role that an effective private sector should play in ensuring economic growth'. The communiqué specifically stated that ' a sound investment strategy' was vital to ensuring 'the maximum development of local resources and for encouraging foreign investment in the Forum Island Countries' (South Pacific Forum Secretariat (92) 18, 21pp p8).

The Communiqué from the 24th Forum in Nauru in 1993 reflected further concern with strengthening the global economy, an objective that was now assumed to be of benefit to the Pacific region and the developing world generally. It stressed the critical importance of achieving a successful conclusion to the Uruguay Round of negotiations that year to 'give a much needed boost to the global economy". This would achieve:

> `a substantial, genuinely equitable, trade liberalizing outcome on agriculture which encompassed the expansion of existing market access opportunities and was a balanced package which took account of the specific interests and needs of developing countries' (South Pacific Forum Secretariat : 1993).

Whether all Forum Island leaders wholly understood this carefully crafted statement is unclear. Although couched in terms of equitability and alluding to the specific interests and needs of developing countries, the statement clearly articulated a desire to see trade rules determining substantial changes in the agriculture sector. Whether such changes might be detrimental to the interests of the greater proportion of the region's population, whose livelihoods depend on agriculture, appears not to have been discussed.

The 24th Forum noted the encouraging progress that had been made during the year in establishing more effective links with ASEAN and Asia/Pacific rim countries, the economic opportunities provided by the dynamic economies of East Asia, the role of APEC in 'promoting economic growth and prosperity in the Asia/Pacific region' and the importance of Forum Island countries taking maximum advantage of opportunities to participate in the APEC process through the Forum's observer status. Papua New Guinea's application to become a full APEC member was supported. The Nauru Forum also stressed the importance of putting in place effective domestic policies to strengthen performance and private sector development. It welcomed the progress made in formulating a 'regional development strategy', designed to ensure that available resources, including aid, were utilized in the most efficient manner, 'consistent with the development priorities of the countries of the region'. A proposed declaration of co-operation in the development of natural resources in Forum Island countries was noted and placed on the agenda for the next meeting.

From the communiqués issued by the Forum Island leaders between 1988 and 1993 it would seem that by the time of the 25th South Pacific Forum meeting in Brisbane in July/August 1994, Pacific Island leaders were already in agreement with the kind of policy changes demanded of them by both agencies like the World Bank, which by 1993 had produced its second report on the Pacific (details of which were outlined in Chapter Three), and bilateral donors in the region, namely Australia and New Zealand. As such, Gordon Bilney's public pronouncements on a new Pacific policy on the eve of the Forum meeting in Brisbane that year might be seen as a performance essentially for domestic consumption, playing to the gallery of Australian public opinion and intended to support the Labour government's capitulation to 'economic rationalism' at home. Communiqués are not however formal or enforceable agreements. They merely record issues which have been raised, discussed and 'agreed to' in the sense of being collectively acknowledged as important. The language in which issues purportedly discussed at the Forum were reported in the Communiqués strongly suggests that they were either written by participants or employees of the Forum Secretariat from Australia or New Zealand, or reflected the statements made by the governments of either Australia or New Zealand. In any case, although by 1993 Pacific Island governments would have been thoroughly exposed to the economic assessments and policy prescriptions of the World Bank (and their resonation in the publications of the Pacific 2010 project), in none of the Forum Communiqués up until then did Pacific Island states formally commit themselves to embarking on a programme of economic reform and to do so as part of a region-wide strategy of economic, financial and trade liberalisation. This would only come with the establishment of institutionalised annual reporting and monitoring mechanisms through annual meetings of relevant Ministers to ensure that commitments made in regional forums were indeed honoured and implemented nationally.

The Brisbane Forum meeting was the first meeting of political leaders to actually secure a number of concrete agreements. In this, and other respects, it did mark a 'turning point' in the history of the Forum and showed evidence of strong direction from Australia (Sutherland 2000a:465). As noted in Chapter Three, discussions at the 1994 Forum were focused for the first time ever on a theme, chosen by Australia, of 'Managing Our Resources'. Aside from discussing more effective management of the forestry and fisheries resources of Island States, the Brisbane Forum also discussed the more complex issue of land. The leaders acknowledged the `fundamental requirement of the efficient use of land' while recognising 'the centrality of indigenous rights and customs', the 'special relationship of indigenous people to their land', the fact that the usage of land varies from country to country, and that there was a need to prevent the degradation of land. As already noted in Chapter Three, the leaders also reiterated the 'important role' of the private sector in the 'reforms' now being undertaken in the region and called for a strengthening of the private sector 'to enable it to reach the next stage of growth' and 'play its role in full'. They expressly directed the Forum Secretariat to undertake a greater facilitating role in providing policy advice to member governments in these areas' (Forum Secretariat News, 13; 1994 pp5-8), and welcomed Australia's commitment of A $900,000 towards the establishment of a Foreign Investment Advisory Service (FIAS) office to 'support further quality investment in the region, provide assistance to improve product development and market research, and overcome non-tariff barriers to trade'.

As already mentioned, the Brisbane Forum meeting agreed, at the suggestion of Australia, to hold a meeting of Finance Ministers which would report to the 26th South Pacific Forum, and to encourage the IFIs to participate in that meeting. The Communique noted a proposal that Trade Ministers should also meet regularly to consider, inter alia, free trade arrangements within the region and means of promoting regional products and services. It also stressed the need to adopt a global perspective in regard to the development of economic policies, in particular ensuring the achievement of maximum sustainable economic returns on the region's resources, enhancing development of the private sector, responding to changing global economic conditions, increasing the level of value added production, and developing regional approaches to trade. It recorded proposed policy initiatives for consideration by the meeting of Finance Ministers. These provided, as noted by Sutherland (2000a:464), 'the framework for regional reform, broadly couched but unmistakable nonetheless for its clarity of purpose'. They included devising appropriate policy responses to maximize opportunities and minimize threats resulting from changes to the global economic environment, broadening the economic base in Forum Island countries by increasing economic competitiveness and productivity, improving the balance of payments situation in island states through the reduction of imports via the adoption of 'procurement, conservation and efficiency' policies; and improving the efficiency of the vital subsistence sector in Island states. And, according to Sutherland (2000a:464), the 'new institutional arrangements to carry the grand design forward was high-powered.

Two significant decisions made at the Leaders Retreat which followed the Brisbane Forum and which arose, again from proposals from the Australian Government, were to 'reform the Forum process to ensure greater effectiveness' and to 'restructure its Secretariat'. The latter process, according to Sutherland (2000a), was already underway but clarification of its purpose would not have gone astray. These decisions were aimed at creating the optimum conditions for both achieving focused discussion on specific issues (highlighted by a theme), securing prior political agreement on specific reforms and on a programme for implementation, and narrowing the responsibilities of the Forum Secretariat to the core business of supporting and facilitating the agenda of economic restructuring.

The impact of the new Forum process was amply demonstrated at the 26th South Pacific Forum meeting in Madang in September 1995. With the theme `Securing Development Beyond 2000' guiding discussions at both the formal meeting and the Leaders Retreat which followed it, a Plan of Action and a Vision Statement were adopted (Annexes 1 and 2 of the Forum Communique, 1995). A draft code of conduct on logging was adopted and Pacific leaders committed themselves to implementing its provisions as part of their national codes. This was not unexpected as it emerged as a follow-up to the Brisbane Forum meeting. What is not clear is whether what appeared in the Forum Communique as a comprehensive list of national economic policy measures and regionally based activities endorsed by the Forum as contributing towards the aim of securing development beyond 2000 had emerged from a full debate at Madang. Reading like a checklist for neo-liberal policy measures (with accompanying explanations), they included:

- securing the potential benefits of globalisation by enhancing competitiveness through promoting price stability (low inflation);
- avoiding artificial distortions to the prices of domestic resources (land, labour and capital);
- reducing trade taxes and import duties which adversely affect export competitiveness;
- removing implicit and explicit barriers to foreign direct investment;

- adopting and implementing the investment principles agreed to by APEC members as a signal to potential investors of the region's serious intentions to promote and encourage foreign direct investment;
- working towards implementation of trade reform measures as requested by GATT/WTO including by replacing non-tariff barriers with tariffs and setting time-frames for minimizing tariff levels; promoting trade within and outside the region by standardizing administrative procedures in areas of customs and quarantine, labeling and packaging, export and import controls, exchange controls and technical standards; and
- improving pubic sector efficiency and cost effectiveness through the rationalization of public services, policy coherence and commitment to the principle of good governance (Communiqué, South Pacific Forum (95)16:16).

Sutherland's argument that by the time the World Bank published its third report on its Pacific member countries in 1995 'the task of convincing the islands to undertake reforms had been achieved' and that the 'pleadings and urgings' of its earlier reports had given way to 'specific, sector-focused advice and even a statement of 'Priorities for Regional Actions' in the 1995 report (2000a:462), suggests an evident convergence in World Bank and South Pacific Forum thinking by 1995. It is not insignificant that by the time of the 1995 South Pacific Forum, the first Forum Finance Ministers meeting had been held and its influence was already beginning to be evident. Just three years later, in the second half of 1998, the regional reform agenda was reportedly 'well and truly in place' (Sutherland 2000a:468). What is more, between 1995 and 1998, programme lending by the ADB in support of 'economic, public sector and governance reforms' assumed a significant proportion of the Bank's lending in the Pacific (Knapman and Saldanha 1999;1). This change in 'operational focus' saw the ADB funding policy 'reform' implementation in six Pacific Island states – Cook Islands, Federated States of Micronesia (FSM), Republic of the Marshall Islands (RMI), Samoa, Solomon Islands and Vanuatu.

In the following sections I consider the restructuring of the Forum Secretariat, the institution and functioning of Forum Finance and Economic Ministers meetings, the emergence of the ADB as the lead restructuring agency and the general scope and content of national 'reform' programmes..

Restructuring the Forum Secretariat

It is argued here that the restructuring of the Forum Secretariat was a crucial and deliberate step in a multilateral, donor-driven process aimed at achieving the twin objectives of economic restructuring and governance reform. The restructuring of the Forum Secretariat followed a review and regional consultation exercise by three consultants - Savenaca Siwatibau, Director of the ESCAP-Pacific Operations Centre based in Vanuatu and a strong advocate of economic restructuring in the Pacific Island states, as shown in Chapter Three, Bruce Davis, an Australian national, a former Deputy Secretary-General of the Forum Secretariat, and at this time a senior officer within AusAID, and Makarita Baaro, a University of the South Pacific graduate in Sociology, who was at the time Secretary for Foreign Affairs in Kiribati.[4] Their report is not a public document. What emerged from its contents in the way of a re-organised Forum Secretariat, however, indicated that the intention was to streamline the Forum Secretariat's functions, and narrow its scope and programme to support the 'reform' agenda.

To appreciate the significance of the Forum Secretariat's restructuring in the 1990s, some background on its early structure and role is necessary. The Forum Secretariat was earlier called the South Pacific Bureau for Economic Co-operation (SPEC). Established by the 4th South Pacific Forum meeting in Apia in 1973, SPEC's lengthy name accurately conveyed its original purpose as far as the governments of the region were concerned. Article 3 of the Agreement to establish SPEC defined its purpose simply as: 'to facilitate continuing co-operation and consultation between members on trade, economic development, transport, tourism and other related matters'. SPEC was conceived as a 'small secretariat with tightly defined terms of reference linking it to the policy-making process of the Forum itself' (Piddington 1985;15). While the Communique from the 3rd South Pacific Forum meeting in Suva had identified avenues for the

[4] Margaret Baaro is currently Director of the Forum Secretariat's Political and International Affairs Division.

strengthening of Island economies and directed that special consideration be given to i) the development of further processing of primary products; ii) rationalisation of import substitution industries; and iii) the establishment of export-oriented manufacturing industries, SPEC's actual work in the first 15 years covered a much broader spectrum.

Serving as a contact point for outside agencies dealing with regional projects, SPEC found itself not only burdened with much 'liaising' work with donors and would-be donors, but also providing technical support for *regional* economic negotiations with donors and trading partners (Piddington 1986;30). SPEC's role in the region's first negotiations with EEC were considered by Ken Piddington (a New Zealander who served as SPEC's first Deputy Director from 1972-74 and authored an official history of the first 15 years of the South Pacific Forum) to have 'put the Pacific on the map' for a number of senior European politicians, as well as for delegates from African and Caribbean countries who were linked with the Pacific in the negotiations which produced the Lomé Convention (ibid). Writing in 1986, Piddington found that SPEC was increasingly called upon to 'service the [South Pacific] Forum on topics which [were] *political*', thereby moving into 'multilateral diplomacy' (1986:45, emphasis added). Certainly the institution played a key role in coordinating and technically supporting the South Pacific Forum's regional position and subsequent negotiations on the Law of the Sea, and subsequently on access to regional fisheries, as well as the regional negotiations for a South Pacific Nuclear Free Zone.

Solomon Islands Governor in 1979, HE Baddley Devesi, summarised the achievements of SPEC when he referred to the 'solid progress' made by governments in the region on a number of fronts, including regional telecommunications, aviation, fisheries, trade and marketing, shipping and environment (cited in Piddington;op.cit;34). Piddington's (1986) useful summary of activities undertaken by SPEC over a 12 year period (1974 to 1985) shows how diverse a range of issues were given attention by SPEC:

- studies of a regional shipping line and trade expansion, co-ordination of work on regional telecommunications, promotion of ginger and kava trade, and development of minimum wages for (Pacific) seamen (1974);

- establishment of the South Pacific regional Shipping Council, conclusion of the Taro Agreement, training and regional network study for telecommunications and signing of the Lomé Convention (1975);
- Regional Sugar Agreement; submission of first projects for regional aid to EEC, establishment of Disaster Fund, launching of a Pests and Diseases study, bulk purchasing facility study (1976)
- Law of the Sea exercise, work on regional fisheries, Formation of Pacific Forum Line, setting up of South Pacific Regional Aviation Council, establishment of SPEC Fellowships, study on industrialisation and trade expansion (1977)
- Aid for Pacific Forum Line, preparation of a regional trade agreement, study of export incentives; preparations for the renewal of the Lomé Convention (1978)
- Establishment of the Forum Fisheries Agency in Honiara and the South Pacific Trade Commission with an office in Sydney, launching of the South Pacific Regional Environment Programme (SPREP), Agreement on Association of South Pacific Airlines, approval of Lomé Projects, and regional energy issues (1979)
- Conclusion of SPARTECA negotiations and attention to problems of Smaller Island Countries (1980)
- Mission to OPEC states, implementation of SPARTECA, trade promotion and advisory service, investigation of Japanese and US markets; uniform maritime standards syllabus (1981);
- Study of the coconut industry, closer economic co-operation, rural telecommunications study, establishment of Energy Unit, completion of regional projects under Lomé, support for Pacific Forum Line feeder services (1982)
- Establishment of Pacific Regional Advisory Service, launching of Pacific Energy Programme, Appointment of Regional Handicrafts Adviser and access to NASA satellite (declined) (1983)
- Financial package for the Pacific Forum Line, South Pacific telecommunications Development Programme, negotiation of a South Pacific Nuclear Free Zone, Regional Chambers of Commerce Association, newsletter on Trade and Industry Scene, water supply projects, Convention on environmental issues (1984); and
- Regional transport survey, Short Term Advisory Services, regional handicrafts, Development Planners' meeting, trade information and EEC-funded energy projects (1985)

By the mid-1980s and into the early 1990s, the Forum Secretariat was also running programmes for Island member states of the South Pacific Forum through a number of 'specialist' divisions including civil aviation and maritime services, telecommunications, economics and trade, and legal/political services. According to one of its former professional staff, professionals within these various divisions functioned more as coordinators and facilitators of Forum Secretariat programmes run within each division rather than as technical advisors to the member governments. When technical assistance was required, consultant specialists were usually engaged.

The Directorship of SPEC and later the Forum Secretariat has always, by convention, been held by a Pacific Islander (namely, Mahe Tupouniua of Tonga, Gabriel Gris of PNG, Henry Naisali of Tuvalu, Iremaia Tabai of Kiribati, and until December 2003, Noel Levi of Papua New Guinea). Also by convention, until Tabai's term when the posts were opened for merit-based appointment, Assistant Directorships had been filled alternately by an Australian or a New Zealander. Australians and New Zealanders ordinarily also filled a significant portion of the professional and technical staff positions within the Forum Secretariat (and earlier within SPEC), giving the region's two major donors avenues of influence as well as access to information. As the major funders of the Forum Secretariat (and other regional institutions)[5] Australia and New Zealand of course had good reason to be interested in the streamlining and more effective performance of the Forum Secretariat. In 1995, Australia successfully lobbied to get an Australian (a former head of its official aid bureau, AIDAB) appointed to the Secretary-General's position within the South Pacific Commission (SPC), ignoring a longstanding convention within the SPC that the post be filled by a Pacific Islander. This evidently reflected a concern to improve efficiency and better financial management of the SPC through the introduction of management

[5] Australia is not only the main donor to many Pacific Island states, it is also, as Fry points out, the principal funder of regional institutions (Fry 1996:3). New Zealand provides 37.7 percent of the Forum Secretariat's core budget as well as extra budgetary funding for additional staff. In 1997/98 this totalled $2.6 million, with a further $160,000 provided for a trade study, a review of the South Pacific Trade Commission and Customs harmonisation (Government of New Zealand 1998:19).

reforms, driven by a reform leader. It also represented a strategic move to advance the project of changing or re-forming Pacific Island thinking and practice.[6]

A physical takeover of the Forum Secretariat, to re-form or re-model it in the image of economic rationalist ideas of functional efficiency, was evidently not considered necessary, or politic, at this time. Unlike the SPC, the government leaders who made up the South Pacific Forum, together with the staff of the Forum Secretariat, had already fully embraced the thinking and ideas that lay behind economic restructuring and public sector reform, as evidenced in the account by Sutherland, who was Deputy-Director of the Forum Secretariat during the period in which the institution's restructuring took place (2000a). The engagement of Savenaca Siwatibau, a leading advocate of neo-liberal policy 'reform', to lead the exercise of reviewing the Forum Secretariat with a view to restructuring it, was sufficient.

As former Governor of the Reserve Bank of Fiji – formerly the Central Monetary Authority - (1981-1988), and prior to that Permanent Secretary for Finance in Fiji, Siwatibau was a well known, highly-respected and influential finance specialist within Fiji and in the Pacific region more generally. Siwatibau had been an alternate Governor for Fiji in the International Monetary Fund between 1972-78 and 1981-88, and an alternate Governor for Fiji in the Asian Development Bank (1972-78 and 1981-88). He had headed Fiji's negotiating teams in loan negotiations with the World Bank and ADB, led Fiji delegations to numerous international meetings including annual meetings with the IMF and the World Bank, annual meetings with the ADB and UNCTAD meetings, and had had an attachment at the IMF headquarters in Washington. Since 1991, Siwatibau had also been chair of the World Bank's International Finance Corporation's (IFC's) South Pacific Project Facility (SPPF), based in Sydney. He was chair of the NCDS's Advisory Board

[6] Ironically, the New Zealand government apparently had similar intentions of capturing the leading position with the SPC as it put forward its own candidate for the post, a Maori and NZ's High Commissioner in Honiara at the time. The competition between Australia and New Zealand for the SPC post reportedly caused a temporary (and amusing) rift between them, rupturing their usual joint approach to dealing with the South Pacific (Fry 1997;322).

between 1988 and 1993 and a Regional Board member of the NCDS's *Pacific Economic Bulletin*. Siwatibau's significance as the lead member of the review team lay mostly in the fact that he was an ardent advocate of economic restructuring.[7]

According to Gary Wiseman, who left the Forum Secretariat shortly before the restructure took place, the restructure aimed to make the Forum Secretariat more policy-oriented rather than technical:

> 'I wasn't around [by then] and so don't understand why or how they [restructured], but [I think] what they wanted was to focus the work more - they wanted it to become more a policy agency of the Forum and not just a technical [agency]...and part of that was, I think, driven by a desire to make a bigger difference between the South Pacific Commission and the Forum, but also to identify the difference between the Forum and SOPAC and SPREP and other agencies which are seen as more work programme, technical agencies. The Forum Secretariat was seen more as the Secretariat to the supreme organisation, so as a consequence they narrowed the focus to three main areas: legal and political, trade and investment, and economic policy. So this changed the status of the organisation. Whether it changed their work all that much I don't know. But the primary aim was to try and get them working more upstream, as they say' (Wiseman; Interview, 12 September 2000, Suva).

The restructured Forum Secretariat focused on three broad programme areas: development and economic policy, political and international affairs, and trade and investment. Its 'corporate objectives' clearly reflect the new role it was to play: (i) to implement the directives of the Forum, to disseminate its views and to represent its concerns effectively; (ii) to provide secretarial and support services to the Forum and its 'associated bodies'; (iii) to provide 'quality advice and analysis' to the Forum and its members, coordinating where necessary with other agencies; and (iv) to implement regional policies and programmes that support the priorities of the Forum countries

[7] In 1997 Siwatibau sought and gained the position of Chair of the University of the South Pacific's (governing) Council; in 2000 he was appointed Vice Chancellor of the USP. Under his chairmanship of the USP Council, Ministers of Education were exposed to 'economic rationalist' thinking through the latitude given to the Australian and New Zealand university representatives to express their views in council meetings (Pers. comms. from USP staff representatives on the USP Council).

(South Pacific Forum Secretariat Annual Report 1997/98;3).[8] In 1997-1998, the Forum Secretariat worked actively with member countries '*to adopt and promote Forum positions by arranging technical assistance to members* (e.g. in their implementation of the Forum Economic Action Plan). It also prided itself on having provided member countries with 'the highest possible quality of support services' at Forum (and associated) meetings' (ibid), wherein its 'performance benchmarks' included 'having the best quality policy documentation for these meetings issued to members at least six weeks prior to the meeting, and ...[producing] meeting outcome documents as early as possible during the meetings themselves' (ibid). As tellingly acknowledged in its 1997-1998 Annual Report, however, 'much of this analysis and advice [was] prepared in collaboration with other regional and international organisations' (ibid;3; emphasis added).

Thus was the Forum Secretariat restructured and its mission redefined to support the implementation of regionally-determined policies, promote Forum views, and expedite results from Forum Finance and Economic Ministers Meetings. Its reincarnation as a streamlined, efficiency-oriented, policy advisory service saw it providing policy advice through official circulars and documents for regional meetings, and through in-country consultations with all member countries. Although the range of key policies that emitted from Forum and associated meetings covered areas such as security co-operation, climate change, negotiating with the EU as part of the ACP group, and aviation policy, the main focus was on the fiscal, governance and trade 'reforms' which were the outcomes of the Forum Economic Action Plan.

[8] Other corporate objectives include promoting sustainable development of the region 'in the interests of its people', encouraging regional cooperation and partnerships, foster a commitment to excellence among Secretariat staffand manage the resources of the Forum efficiently and effectively so as to provide the best possible service to Forum members.

The Institution of Forum Finance and Economic Ministers' Meetings

From 1995 onwards regular meetings of Forum Finance Ministers – from 1997, Forum Economic Ministers Meeting (FEMM) - effectively charted the course for the systematic implementation of a programme of structural adjustment in the region. South Pacific Forum meetings from 1995 were clearly being provided with direction and leadership by this grouping of Finance (and after 1997 Economic) Ministers.

The institution of this strategic political mechanism involving the political heads of national Treasuries would prove extraordinarily effective in advancing economic, financial and trade liberalization within the Pacific region. Meetings of Finance Ministers functioned as a sub-council of the Forum, carrying out advance planning of national economic and trade policies for implementation across the region. Later, through reporting mechanisms that were adopted, they engaged in monitoring policy implementation. The institution of Finance Ministers meetings also effectively moved national economic planning and decision-making beyond the domain and purview of national constituencies. The fact that International Financial Institutions were encouraged to participate in these meetings opened them to the direct policy influence of representatives from the World Bank, the IMF and the Asian Development Bank. The leverage given Finance Ministers by this regional mechanism for deciding national economic and trade policies also facilitated the takeover of national planning functions by Finance Ministries within states. The resultant Finance Ministry or Treasury driven state, focused on narrow notions of good governance and occupied with balancing the national budget and financial accountability is not, however, an incidental outcome of the process, as will be later shown.

Convened six months after the Brisbane Forum, held in Suva and financed by Australia, the first meeting of Finance Ministers of the region 'sought to improve overall economic management' and 'identified structural reform as a vital element in improving competitiveness and efficiency (Forum Finance Ministers, 1995). Interestingly, the meeting recognized 'structural reform' as an issue of 'high political sensitivity' and the need for 'mechanisms ...to protect the reform process from being undermined by temporary improvements in economic circumstances'. It also recognized the need to determine `the appropriate roles and size of the public service' since this was `fundamental to successful reform' (South Pacific Forum, 1995/6).

The second meeting of Forum Finance Ministers, held in December 1995 in Port Moresby, considered a paper on the 'Experiences of 'Reform' in Selected Pacific Island Countries' and urged Forum Member states not to delay implementing necessary reforms until they were 'forced to do so by economic crises or external pressures'. The Ministers identified 'performance or output based budgeting', corporatisation or privatisation of public enterprises, accountability and transparency, and investment regimes as areas requiring further policy reform work. The following summary of the Finance Ministers' decisions on investment and trade illustrates how effectively the mechanism of Finance/Economic Ministers meetings would work, in tandem with the Forum Secretariat, to advance structural adjustment regionally:

> `Member countries were urged to increase the transparency of their investment regimes based ' based on the APEC non-binding investment principles' and the Ministers *committed their governments* to providing to the Forum Secretariat comprehensive statements on their investment policies. The Secretariat would monitor progress on efforts at increasing transparency and report to the next Forum meeting ...in 1996. Additionally, the Ministers also agreed to a study of the contribution of tariffs to national revenue [and to the results being] presented to the next Forum meeting *'with a view to embarking on planned approaches to reductions in tariff and non-tariff barriers to trade in the medium term'* (Sutherland 2000a:465; emphasis added).

Interestingly, the meeting also agreed that reforms needed to have a strong delivery component to minimise possible negative social impacts and build popular support, and that the community should be drawn into a consultative process covering the reasons and scope for public sector reform, *to impart a sense of national ownership* (Joint Statement of SPF Finance Ministers 1995;cited in AusAID/NZMFAT:4; emphasis added).

Pleased with the progress made by the second Finance Ministers Meeting in 'defining a practical, regionally-focused, economic reform agenda', the 1996 Forum meeting at Majuro agreed that Ministers with 'appropriate economic portfolios' be included in these regular meetings of Finance Ministers in order to expand its agenda 'to cover the breadth of economic issues'. Accordingly, Finance Ministers Meetings became Forum Economic Ministers Meetings (FEMMs) and were formally charged with practically defining the regional reform programme.

At the first FEMM held in Cairns in July 1997 regional Ministers reported on progress in meeting reform commitments given at the last Finance Ministers meeting and renewed their commitment to advancing implementation of the reforms. The meeting formulated a Forum Economic Action Plan in line with directives given at both the 1995 (Madang) and 1996 (Majuro) South Pacific Forum meetings. Through this Action Plan, specific guidelines on tariff policy requirements were laid down and the Ministers agreed to hear reports at the next meeting on progress achieved in developing 'open, liberal and transparent investment policies consistent with APEC non-binding investment principles'. The Forum Economic Ministers also committed themselves to achieving this before the end of 1998, in line with the decision of the Majuro Forum. Moreover, the Ministers agreed that their next meeting should address 'practical impediments to investment' (including land tenure, foreign exchange risk and double taxation) and the 'acceleration of tariff reduction for agreed sectors and for goods and services typically traded within the region' (Forum Economic Ministers Meeting 1997). The Cairns FEMM mandated the commissioning of a report on free trade options for the Forum Island countries, which was undertaken the following year by Auckland-based APEC Study Centre Director, Robert Scollay (Foundation for Development Cooperation: 2001).[9]

[9] A senior lecturer in the Economics Department at Auckland University, Scollay's recent visitorships include the Institute for International Economics (IIE), UNCTAD (Geneva), Bocconi University (Milan), Universidad del Pacifico (Lima), and the Institute of Southeast Asian Studies (Singapore). He is the New Zealand convenor of the Trade Policy Forum of the Pacific Economic Cooperation Council, and has undertaken consultancies for, inter alia, the World Bank, UNCTAD, ESCAP, and the Commonwealth Secretariat.

The Cairns FEMM also discussed public accountability and adopted eight 'best practice' principles of budgetary processes. These included multi-year frameworks to ensure Parliament/Congress is sufficiently informed to understand the long-term implications of appropriation decisions; prompt and full auditing and public disclosure of the accounts of government and state-owned enterprises; Auditor General and Ombudsman to be provided with adequate fiscal resources and independent reporting rights to Parliament/Congress; the presentation of loan agreements and guarantees together with full information of their implications to Parliament/Congress for endorsement; and open, competitive, transparent and publicly announced advertising and awarding of government/public sector contracts (ibid). This inclusion of what would come to be generally termed 'governance issues' in the 'reform' agenda is significant, reflecting the World Bank's launch of a discourse on governance with the publication in 1993 of *Governance: the World Bank's Experience*. The application of 'governance' concepts to the South Pacific had already begun with the holding of a joint British Overseas Development Administration (British ODA)/NCDS workshop in 1995 in Canberra on the subject of governance and good government in the South Pacific, and a follow-up 'Governance in Melanesia' research project launched by the NCDS (NCDS 1995).[10] Both the accountability principles adopted by the FEMM and the Economic Action Plan it formulated were subsequently endorsed by the 28th South Pacific Forum meeting in Rarotonga in September that year, providing the conceptual foundations for national 'reform' programmes that were, by then, just getting underway.

The second FEMM, held in Nadi in July 1998, reviewed and extended the Forum Economic Action Plan adopted in Rarotonga the year before to include: specific recommendations for Forum endorsement in relation to undesirable financial activities, the

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[10] The Canberra Workshop identified three meanings of governance: as capacity, as democracy and as coordination (Larmour 1995). These meanings were applied in three subsequent NCDS studies - a pilot study of policy processes in Tuvalu in 1995, an AusAID study on the role of Trust funds in development, and a related study on governance and the political process in Kiribati (ibid).

promotion of competitive telecommunications markets, and the development of information infrastructure. Significantly, the Forum Secretariat was also directed to assist members to further develop a framework for achieving a free trade agreement among Forum members which pays due regard to 'the benefits to be attained by preferential and non-preferential approaches (taking into account the need for WTO consistency) and the differing speeds at which Forum island countries may be able to proceed with preferential and non-preferential liberalisation'. A meeting of Forum Trade Ministers was to be convened to review the work undertaken under a free trade framework and to make recommendations to the Forum (Forum Secretariat 1999a).

What is extraordinary about the above reports of the meetings of Finance and Economic Ministers, and indeed of the South Pacific Forum meeting held in the same period, is the complete consensus among the Pacific's government leaders that they appear to reflect. Such agreement on economic, finance, investment and trade policies among so diverse a grouping of states seems inconceivable and might be partially explained by the impact of accompanying processes at work at the national level to secure consensus and agreement on economic policy. The first hint of a divergent view and of some misgivings about the philosophical or normative foundations of structural adjustment did not emerge until the Forum meeting in Rarotonga in 1997, when Cook Islands Prime Minister at the time, Geoffrey Henry, addressing the theme of "Reform, Human Values and Togetherness', suggested that Pacific cultural values and norms should provide the premise and foundation of the reform process'. The following year, stronger criticism of economic restructuring, its underlying ideas and its economic advocates was vented by Federated States of Micronesia (FSM) President, Jacob Nena, who, when opening the 29th South Pacific Forum in August 1998 in Pohnpei, sounded a warning against 'jumping on the bandwagon of the latest development initiatives' and seeking economic growth for its own sake, rubbished economists, and reminded other Island leaders of the broader Pacific notion of prosperity:

> 'We, as Forum Island Leaders, should not reform just for the sake of reform. There is a risk on our part of jumping on the bandwagon of the

> latest development initiatives or fad to reap the perceived benefits of donor assistance....we must not fall into the trap of encouraging economic growth for growth's sake alone and at the cost of important aspects of true Pacific prosperity. Remember that economists have jokingly been described as that group of professionals who know the price of everything and the value of nothing. Of course we can benefit from those economists who understand that prosperity means more than material wealth' (Nena 1998, cited in Sutherland 2000a:474).

Nena's criticism's notwithstanding, the theme of the Pohnpei Forum, *'From Reform to Growth: The Private Sector and Investment as the Keys to Prosperity'*, which encompassed the idea that economic reward would follow the pain of adjustment if the right investment policies were put in place, was in close agreement with the thinking of World Bank economists who in 1993 began advocating a 'development partnership' between the state and the private sector in the Pacific to achieve 'efficient and sustainable growth' (1993:37). The Communique from the Pohnpei Forum indicated complete agreement with the idea that the private sector and investment were keys to economic growth. They agreed to 'ensure macro-economic stability by improving fiscal discipline, further progressing public sector reforms, and broadening the tax base' (Forum Communique 1998;1). The meeting stressed the need to 'introduce a wide range of policy, legal, regulatory and institutional reforms' to provide the private sector with 'a more favourable and competitive business environment' (ibid). Various formal presentations to the meeting reinforced the main theme of the Private Sector and Investment as Keys to Prosperity. PNG's Prime Minister spoke on 'Reform and the Private Sector: Experience to Date'; the Presidents of Kiribati and Palau on 'Fisheries and Tourism: Key Sectors for Private Investment and Growth'; the Prime Minister of Tonga spoke on 'Education – Capacity Building for Private Sector Growth'; and the Minister for Foreign Affairs of New Zealand delivered a presentation on 'Banks as the Engine of Growth in the Private Sector'.

Nena himself somewhat schizophrenically concluded his opening address by emphasising the 'compelling need for widespread and continuous public education, consensus-building and collaborative design and implementation among affected parties in the reform process' adding, lest he be misunderstood, that

> `[T]his is not an excuse to avoid painful, unpopular but ultimately necessary reforms. It is simply a recognition of the fact that there is no way to sustain reforms that have been implemented in an ad hoc fashion or that have failed to go through a public vetting process' (Nena 1998)

Taken together, Nena's statements of criticism and concluding words of advice might be interpreted as reflecting critical opinion within parts of the region that may well have been privately shared by Pacific government leaders but which could only be tentatively expressed in the context of what had evidently become dominant thinking within the Forum. His concern with 'sustaining reforms' both through public education and public vetting processes might also have reflected the considerable flack that national governments had by 1998 begun to receive within their domestic political arenas as a direct consequence of the negative impacts of national economic restructuring policies.

Outside the formal meeting, Steven Halapua, Director of the Hawaii-based Pacific Islands Development Programme, openly criticised the Forum leaders' economic action plan for 'creating false expectations', and aid donors for pressuring Island nations with 'unrealistic growth targets'. And the NGO Parallel Forum, which had been organising parallel meetings since 1995, declared that the economic plan was based on 'narrow' and 'fundamentally flawed' economic models 'which take little or no account of the central importance of systems of customary land tenure and the ... subsistence economy of Pacific peoples' (cited in Sutherland 2000a:473-474). A representative of GATT Watchdog who participated in the Parallel Forum leveled strong criticism at the New Zealand Government for promoting policies in the Pacific region which had been 'tried, tested and had failed' to benefit the majority of New Zealanders:

> `Especially [worrying] is the way in which [New Zealand's] commitments to Pacific Island nations are being made conditional on the willingness and speed with which governments adopt economic reforms (sic) in line with New Zealand's free market prescriptions' (GATT Watchdog Media Release 1998, cited in Sutherland 2000a:474).

In the same year, dissenting voices were being recorded elsewhere in the region. Marshall Islands Finance Minister de Brum, expressing irritation at the over-weaning role of the Asian Development Bank, was quoted in the local daily as saying "Just because someone comes in from outside and tells us to jump, we don't have to respond 'How High? (AFP Majuro, 17 November 1998, cited in Roderic Alley 2000).

The expression of dissenting views both within and outside of the Pacific Islands Forum would lead the Forum Secretariat in subsequent years to pay far greater attention to public opinion and critical appraisals of the economic restructuring agenda. Amongst other things it led to the commissioning of social impact studies in four Pacific countries and the convening of regional consultations on economic 'reform' in which NGOs were invited to participate. In 1998, four social impact studies of economic reform (covering the Cook Islands, Marshall Islands, Samoa and Papua New Guinea, were undertaken. In February 2000, the Forum Secretariat held an unprecedented regional government and NGO consultation on Gender and Economic Reform. Financed by a number of 'reform'-supporting donors, and aimed at making 'economic reform' more effective by addressing gender issues and concerns, the consultation ironically provided an opportunity for the sharing of compelling evidence of the adverse effects of economic restructuring from other countries in the developing world. Two years later, the Forum and Commonwealth Secretariats co-convened a regional symposium on the gender, social and economic dimensions of the multilateral trading system. [11] The symposium followed several public statements criticising the Forum Secretariat's role in promoting trade liberalisation issued by a new Fiji-based NGO called the Pacific Network on Globalisation (PANG).

[11] Held in February 2003 in Suva, the symposium which aimed to improve understanding of trade and gender issues and promote increased involvement of women in trade development (Tavola 2003), was another occasion for the expression of doubt about the virtues of free trade by Pacific Island government and NGO participants alike, albeit only within the privacy of small group discussions. One participant, a Niuean farmer who has been successfully producing vanilla for export, shared her very real worries about her government's grant of a lease of 100 acres of land to a foreign (Korean) investor for vanilla production. In the interests of local participation the investor was required to take on a local partner, but the large scale agribusiness project was, she said, likely to put existing small-scale vanilla producers like herself.

Within the Pacific Islands Forum itself, dissent continued to be expressed from time to time, such as in 2001, when, Sani Lakatani, Prime Minister of Niue, made a pointed statement about the loss of sovereignty for small island nations in an emerging `new order of colonialism':

> `Small island nations are vulnerable and practically of no consequence when it comes to combating the adverse effects of globalisation and what is emerging is a new order of colonialism. The uneven distribution of wealth and power points to the potential loss of sovereignty by national governments as the control of their respective economies becomes more subject to global forces such as multinational companies and the pressure of the select global brotherhood' (cited in Choudry 2002).

I turn now to consider, in some detail, the elaboration of the multilateral approach to implementing national programmes of economic restructuring between 1995 and 1998, and the general content of these programmes. I will mainly look at the lead role of the Asian Development Bank.

The Collective Endeavour to Re-form Pacific Economies

The inclusion of IFI representatives in the annual meetings of Forum Finance (and Economic) Ministers from 1995, at the suggestion of the Australian Government, had placed donor agencies and international financial institutions in a strategically advantageous position to both persuade key economic policy makers to undertake restructuring, and to follow up policy advice with firm offers of financial and technical assistance to facilitate implementation of 'reform' policy decisions at national level. More importantly, it facilitated the development of an integrated, multilateral approach to re-forming Pacific economies and states. The high-level of coordination and collaboration in designing and implementing economic restructuring in the Pacific Island states achieved between 1995 and 1998 was grounded in what the Asian Development Bank (ADB) described as a consensus among donors in respect to development assistance to the Pacific Island states:

> `Co-ordination of external assistance has been at a high point in the Pacific over the last four years, mainly because a consensus has evolved on some basic development strategies. It is now generally accepted that the primary focus of development assistance at this point in time must be to help PDMCs to get their economic policies and governance institutions in order. Most bilaterals have ... supported the important leverage role of the multilaterals with respect to persuading governments to reform their policies and introduce good governance measures' (Knapman and Saldanha 1999:9).

The political neutrality and considerable financial and technical resources of the ADB favoured it as the lead designer/coordinator and financier of economic restructuring within the Island states of the Pacific, as evinced in the following explanatory note provided in the report of a joint Australia and New Zealand government review of the ADB's role in 'Regional Reform', undertaken in 1998:

> `Bilateral donors are unable to respond in the same way [as ADB] because of historical links with Pacific Governments or inability to mobilise sufficient resources and the broad range of expertise required to address financial management, macro economic policies, public service restructuring, debt, legislative and governance issues as well as the social impact of reforms' (AusAID/NZMFAT 1998;1).

A shift in the ADB's strategic focus for Pacific Developing Member Countries in October 1995 to accommodate the lead role it was to assume for macro-economic policy reform in the Pacific Islands states may well have been a consequence of Australian and New Zealand Government intervention. Both governments, out of a concern to 'foster a high level of coordination and collaboration' had commissioned a joint review of ADB's technical assistance programmes in 11 Pacific Island countries in 1995 (AusAID/NZMFAT; 1998;1). This followed the creation of an Office of Pacific Operations (OPO) within the Bank's Manila-based Headquarters in January 1995. The subsequent shift from 'sector and project lending' to 'support for macro-economic stabilisation and structural adjustment, and public sector and governance reform' (Knapman and Saldanha 1999;1) saw the ADB take on the role of supporting government policy reform efforts through the provision of Public Sector Reform Programme Loans and chairing new Consultative Group processes in the Marshall Islands, the Federated States of Micronesia (FSM) and Cook Islands (Terms of Reference, Joint Australia/NZ Review 1998;38). By 1999, ADB was designing and underwriting restructuring programmes in no less than seven Pacific Island states with the support of bilateral donors, namely New Zealand (in Cook Islands and Samoa) the United States (in FSM and Marshall Islands), Australia (Solomon Islands), France and the European Union (Vanuatu and Solomon Islands).

A clear statement of the Bank's objectives and strategies for its PDMCs appears in its paper, *Strategy for the Pacific: Policies and Programs for Sustainable Growth*, published by its OPO in January 1996: 'The overall objective of Bank assistance for the region has been and will continue to be the improvement of living standards through sustainable economic development' by 'ensuring that better policies are put in place at both the macro and sector levels' (cited in AusAID/NZMFAT 1998;3). Among the key factors identified in the *Strategy* paper as necessary for economic development were: public sector reform, private sector development, improved resource management, human resources development and supporting physical infrastructure (ibid). Among the key constraints it proposed to address were: large public service - low efficiency; public enterprise inefficiency; inappropriate government policies for the private sector; lack of institutional capacity to provide clear and consistent policy directives; lack of effective systems of accountability; and weak information flows between the government and the general public (ibid).

The following account by Knapman and Saldanha (1999), economists within the ADB's OPO, provides useful insight into the Bank's view of what precipitated the programme of 'reforms' within Pacific member countries:

> `While the 1970s may be broadly described as the 'decade of independence' for the Pacific, the 1980s were substantially the 'decade of big government'. Government expenditure as a percentage of GDP grew

> to one of the highest in the world, assisted by high aid inflows. Unfortunately the quality of economic management did not always keep pace with the growth in expenditure, and concern grew over the 'Pacific Paradox' – low rates of economic growth despite high levels of foreign resource inflows and high rates of investment'. Paradoxical or not, the failure of output growth to outpace population growth was the fundamental development problem addressed in the 1995 South Pacific Forum plan of action, which consisted of a range of economic and public sector reforms aimed at promotion of sustained growth. Urgency was added to reform efforts in a number of PDMCs [Pacific Developing Member Countries] in the mid-1990s, owing to the rather sudden development of macro-economic instability. Fiscal crises catalysed a wave of reform initiatives across seven of the 12 PDMCs being assisted by the Bank' (Knapman and Saldanha 1999:2).

Knapman and Saldanha's references both to the World Bank's 'Pacific paradox' analysis, and to an anticipated population crisis (as per the NCDS's Pacific 2010 analysis), illustrate well the tendency of 'reform'- advocating agencies to cite one another's texts, ideas and concepts. Indeed in several references - e.g. to poor economic management and unwarranted public sector growth leading to unsustainable budget deficits, to expanding public sectors 'crowding out' private investment, to declining external aid - their words so closely echo those of the World Bank and/or NCDS that their report can hardly be considered an independent assessment.

There are other familiar echoes in Knapman and Saldanha's report. They pointed to actual or anticipated fiscal crises as the principal trigger factor in all Pacific countries which had submitted to economic restructuring programmes financed by ADB. While advancing the view that, ideally, developing countries in the Pacific should not 'await the onset of an economic crisis to initiate the reform process' since delaying reform until a crisis hits limits the scope of options available to a government and 'necessitates drastic action' rather than 'carefully phased and sequenced initiatives', they admitted that in all cases but one (Samoa), restructuring did follow a crisis. And that it was the crisis which presented donor agencies with the opportunity to make help conditional upon the adoption of economic restructuring policies. Indeed they revealed that not only were crises central to triggering reform, they were also the keys to achieving public acceptance of the necessity of 'reform'. In Cook Islands, Solomon Islands and Vanuatu, they said, the crises were so severe that 'it was not difficult to catalyse public support for the reform process'.

The ADB's view of what it has been doing appears disinterested and technocratic, its interventions presented as necessary responses to restore macro-economic stability in Pacific Developing Member Countries facing fiscal crises. In the words of Knapman and Saldanha, the response to crisis by Pacific Island states and donors usually followed a pattern:

> '... the first step of government has been to appeal to external funding agencies for initial and urgent fiscal support to tide over the crisis. Such agencies, including the Bank, have taken the opportunity to engage the government in examining the root causes of the fiscal crisis, viz. economic policy and management, poor governance and an out of control public sector. In most cases this process has culminated in the preparation of a reform framework that includes a conditionality matrix covering the key factors that need to be addressed (in the case of Cook Islands, RMI, FSM, Vanuatu) or a more informal meeting (as in the case of the Solomon Islands) at which the government and external funding agencies have agreed on the framework for reform and related external support' (1999:6).

In all cases except Samoa, the design of the reform programme was preceded by an economic report produced by the Bank providing comprehensive economic data and an analysis of the state of the economy. The finalisation of such economic reports, which established the conceptual basis for the reform programme, provided an opportunity to engage the government on the critical factors affecting economic stagnation and deterioration, and on stabilisation and adjustment options (Knapman and Saldanha 1999;6-7). The ADB's account of the 'typical process of design' of a national restructuring programme highlights four distinct phases:

> '(i) An initial consensus within the country on the need for reform, with the polity crystallizing this consensus into a national reform action plan; (ii) the formation of task forces or reform committees to oversee and guide the reform process; (iii) negotiation with the Bank and other

> external agencies on time-bound reform commitments in exchange for budgetary and TA [technical assistance] support; and (iv) the fielding of teams of external consultants to support the reform process and related capacity building' (Knapman and Saldanha 1999;9).

Usually three preparatory missions were required prior to finalising negotiations and documentation of a 'reform' programme (ibid). A significant factor in achieving success in negotiations according to Knapman and Saldanha was having 'a high level of trust between the Bank's staff and government (p10). While it was mainly macro-economists who comprised Bank's negotiating teams, the specific expertise of the lead Bank officer was not, they said, as important as 'understand[ing] the workings of government ....[having its] trust and respect ... and [being] equipped with strong analytical and communication and negotiation skills' (p11).

Once a reform programme loan was signed and sealed, the successful implementation of reform policies depended critically on 'the involvement and ownership of governments and participation of key stakeholders in the design process':

> 'The stronger and more sustained the ownership of reform programmes, the greater their credibility, the more effective their implementation and the greater the likelihood that reform-related changes will be durable. The World Bank Operations Evaluations Department has established that the extent of ownership predicted the satisfactoriness [sic] of programme outcomes in three fourths of all cases, with most deviant cases explained by exogenous shocks' (World Bank 1992, cited in Knapman and Saldanha 1999;7).

The usual means of achieving what the Bank calls 'participation and ownership' has been through national summit meetings (Cook Islands, Vanuatu, FSM and Fiji). These have played a critical role, according to Knapman and Saldanha, in engendering national consensus on the need for reform, thereby enabling governments to 'proceed with reform agendas that would otherwise have been unpalatable to the general population.' Summits, they said, presented opportunities (in Cook Islands, FSM and Vanuatu) for representatives of the people to not only 'express their unhappiness with the state of governance', but to 'vent their frustrations with continued misgovernment' (ibid;13). The value of these exercises of setting governments up to receive strong public criticism and of giving 'representatives of the people' an understanding that they were being consulted and listened to, was that they softened up governments and national constituencies for 'reform'. In Knapman and Saldanha's words: 'the messages offered were accepted and provided a strong basis for developing and ensuring public acceptability of the reform programmes' (ibid;13).

Knapman and Saldanha claimed that there was/is strong ownership in all 'reforming' Pacific countries except two. The two exceptions are the Republic of Marshall Islands where, following the unexpected death of the President late in 1996, the reform programme began to be presented as an 'external imposition' with the result that there was now 'much questioning by politicians and officials of the merits of reform strategies'; and FSM, where ownership of reform had previously been high but had fallen as the political and social costs of reform had risen. In Solomon Islands, national consensus was so strong, they said, that it had brought to power a government elected on a reformist manifesto (Ibid;8).

As significant as summit meetings for engendering ownership and participation was having a 'champion or group of champions of the reform process'. In all six Pacific countries being supported by the Bank, 'the top political leadership championed the reform and thus engendered strong political and public commitment', thereby fostering strong political and public commitment (ibid;9). In Cook Islands and Vanuatu bipartisan support was achieved. This meant that support for the 'reform' programme was elicited from both the governing party/ies and the opposition party/ies, thereby protecting the reform programme from being backtracked by a new government.

The immense value of ownership and bipartisan support was demonstrated in the case of Vanuatu. The ADB considered Vanuatu's Comprehensive Reform Programme (CRP), for which it approved a $20 million loan in June 1998 (with a further $1.2 million allocated for technical assistance to institutionally strengthen the two agencies implementing the CRP[12]) as its most broad-based and comprehensive national reform programme to date, including as it does issues of governance, community participation, social and gender issues in the 'reform' programme, and successfully engaging a broad cross section of society in 'owning' and 'participating' in the reform process. In 2000, Vanuatu Prime Minister Barak Sope, who came to power through a regime change resulting from a realignment of party representatives within the national parliament, strongly endorsed the CRP that had been initiated by the previous government at the first ever South Summit of the Group of 77 in Havana, Cuba, in April 2000, claiming that it was to 'better serve the needs of the Vanuatu people, *particularly the most vulnerable and disadvantaged sections of the country's population, most of whom live in rural areas'*. Sope added that the CRP was 'revived by the nation each year to make sure that it is progressing on the basis of national interests *as defined by us and nobody else'* (Pacnews; Thursday April 20,2000;emphasis added).[13] His elaborated comments might be read as critical and wary of the interests of those financing and driving 'reform processes', or simply as radical rhetoric, intended for the Havana audience of G77 leaders:

> `This reform process can be painful and costly to our nation in the long term – politically, economically and socially – especially if driven and directed by the short-sightedness and selfish interests of industrialised countries and/or multilateral agencies. [The reform process should] not be used as a means to disregard our rights as sovereign nations or to interfere with our national affairs, and to make [sic]our domestic policies whether it be financial and fiscal policies, education and health policies, or regional development policies...It must not be used to

[12] These agencies are the new Department for Strategic Management and Ministry of Finance and Economic Management (Knapman and Saldanha 1999;143).

[13] The view of the CRP in Vanuatu as locally inspired and defined is a widely shared view amongst Ni Vanuatu. In 1998, the late Grace Molisa, then President of the Vanuatu National Council, told a regional women's meeting which discussed globalisation and economic restructuring which the reasearcher attended, that Vanuatu's reform programme was 'different from others' in that 'we invited it upon ourselves'. She later conceded however that ' the end result could be the same as elsewhere – we are using the same language and what I heard yesterday [from other participants on their national 'reform' programmes] is what is happening' (Pers. notes, DAWN Regional Pacific Meeting, Apia, Nov 9-12 1998).

interfere with the independence of our parliamentary and judicial rules and processes' (ibid).

Sope's references to interference with the independence of parliamentary and judicial rules and processes was interesting especially as `supporting legislative reform of the role of parliament and the public sector' was expressly stated as an area of emphasis in relation to governance in the ADB's 2001 strategy document, *A Pacific Strategy for the New Millenium*, together with `strengthening good governance institutions; introducing fiscal discipline and output focused budgeting; down-sizing the civil service and strengthening its professionalism; promoting more open and growth-orientated economic policies; and encouraging privatisation and a larger role for the private sector (cited in Choudry, 2002;2). In this report, the ADB represents itself as merely `appropriately fostering and supporting' a 'core good governance agenda of economic policy, public sector and good governance reforms' which 'Pacific countries had already agreed in principle to ...through the Pacific Islands Forum' (ibid).

This chapter ends with the following brief survey of national restructuring programmes put in place in Pacific countries between 1995 and 1998 through the multilateral approach led by the ADB with support from the region's other donors.

The Content and Form of National Restructuring Programmes

The twin components of structural adjustment or 'reform' programmes being implemented in the Pacific are macro-economic stabilisation and economic adjustment, and public sector and governance reforms. Between 26 September 1996 (when the first structural adjustment loan was made to the Cook Islands) and 16 July 1998 (when Vanuatu was given its US $20 million Comprehensive Reform Programme loan), more than US $87 million had been committed by the ADB in programme loans to the six PDMCs undertaking reform under its direction and support. A summary of precisely what the ADB's loans have been supporting in five of the countries[14] is outlined in the following pages.

In all five countries – Cook Islands, Vanuatu, Solomon Islands, Republic of the Marshall Islands (RMI) and Federated States of Micronesia (FSM) - the initial emphasis was on macroeconomic stabilisation.. Bringing the fiscal situation under control entailed public sector 'downsizing' (later re-termed 'right-sizing'), reduced budgetary outlays, improved revenue earning and collection through revised taxation and tariff systems, privatisation of State-Owned Enterprises (SOEs) which were a 'drain on the budget and which could be sold', and improving the 'enabling environment' for the private sector (ibid;11). In both the Cook Islands and the Solomon Islands where a deep fiscal crisis and an unsustainable debt situation precipitated the 'reforms', the emphasis was on cutting public expenditure, improving revenue collection, introducing fiscal responsibility and discipline, and prioritising the repayment of debts.

In the Cook Islands, which in 1990 had the largest number of public servants per capita of all PDMCs, public sector down-sizing was prioritised – the Economic Reform Package required a reduction in the number of Government Ministries from 52 to 22 and a 55-60% cut in public service employees between May and September 1996.[15] A special 'Transition Ministry' to assist the 2,000 public servants who would have to find alternative employment was created, with provision of assistance co-ordinated and delivered through community based organisations (ibid; 32). The focus of ADB financing was promoting private sector growth (ibid;34). Reducing the size and improving the performance of the public sector was seen as essential to promoting private sector development (p36). To promote private sector growth, income and company tax rates were to be revised (together with the basis for calculating company profits), a Value Added Tax was introduced to replace gross revenue tax and a private import tax was introduced to cover

[14] Samoa is excluded from coverage here as it will be discussed in detail

[15] In 1999, ADB judged the number of public servants (then 1,340) 'still too high for a population of 16,500' (Knapman and Saldanha 1999;185).

non-resale imports (i.e. gifts from relatives abroad'). A 'one stop shop' was to be created to help 'foreign investors navigate through government regulations', and new legislation on land tenure was to be introduced to 'make traditionally-owned land more accessible for economic development while accommodating the legitimate concerns of traditional land owners' (ibid: 33)

In Solomon Islands, a 9 per cent (SI $14 million) cut in the government payroll, a balanced budget in 1998, the establishment of an Institutional Strengthening Unit within the Prime Minister's Department, the introduction of performance contracts for Secretaries (to be extended to Heads of Departments and all senior staff by 2002), and rationalisation of public service employment laws and procedures, were among the first outcomes of the 'reform' programme in Solomon Islands. Second tranche conditions included Cabinet approval of budget limits for annual expenditure within each Ministry in accordance with a Medium Term Budget Framework, applying competitive and transparent recruitment, selection and appointment procedures in the public service, and Cabinet approval of section plans for the 'liquidation, restructuring, corporatisation, divestment and/or privatisation' of all state-owned enterprises (Knapman and Saldanha 1999:181).

In Vanuatu the motivation for the reform programme was less an imminent fiscal crisis than 'stagnant economic growth, the need to counter the economic impacts of the Asian financial crisis and public demand for better governance' (ibid;12). While most of the emphasis has been on good governance, public management efficiencies and effectiveness, and creating an environment more conductive to private sector led development, the introduction of strong fiscal discipline through new legislative enactments (to ensure continued fiscal responsibility) has been a core feature of the reform programme. New tariff and tax regimes have also been adopted, together with programme based budgeting and public management provisions 'for predictability, accountability and transparency'. Other economic adjustment measures being undertaken by the Vanuatu government include liberalizing investment laws and restructuring the financial sector.

In the Republic of Marshall Islands (RMI) and the Federated States of Micronesia (FSM) public sector down-sizing was prioritised. Other core elements of the package were the introduction of foreign investment laws and a Customs Act, and amendments to the Gross Revenue Act (FSM); and a three year wage freeze for civil servants, the termination of subsidies to the national airline, introduction of a tax on all rental incomes on commercial buildings, and establishment of a Private Sector Unit in the Office of the President for a two year period (RMI).

A core part of the initiatives to improve governance entails the enactment of legislation to 'enshrine the principles of transparency, accountability and equity' (ibid;13). In the case of the Cook Islands, new legislation included the Ministry of Finance and Economic Management Act (to limit Government's operating expenditure and require it to public statements of its fiscal and economic strategy prior to drawing up budgets); the Public Expenditure Review Committee Audit Act (to create an independent committee empowered to review and audit government finance and ensure the adoption of 'international accounting principles' within government); and the Public Service Act (to devolve responsibility for management and staff to heads of Ministries and introduce performance contracts).

In Vanuatu, seven new laws were introduced as part of the CRP, three of them with very similar names and purposes are those introduced in the Cook Islands: the Public Finance and Economic Management Act reformed the budgetary process, established transparency in fiscal management and clarified government's powers in relation to taxation, expenditure, borrowing and provision of guarantees; an Expenditure Review and Audit Act established an Expenditure Review Committee and strengthened fiscal oversight and performance accountability to Parliament; and a Public Service Act 'professionalised' the public service, strengthened the powers and independence of the Public Service

Commission, removed political interference in appointments an introduced merit based promotion. Additionally, a new Government Act defined the boundaries between the political leadership and the public service; a Leadership Code laid down standards of behaviour for public officers and politicians; the Ombudsman Act strengthened public accountability and supported the Leadership Code and a Remuneration Tribunal Act established a tribunal for the setting of salary levels.

In all of the forgoing 'reform' programmes, the ADB has been partnered by other donors. By 1998, twelve donor agencies were involved in facilitating public sector reform in the Pacific (AUSAid and NZMFAT 1998:1).[16] The input by other donor agencies into the multilateral `reform' effort has been varied, with individual agencies largely finding their own niche and contributing resources and expertise based on particular areas of interest, earlier sectoral involvement, or the specialist knowledge and experience they consider they have to offer. The New Zealand Ministry for Foreign Affairs and Trade, for instance, recognised the opportunities to use New Zealand expertise in restructuring in the economic reform programmes of developing countries. This was revealed in a statement in NZODA's Programme Profiles for 1998-1999:

> 'Recent interest in many developing countries in economic reform, including fiscal responsibility, public sectors restructuring and privatisation, has opened up a new areas where New Zealand expertise is well placed to assist' (Government of New Zealand 1998:9).

Three of the seven key strategies NZODA supports are directly concerned with supporting economic restructuring: Policy and Regulatory Reform (which is explained as 'reforms which provide a sound policy and regulatory framework for expanding

[16] The twelve agencies were: ADB, IMF, the Pacific Financial Technical Advisory Centre (PFTAC), World Health Organisation (WHO), UNDP, European Union, AusAID, New Zealand Ministry of Foreign Affairs and Trade (MFAT), Japanese Development Agency, French Aid Agencies, USAID and other US agencies, and the Economic and Social Commission for Asia and the Pacific/Pacific Operations Centre (ESCAP/POC).

sustainable economic activity and promote social development goals'), Governance and Management (i.e. good governance strategies and public sector reform which enhance accountability, transparency and effective use of resources for the benefit of all), and Public Sector Development (public policy which provides an enabling environment for private enterprise and programmes which encourage the private sector') (1998:7).[17] In the provision of technical assistance for economic restructuring to Pacific Island states, New Zealand has relied heavily on the engagement of private consultants or 'suppliers of goods and services in the private sector' (ibid;7).[18]

According to the 1998-99 NZODA Programme Profiles, New Zealand's assistance to the Pacific has come to focus 'increasingly on the encouragement of private sector growth' (p9) with business development agencies established in 'several countries' and support for 'training and facilitation of access to small credit schemes and concessional business finance' being supported by NZODA. Private sector development is one of the seven key strategies outlined in NZODA's 1998-99 Programme Profile and is explained in relation to the Pacific:

> `In light of the growing realisation by donors and international agencies, *and most importantly within developing countries themselves* that greater emphasis needs to be given to the directly productive sectors of their economies if genuine progress towards self sustainable economic development is to be achieved, New Zealand has adopted a policy of actively fostering the development of the private sector in Pacific Island countries. Key aspects include incorporating private sector development goals into country framework papers and considering the impact of each project on the local private sector as part of the standard project design and appraisal procedures. The views of the local private sector representatives such as chamber of commerce and entrepreneurs are

[17] The other four key strategies are concerned with promoting civil society, gender equality and social development, and protection of the environment.

[18] According to the Solomon Islands Minister for Finance, Alpha Kimata, New Zealand's financing of the reform of the Inland Revenue Department in Solomon Islands would give jobs to a contingent of private consultants from New Zealand who will assist with formulating plans for the restructure, assist with tax investigation , the collection of tax debt, the establishment of new systems, drafting of legislation and training of the Department's staff.

> sought to explore avenues for NZODA' (Government of New Zealand 1998; emphasis added).

Among NZODA's support for private sector development in the Pacific are two significant annual grants provided to agencies established under the auspices of the World Bank: i) NZ$250,000 (since 1990) to the Sydney-based South Pacific Project Facility (SPPF) which was set up by the International Finance Corporation (IFC)[19] to assist private sector enterprises in Pacific Island countries by providing project preparation services to enable firms to obtain equity and loan financing, and to assist Pacific Island government wishing to privatise public sector enterprises; and ii) NZ $150,000 (since 1994) towards the core funding of a regional office of the IBRD/IFC Foreign Investment Advisory Services (FIAS)[20] in Sydney, at least 50% of the core budget of which is spent on South Pacific foreign direct investment activities (p22). Additionally, a revised Pacific Islands Investment and Development Scheme (PIIDS) came into effect in 196/97 which supports joint ventures between Pacific Island and New Zealand entrepreneurs through feasibility study and equity grants. The new scheme also facilitates the exchange of ideas and technology between the New Zealand and Pacific Islands private sectors through training and advisory missions, training needs analyses and personnel exchanges (p17). New Zealand also supports a number of small business advisory centres (Cook Islands, Samoa, Solomon Islands).

Australia's guiding reference in providing support to 'creat[e] the right policy environment to support sustainable economic growth' is the Action Plan of the inaugural FEMM in 1997 (AusAID 1998;3). Twenty per cent of all Australian aid to the Pacific

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[19] The International Finance Corporation (IFC) is a member of the World Bank Group and the largest multilateral source of equity and loan financing for private sector projects in developing countries. It has its own direct investments in the region and "fosters economic growth in the developing world by financing private sector investments, mobilising capital in the international financial markets, and providing technical assistance to governments and business" (*IFC Press Release No 98/122 1998).* Ten Pacific Island countries are members: Fiji, FSM,Kiribati, MarshallIs, PNG, Palau, Samoa, Solomon Is, Tonga, Vanuatu.

[20] Foreign Investment Advisory Service (FIAS) is a joint venture between IFC and the World Bank. Based in Sydney, it is aimed at promoting private sector development in the Pacific region by structuring laws, promotional strategies and institutional arrangements to stimulate direct foreign investment.

(which was totally budgeted at $131.2 million in 1998/99) was directed to economic reform and governance in the 1998/99 financial year, with a further 5% allocated for private sector development.[21] Australia is a major supporter of economic and public sector 'reform' and states its commitment to increasing support for regional 'reform' as the momentum of reform increases across the region (ibid). Aside from its bilateral assistance programmes to the Pacific Island states, Australia established a new Pacific Policy and Management Reform (PMR) Fund in 1995/96 to specifically advance the regional 'reform' effort. The PMR Fund, which is 'allocated competitively between countries on the basis of demonstrated commitment to reform' was increased substantially from $4.6 million in the 1995-96 financial year to $12.5 million in 1998/99 (ibid). An inducement and reward fund, the PMR is used to provide substantial grants over and above existing bilateral assistance to individual countries which show genuine commitment to 'reform' or who demonstrate good performance in implementing 'reform' measures:

> `The funding will assist Pacific Island countries to redefine the role of government and improve the delivery of services. It will also help to put in place transparent and stable policies for trade, investment and the management of natural resources' (ibid).

The PMR Fund was used to reward Samoa for good performance in 1996 (Sutherland 2000a:468). A $7 million allocation from the fund was made to Samoa to develop the management capacity of the Samoan Treasury (AusAID;1998;4). The fund has also been used to support the provision of technical advisory services targeting civil service reform, budget management and expenditure control in Vanuatu, and to support a new initiative, a regional customs project involving customs ministries in Vanuatu, Fiji and Samoa and aimed to 'improve customs procedures, facilitate revenue collection and trade, and enhance data collection' (ibid). For 2003-04, $15 million has been made available for the PMR fund, 'as an incentive for programs to help reinforce and reward reform efforts

[21] The largest portion of Australian aid to the Pacific goes to education and training (35%); 15% each to health and environment/natural resources; 10 % to other areas.

in the region', as well as promote peace and nation building (http://www.ausaid.gov.au/country/southpacific.cfm).

The use of inducement packages has also been adopted by the European Union, which in July 1999 approved a SI $18 million Structural Adjustment Facility for Solomon Islands to help 'keep momentum for the reform process undertaken by the government' while at the same time providing support in critical physical and social infrastructure development (Solomon Star, 23 July 1999;3).[22] A strengthened 'structural adjustment support facility' within the successor agreement to Lomé 4 which will be signed in Suva in early June 2000 and called Suva 1, replaces the Stabex facility under the Lomé Agreement which effectively cushioned ACP countries from the impacts of commodity price falls. Increased conditionalities for development finance is a feature of the new agreement (LOMÉ Bulletin, March 8, No 16).

Australia's approach has not been all-carrots; indeed its approach is seen by other donors as quite heavy handed at times. From 1994, Australia was certainly openly imposing the conditionality of management reforms within SPC for its continued support of the SPC. According to Fry (1997;323-4) conditionality was introduced into bilateral aid in December 1994, when, following a change of government in Solomon Islands in November, a proposed logging code of contract agreed to by the previous government was reneged on by incoming Prime Minister, Solomon Mamaloni. The Australian Government announced the withdrawal of a $2.2 million forestry assistance package from Solomon Islands. The following year Pacific governments were informed that Australian assistance 'must be matched by the implementation of responsible domestic policies by

[22] The Solomon Islands' government's adherence to 'reforms' in the midst of escalating tensions on Guadalcanal in 1999 certainly should have qualified it for a donor reward – Parliamentary Secretary to the Australian Minister for Foreign Affairs, Kathy Solomon, during a visit to the Solomon Islands in 1999 expressed satisfaction at the government's resolve to continue with the Australian-funded Policy and Structural Reform Programme despite the additional pressures created by the outbreak and escalation of ethnic tension on Guadalcanal. In the opinion of one commentator, the 'reforms' themselves are considered to have contributed to triggering the ethnic tensions (Burton 1999).

recipient governments' and that a new aid scheme (the PMR) would 'give extra funding support for countries 'adopting serious policy reforms' (Fry 1997;324).

Australia also introduced another new initiative, the Pacific Reform Partnership Scheme in 1997, to 'promote the sharing of ideas and strategies between island governments currently formulating or implementing significant reforms' (Pacnews, 7 November 1997, cited in Sutherland, op cit:468). The idea was for countries which were about to embark on a 'reform' programme (as Solomon Islands was by 1997) to learn from countries which, like Samoa, were already well-advanced in implementing economic restructuring programmes.

But perhaps the most significant aspect of Australia's support for the 'regional reform agenda' has been the role it has played and continues to play in 'donor coordination'(ibid:6). Australia hosted an inaugural meeting of regional donors in 1997 – the second was hosted by New Zealand in 1998 and followed the FEMM that year in Auckland – bringing together senior officials from Australia, the ADB, the EU, France, Japan, NZ, the UK, the US, the United Nations and the World Bank. In AusAID's words:

> `The consultations provide[ed] and opportunity to exchange views on the major development needs of Pacific Island countries in the areas of economic reform and sustainable development, to clarify each donor's particular expertise and to enhance donor cooperation in priority areas' (ibid;6).

By maintaining a network of consultations, Australia sees itself as ensuring the continued regional engagement of agencies such as the ADB and the World Bank. Ongoing donor consultations are also seen as important in enabling Pacific island countries to 'better define their development strategies and priorities and clarify the activities that are their responsibility, and those that are likely to secure donor support' (ibid).

For ESCAP's Pacific Operations Center (ESCAP-POC), for instance, support for public sector reform has primarily entailed strengthening the `decision-making and strategic planning machineries of governments', and improving the `climate for making sustainable policy choices' (Siwatibau to Delforce 11.2.97). The second of these activities entails:

> `broadening ... policy debate to include senior officials, parliamentarians, ministers, NGOs, churches, trade unionists etc, ... helping them to understand better the external and domestic factors which make stabilisation, structural adjustment and reform measures unavoidable for sustainable, long term growth in the island countries'.

In both areas ESCAP-POC aims to examine the influence that interest groups bring to bear on decision-making and the quality of reform programmes, and how such influences might be effectively countered or harnessed to promote needed reforms. As Savenaca Siwatibau, then ESCAP-POC's head explained it:

> `Public sector reform is only a part of the structural adjustment and reform programmes which governments have to consider. We think it useful to include topics which help politicians to see the relationship between actions taken by them, and the economic and social repercussions which they have to explain to the electorate. There are numerous case studies which may be used to explain this process clearly and effectively' (ibid).

Conclusion

This chapter began by tracing the emergence of the multilateral programme of structural adjustment in the Pacific region through the institutions of the South Pacific Forum and the Forum Secretariat. It highlighted the roles played by the Australian and New Zealand governments within the Forum, the strategic significance of annual meetings of regional Finance and Economic Ministers, and the influences behind the organisational restructure of the Forum Secretariat. The lead role assumed by the ADB in the multilateral, donor-driven, economic restructuring programme that began to be implemented in several Pacific countries and the process through which national restructuring programmes were planned and negotiated were then discussed. The main elements of national restructuring programmes supported by the ADB and other lead donors were briefly outlined and discussed, together with the introduction by Australia of inducements or rewards for `reform'.

The chapter has primarily aimed to show how the region-wide programme of economic restructuring came into being and how regional institutions were effectively used by the region's lead donors both to build consensus among political leaders on economic, financial and trade liberalisation and to commit them to actually implementing reform policies. The processes of building consensus, securing political commitment, engaging a multilateral donor agency to head a 'restructuring' programme involving six countries, maintaining donor coordination and coherence in the implementation of the 'reform' agenda, and using development assistance to induce better performance were all important political dimensions of successfully advancing restructuring in the Pacific. While some discordant voices were heard within the South Pacific Forum from 1997, the general picture that emerges from this chapter is one of agreement and convergence in thinking between donors and Pacific Island leaders.

CHAPTER FIVE

THE PACIFIC ISLANDS FORUM SECRETARIAT, WTO AND PICTA, PACER AND COTONOU AGREEMENTS

Chapter Four showed how the thinking and ideas emerging from the South Pacific Forum in the 1990s came to converge with those advanced by multilateral financial institutions and bilateral donors in the region, and to reflect the dual aspirations of achieving economic growth in Forum Island countries and contributing to building a strong global economy. From 1999, the region's economic reform agenda became increasingly intertwined with and propelled by the global thrust of trade liberalisation. According to Ganesh Chand, Minister for Economic Planning in the Fiji Labour Party led Peoples' Coalition Government, which governed Fiji for a year until the coup of May 2000, the focus of the Forum Secretariat changed to incorporate issues arising from WTO, and the Forum Secretariat's annual convening of Forum Trade Ministers Meetings (FTMMs) was essentially for the purpose of 'discuss[ing] liberalisation' (Chand 2001).

This chapter revisits the Forum Secretariat and examines its role from 1999 in pushing trade liberalisation in the region in the wake of the global free trade agreements of the World Trade Organisation and subsidiary agreements like Cotonou, which replaced the Lomé Convention between the European Union and the Africa, Caribbean and Pacific (ACP) Countries. It shows the Secretariat's masterly hand in securing Pacific Island states' compliance with WTO trade principles and rules through the modality of two regional free trade agreements, its artful portrayal of one of these agreements as both the realisation of a regional dream and the answer to the Pacific's economic woes, and of the other as a benign 'umbrella agreement' aimed at `keep[ing] the Forum family together', and its repeated engagement of a well-known free trade advocate as a trade consultant, whose assessments were generally relied upon by Pacific governments in regional policy decision-making.

The Forum Secretariat's marketing of the Pacific Island Countries Trade Agreement (PICTA) as the culmination of a regional dream, and its relative silence on the meaning and intent of the companion Pacific Agreement on Closer Economic Relations (PACER), reflected an apparent need, by 1999, to promote regional ownership and legitimation of trade liberalisation. The emergence of discordant thinking within the South Pacific Forum since 1997, and steadily growing public criticism from NGOs and leaders of other regional institutions and organisations about the programme of economic restructuring being undertaken in the region under its direction and leadership, made ownership and legitimacy major concerns of the Forum Secretariat by 1999. Region-wide political support for PICTA was in effect mustered on the basis of the idea that regional (as opposed to external) interests underlay the agreement, and would be served by it.

The chapter also looks at the social impact study on PICTA commissioned by the Forum Secretariat and at the strong criticism it encountered, at Pacific Island states' actual commitments under PICTA and PACER and the non-transparent ways in which trade liberalisation is generally being advanced under the leadership of the Forum Secretariat, at the Cotonou Agreement, its proposed provisions for Economic Partnership Agreements, the process of ACP preparations for negotiating these, the strong resistance it has engendered amongst ACP states, and the impact this seems to have had on the Forum Secretariat's position at Cancun.

It is argued that, in promoting regional free trade as a stepping stone to global free trade, the Forum Secretariat was being entirely consistent, albeit misguided, in its self-appointed role as institutional facilitator of economic (and now trade) liberalisation, and that it was apparently propelled by a genuine belief that what it was doing would benefit the Pacific Island states whose governments it served. The evident subscription of its leadership to free market ideas, to the rationale of trade liberalisation and the emergent prescriptions for trade-led development, would certainly have precluded a critical analysis of PICTA and PACER as mechanisms intended to prise open national markets in the region by political consent, with attendant economic and social implications of major proportions. At the same time, its perceptions that a regional free trade area offered Pacific Island states a protective shield against the free for all of a global regime of free trade, and that Pacific Island states could, moreover, seek to work strategically within the multilateral trading system of the WTO to negotiate special and differential treatment on the grounds of smallness and vulnerability, seemed to be informed by a combination of wishful thinking and denial, and a strategy of relying on old relationships within multilateral institutions and old development arguments to secure or retain trade concessions.

As the Secretariat would learn through its engagement in the ACP processes preparatory to negotiating Economic Partnership Agreements (EPAs) with the EU under Cotonou, and at Cancun, only political solidarity with other developing countries, clarity about the powerful interests pushing the free trade agenda of the WTO and the need to counter them, and a clear strategy for controlling the agenda, will enable Pacific Island states to contribute to attaining a more fair and equitable multilateral trading system that will benefit them.

A Pacific Free Trade Area: Realisation of a Regional Dream?

In 1999, Secretary-General of the Forum Secretariat, Noel Levi, had announced that Trade Ministers of the Pacific Island member states of the Forum would hold 'one of the most important ministerial meetings in the history of the Forum' in June that year, to consider the possible creation of a Free Trade Area to cover the Forum Island countries, with 'possible future extensions to other countries and territories' (Levi 1999:1). Levi explained that an implementation plan for the free trade area would see the 14 Forum Island countries gradually lowering import duties for goods produced in other island countries over a period of about eight years. This was intended to spread 'the cost of adjusting to a more open trading environment' over a number of years until, eventually, 'all goods in the region, *and possibly later services*, [were] traded freely across all 14 island countries' (emphasis added). He said one regional market of six million people would bring 'business opportunities ...that may only be apparent 10 to 20 years from now' (op.cit).

Levi presented the free trade area idea as the embodiment of an early aspiration of the South Pacific Forum's founding fathers to form an 'economic union'. This was somewhat disingenuous. Regional trade and economic issues were certainly identified as priorities in the first South Pacific Forum meeting in Wellington, New Zealand, in 1971, although, as documented in an official Forum report of its first 15 years, a gathering of trade policy representatives later that year had formed the view that a formal economic union was unlikely to expand Island exports or reduce barriers to trade, and would more likely have the opposite result to what Forum leaders were seeking - that is, economically weaker states would become weaker, while stronger states would become stronger (Piddington 1985;14). Nonetheless, the 1973 Agreement among Pacific leaders to establish the South Pacific Bureau for Economic Co-operation (SPEC), later named the Forum Secretariat, had reiterated the desires to 'identify opportunities for the removal of barriers to trade between states within the region and also between those states and states outside the region' and to modify 'current trade patterns', and had explicitly stated that 'consideration...be given to the possibility of establishing a free trade area for the South Pacific region' (Agreement Establishing the South Pacific Bureau for Economic Co-operation, cited in Piddington 1985; 61). Such ideas were not uncommon at the time, however, among newly independent states and were usually inspired by post-colonial aspirations of reducing economic dependency on metropolitan powers and building mutually beneficial economic relations and political solidarity amongst themselves.[1]

Levi also cited a 1993 agreement establishing the Forum Secretariat, which had similarly mandated the Forum Secretariat to 'carry out necessary investigations in connection with the development of free trade among Forum Island countries'. This

[1] Although the idea of an economic union was not proceeded with in the early seventies, there was positive support for technical assistance for the marketing of Island products, expansion of inter-island trade through improved shipping services, bulk purchasing, and taking measures to improve access to the Australian and New Zealand markets.

agreement may well have been influenced by the Forum's involvement in APEC (Asia Pacific Economic Co-operation), as an observer, on behalf of Pacific Island states. A statement by the then Secretary General of the South Pacific Forum, Ieremaia Tabai, does suggest that in 1994 Pacific states were looking at APEC and the role it was playing in promoting regional trade liberalisation with a great deal of interest, seeing it as a successful 'vehicle for fostering regional prosperity':

> 'The islands are geographically part of the region, the P in APEC.....the Forum is represented, on behalf of the island countries, at observer level in APEC. We need to work harder to take advantage of that status. The immense progress APEC has made as a vehicle for fostering regional prosperity is evidence of how important APEC is becoming to our interests. *The work it has begun on regional trade liberalisation is particularly important*. APEC economies now take three quarters of all Forum Island Countries' exports' (Tabai 1994:14; emphasis added).

That there was some doubt in Tabai's mind about whether APEC could deliver benefits to the Island countries and a concern about asymmetries in benefits from trade liberalisation was indicated in the discerning comment he made that the 'scale and technical complexity' of the activities of several of APEC's working groups 'seem[ed] designed to cater for the interests of larger members...'. (Tabai 1994;14). Five years later, however, his successor Noel Levi was selling the idea that a Pacific regional free trade agreement would be in the interests of all Pacific Island countries, larger and smaller economies alike.

References to the vision of earlier Pacific Island leaders aside, Levi did admit in the midst of his announcement of the proposed Pacific free trade area, that the primary imperative for its establishment now, rather than later, was to comply with the rules of global trade that are enforceable by the World Trade Organisation (WTO):

> 'The rules of global trade have changed since the creation of the World Trade Organisation in 1995. The WTO now has a powerful dispute settlement system which guarantees that

WTO members keep their (domestic) laws in conformity with their international trade obligations. The new rules mean that the market access to developed country markets that were available to the Forum Island countries will no longer be available in the same [i.e. non-reciprocal] way.... The WTO waiver for the Compact of Free Association [between the US and Palau, Marshall Islands and the Federated States of Micronesia] runs until 2006 but more threatening is the fact that the Lomé waiver expires in February' [2000] (op cit:2).

To anyone familiar with the process through which a global free trade regime is being systematically constructed it would be clear that the Pacific Islands free trade area formalised by way of a treaty in 2001 was less the realization of a longstanding Pacific vision than an arrangement aimed at paving the region's way to free trade for purposes of complying with WTO's rules of global free trade. Even before the formal establishment of WTO in 1995, regional trade agreements, aimed at eliminating barriers among a group of states, were being advocated by free trade supporters because they represented incremental steps toward global free trade. In this instance, according to Levi, the European Union (EU) had indicated that it would seek another five year waiver of its preferential trading arrangements with the African, Caribbean and Pacific (ACP) countries until 2006, but that after that it intended to have a trade regime that conformed with WTO rules. It had indeed notified the 71 Lomé signatories that it wanted to create a free trade area with each of the three Lomé sub-regions (op.cit).[2]

In Levi's view, negotiations with the EU on a Pacific free trade area was 'the region's best chance of maintaining the current market access into the EU, as well as [securing] future market opportunities'. If Forum Trade Ministers failed to proceed with the free trade area, he said, the price could be 'many job losses in the cannery sector, but more importantly the loss of *future market access opportunities*

[2] For a fuller discussion on the background to the proposal for a Pacific Free Trade Area, linking it to negotiations on a successor agreement to Lomé IV, the trade agreement between the European Union (EU) and the Africa Caribbean and Pacific (ACP) which expired in February 2000, see Sophie Foster Hildebrand (Pacific Islands Monthly, May 1999:30-32).

(Hildebrand, PIM:32 emphasis added). This understanding that the best (or only) way to preserve existing access to European markets for Pacific Island exports was to put in place an arrangement under which Pacific Island states would be required to eventually reciprocate by offering duty free access to European goods, services and investment, is not incorrect. The Cotonou Agreement, adopted a year later, was framed to comply with WTO rules and marked a complete departure from the `development assistance' orientation of the Lomé Convention. As such, the non-reciprocal preferential market access arrangements enjoyed by the ACP states under Lomé were to be replaced by reciprocal market access arrangements between EU and ACP states under the Cotonou Agreement's EPAs, to be negotiated from September 2002.

The ideas that the Pacific Island countries would be able to retain the markets they currently have for their products in Europe under a regime of global trade liberalisation, and that the expanded market access that a free trade agreement with the EU under Cotonou was expected to provide would bring certain benefits to Pacific Island countries have been accepted as articles of faith by the Forum Secretariat. Moreover, its pre-occupation with the theoretical or claimed benefits of trade liberalisation for the Pacific Island states has effectively blinded it to anticipating the more than likely negative consequences of trade liberalisation, signaled by the documented experience of countries in other regions[3]. Given the trajectory of global trade liberalisation charted through the rules-based mechanism of the WTO, the Forum Secretariat's imagining of a regional economic community of Pacific Island states trading buoyantly amongst themselves and achieving both a measure of collective self reliance and some insulation from the harsh seas of global trade liberalisation via an exclusive, regional free trade agreement/area was somewhat naïve.

[3] See for instance Madeley (2000) for a discussion of an FAO study of the experience of 16 countries, including Fiji, in implementing Uruguay Round liberalisation policies. Tom Reardon, an expert on development and agricultural issues, has also written a report entitled 'Supermarkets and Nutrition in Developing Countries', in which he records the effects of multinational food retailing companies on developing country economies: ` tens of thousands of small businesses and producers' bankrupted in Brazil, 'squeezed out by the supermarket sector'; three out of ten pesos spent by Mexicans goes to US owned supermarkets, and 'this pattern is spreading rapidly to other parts of the developing world, such as the Caribbean, Asia and Africa' (African Trade Agenda, Third World Network- Africa, No 11, July 2003;14).

The reality of a global free trade regime is that all national barriers to the free flow of goods, services and finance or investment are eliminated, enabling goods or services produced or provided by anyone, anywhere, to enter or be offered for sale without restriction in all national markets, as well as enabling investors anywhere to access national consumer, resource and labour markets everywhere. Under existing and proposed WTO trade laws, no nation state is/would be able to favour or privilege any trading partner or indeed its own nationals or national companies in accessing national resources, subsidies, licenses, contracts or markets. Economic, financial and trade deregulation or liberalisation at the national level (which in the Pacific are being achieved through so-called `economic reform') are the means by which a free trade and investment regime at the global level is being systematically realised. As this cannot be achieved without the agreement and commitment of governments, regional groupings of nation states, such as the Pacific Islands Forum, are important. Indeed, regional inter-governmental political bodies play a vital role, both in building international consensus on the economic, financial and trade policy changes aimed at achieving free trade, and in securing governmental commitment to implementing them.

This is well illustrated by APEC, formed in 1989 to encourage economic integration among Pacific rim countries and support the high levels of economic growth prevailing in the Asian region at the time, but whose role increasingly became one of advancing the frontiers of *global* free trade. APEC's (non-binding) commitment in 1994 'to achieve free and open trade and investment by 2010 for industrial countries, and 2020 for the rest' (Bogor Declaration) was heralded at the time by free trade advocates as 'the most sweeping trade agreement in history', committing (in principle) as it did half the world's economies (including the fastest growing economies at the time) to eliminating all barriers to trade among them. With the rapidly accelerated march towards global free trade in the last eight years, since the institutional formation of the WTO in 1995, APEC's bold initiative of 1994 may have paled into insignificance. Yet, its contribution to accelerating and broadening global, economic, trade and investment liberalisation by building early consensus in the Asia Pacific region on the virtues of free trade and investment remains significant. GATT Watchdog of New Zealand sees APEC as primarily:

> `a forum for trying to build regional support for deals in other arenas like the WTO, rather than for reviving the economies of the region'. APEC is nearly dead but it has spawned bilateral and sub-regional trade and investment agreements such as last year's Singapore and New Zealand Closer Economic Agreement and the one currently being negotiated between New Zealand and Hong Kong, which seek to stitch up a web of details to deliver the outcomes which APEC - and the WTO itself - have failed to achieve' (GATT Watchdog 2001).

Similarly, the Pacific Islands Forum's contribution to paving the Pacific's way to trade liberalisation extends well beyond the accomplishment of the regional PICTA and PACER trade agreements, which Forum Heads of Government endorsed in August 2001[4], and lies in securing a general acceptance among Pacific Island leaders of the inevitability and advantages of free trade.

Both PICTA and PACER were aimed at trade liberalisation within the WTO framework, but founded in the belief that trade liberalisation will contribute to development of the Pacific region (Chand 2001). PICTA was to come into effect a month after ratification by six Pacific Island countries. PACER, a companion agreement to PICTA between the Pacific Island countries and Australia and New Zealand, was intended to firstly assist the implementation of PICTA and only later to involve Forum Island countries entering into negotiations with a view to establishing reciprocal free trade between themselves and Australia and NZ (Ibid).

The Forum Secretariat's fast tracking of PICTA (and PACER) from conceptualisation to ratification was a feat accomplished through skillful marketing of the idea, engagement of a free trade advocate as consultant/advisor, reliance on New

[4] Three South Pacific Prime Ministers (Mekere Morauta of PNG, Laisenia Qarase of Fiji and Manasseh Sogavare of Solomon Islands) did not attend this meeting.

Zealand legal consultants for treaty drafting, commissioning of a social impact assessment in May 2001 to allay any fears, and successful lobbying of Island governments to ratify the agreements. In the following section I examine the processes undertaken by the Forum to develop PICTA and PACER against the WTO/Cotonou imperatives; the meaning and implications of both PICTA and PACER and the failure of the Forum Secretariat to assess the likely impacts of the latter; and the arguments for trade-led growth advanced to further rationalise the Pacific Island states' collective endorsement of free trade. The way in which the regional free trade agreements were marketed, the speed with which they were drafted and ratified, the general absence in any of the Pacific Island countries of public consultation and debate on either of the agreements, and the short-circuiting of national parliaments for proper endorsement, altogether reflect poorly on the Forum Secretariat and raise questions about its political accountability.

The Making of PICTA and PACER

The process leading to the negotiation of PICTA and PACER began after the 1997 Forum Economic Ministers meeting in Cairns, with the commissioning of a report on free trade options for the Forum Island countries, given their commitments to `gradual liberalisation of their trade policies as part of their response to the emerging trend of globalisation' (Scollay 2001;1), their obligations under the WTO, and the impending negotiations on a successor agreement to Lomé. To consider and advise on options, based on an econometric analysis, the Forum Secretariat commissioned Robert Scollay of the APEC Study Centre at Auckland University.[5] A well-known free trade advocate with close links to the Washington-based think tank, the Institute for International Economics (IIE), Scollay submitted his report in 1998, advocating a regional free trade agreement amongst Pacific Island states. The Forum Secretariat was mandated by the 1998 meetings of both the Forum Economic Ministers and the Forum Leaders to continue to assist Forum member countries develop a framework for achieving a regional free trade agreement. When this was sufficiently advanced the

[5] See Robert Scollay 'Free Trade Options for the Forum Island Countries', Forum Secretariat, June 1998.

Forum Secretariat was to convene a meeting of Forum Trade Ministers to make recommendations to the 1999 Forum.

The Scollay report presented the view that possibilities for increased trade among the Pacific Island countries were limited, due to the small size and limited production bases of their economies, the low level of existing trade among them, and the limited potential for its expansion (ibid). He concluded that the economic effects of a free trade agreement amongst the Forum Island countries were therefore likely to be very small, and trade diversion - rather than trade creation - would be the more likely result. With benefits to Pacific Island economies by way of increased trade so in doubt, the purpose of the free trade area which Scollay proposed clearly had more to do with falling in line with WTO rules and the likely framework of the new EU/ACP agreement than with fulfilling Pacific economic aspirations. This was indeed the view taken by UNCTAD which stated in a report published in 2001 that the proposed Pacific free trade area was part of `a wider process of gradually integrating Forum Island countries into the global economy', and a response to future changes in 'existing non-reciprocal free trade arrangements with Australia and New Zealand and the European Union' (UNCTAD 2001). But Scollay had also indicated, from a 'rudimentary quantitative analysis based on available data', that economic effects were likely to be *positive* for the majority of Forum Island countries, although in some cases they could be negative (Scollay 2001). He had recommended a combination of a free trade area among Forum Island Countries with ongoing reduction of external (Most Favoured Nation - MFN) tariffs to ensure 'a positive impact on economic welfare' (ibid). Scollay proposed a `negative list' approach under which trade would be liberalised for all products except a short list of exclusions, enabling countries to delay reducing tariffs on goods produced by infant industries, for which they wished to continue protection.

Scollay was mindful of the fact that loss of tariff revenue would be a major problem for Pacific island states - tariffs contributed 64% of total tax revenue in

Kirbati, 57% in Vanuatu and 46% in Tuvalu. His recommended solutions included a restructured tax system to provide alternative sources of revenue and lessen dependence on tariffs - which he said was in line with the direction most Pacific states were already taking, as indicated by the introduction of a Value Added Tax or some other broad-based consumption tax. He also suggested improving tax administration and modernising customs procedures to 'improve ....revenue flow and [reduce] the extent of under-collection of tariffs' (ibid). Given that it would be some years before tax systems were sufficiently restructured for Island states to feel ready to consider removing tariffs on a considerable portion of their trade, Scollay recommended that the better option for the Pacific Island states was to take a gradual approach, with a Forum Island Country-only free trade area in the first instance. In a later paper, he made the following clarifying and revealing remark:

> `....whereas a [Forum Island country] free trade area could not be justified as an ultimate objective of trade policy', it could nevertheless be useful as a feasible initial step in a longer term strategy of trade liberalisation, allowing the Forum Island Countries time to prepare for more comprehensive trade liberalisation' (2001:2).

Scollay was very clear about PICTA being a halfway house or `stepping stone' towards more comprehensive trade liberalisation. This notion was reiterated in early Forum Secretariat documents on PICTA, and, as Scollay records, 'incorporated as an integral element of the Forum Island countries approach in subsequent negotiations' (presumably with both Australia and New Zealand and the EU). PICTA would later, however, be represented by the Forum Secretariat as a protective arrangement, providing a buffer or shield for Pacific Island economies against the forces of globalisation, and a means of holding all non-island trading partners at bay.

The Scollay study was followed by a second study, commissioned by the Forum Secretariat, on the fiscal implications of alternative proposals for regional free trade areas and carried out by R.J. Filmer and T. Lawson (1999). Filmer and Lawson reportedly examined several alternatives open to the Forum Island Countries, given the need to move away from import tariffs. These alternatives included a regional free trade area restricted to the 14 Pacific Island states, a regional free trade area which includes Australia and New Zealand, and a free trade arrangement that encompassed the US and the EU. Filmer and Lawson proposed recommendations for tax regimes for each of the Forum Island countries which took into account the `high probability that the Forum Island Countries would in time move beyond the basic free trade area' and would therefore have to satisfy conditions for broader free trade (Forsyth and Plange 2001:48).

Meanwhile, an alternative study of the Pacific Island States' free trade options, commissioned by the Australian Government and undertaken by Andrew Stoeckel, Director of the Canberra-based Centre for International Economics, a neo-liberal think tank, suggested that the Pacific Island countries would derive greater economic benefits from being linked in a free trade agreement with Australia and New Zealand (A. Stoeckel et al 1998). Whether or not Stoeckel's report encouraged Australia and New Zealand in their subsequent demands to be included in the proposed regional free trade area is not known. But following Stoeckel's report, Scollay produced a further analysis in which he concurred that 'still larger benefits to the Forum Island countries could be anticipated from non-discriminatory or MFN (Most Favoured Nation) liberalisation of their trade barriers', but judged that more comprehensive liberalisation would entail `much larger, short-term adjustment costs' (Scollay 1998).

The Scollay Report was referred by the Forum Secretariat to the regional Trade Ministers meeting in June 1999, and Secretary General Noel Levi clearly expected the proposal for a free trade area to be readily adopted. And indeed it was, although the meeting requested that studies be conducted 'on a number of collateral issues', including examination of the social impacts of such a free trade area (Forsyth and Plange 2001;2). A draft negotiating text had by 1999 been prepared by the Forum's legal drafter, New Zealander, Paul Myburgh (Myburgh 1999), based largely on Scollay's 1998 recommendations, and encompassing the following principles:

- A 10 year timetable for the phasing out of tariffs (with a slightly longer period allowed for small island states (SIDS) and least developed countries (LDCs)
- Elimination of non-tariff barriers, if necessary through `tariffication'[6]
- Adoption of a 'negative list' approach with provisions to limit the size of negative lists and gradually phase them out
- Rules of origin which facilitate rather than restrict trade
- 'Emergency actions' (anti-dumping and countervailing measures, safeguard and balance of payment measures) allowed under strict conditions
- `Infant industry' provision allowing suspension of the agreement for nominated products to enable infant industries to develop; automatic lapsing if the development does not proceed within a stated time-frame[7]
- principles for conduct of government procurement to be included, but with non-binding (best-efforts basis) implementation
- a three stage dispute settlement process (consultation, mediation, arbitration)
- review of the operation of the agreement after five years, and at regular intervals thereafter.

Forum Trade Ministers, satisfied with what had been accomplished, recommended that the Forum Leaders `endorse in principle a free trade area agreement among Forum countries based on the draft framework agreement', with the possibility of extending it later to cover services and include the French territories and US Pacific territories (Scollay 2001). Their recommendation was supported by Forum Economic Ministers in July, and subsequently by Forum Leaders when they met later that year. The free trade area was to be established progressively over a ten year period (up to 2009), with a further two years (to 2011) allowed for the Smaller Island States and Least Developed Countries (ibid). The Forum also:

[6] That is, by converting non-tariff barriers to free trade to tariff barriers, which can then be progressively eliminated through a tariff reduction schedule to which Governments commit.
[7] In addition to the exclusion of nominated infant industry products from PICTA, alcohol and tobacco products were also excluded, pending a study of impacts.

'...tasked the Forum Secretariat to negotiate the details of the draft Agreement, including negative lists and measures *to provide for the application of the arrangements to Australia and New Zealand*" (ibid; emphasis added).

This concern to provide for the application of the arrangements to Australia and New Zealand, prompted primarily by a desire to maintain unity among Forum members, came in direct response to open pressure from Australia and New Zealand for inclusion. As Scollay pointed out, since Forum Island countries already had duty free access to Australian and New Zealand markets under the terms of the SPARTECA agreement, the latter's interest in the Pacific free trade area represented a demand for reciprocal duty free access to Forum Island country markets (ibid). Australia and New Zealand were reportedly anxious about the EU securing lower tariff or duty free access to Pacific Island markets in return for renewing trade preferences and development assistance under the successor agreement to the Lomé Convention. The Forum Island countries' preference was to defer including Australia and New Zealand. It was argued that the agreement had to be consistent with WTO obligations as three of the Forum Island countries were WTO members, and that less stringent WTO conditions applied to the formation of free trade areas among developing countries. The inclusion of Australia and New Zealand would only complicate matters, as the more rigorous conditions of GATT Article XXIV, with which they would have to comply, might not be satisfied (ibid).

The Pacific Islands Forum's acquiescence in 2001 to a companion PACER agreement indicated the success of the strong pressure exerted by Australia and New Zealand on Pacific Island governments. Despite media reports of the heavy arm twisting by Australia to have itself and New Zealand included in a regional free trade agreement, including a reported threat by Australia to cut aid to the region if it lost its trade advantage through the provision of free trade access to the EU (Keith Reid: 2001), the explanation of PACER given by Forum Secretariat Deputy-General, Iosefa Maiava following the Forum Trade Ministers Meeting in Apia from 27-28 June 2001 which endorsed PICTA and PACER, gave no hint at all of the considerable tensions that had preceded the decision to have two agreements.[8] In a statement reflecting more than just Pacific style diplomacy, Maiava covered up the blatant national economic interests that Australia and New Zealand sought to protect or advance through a free trade deal with the Pacific Island states and downplayed the meaning and significance of PACER by conveying the impression that it was necessitated by the provisions of the Cotonou Agreement (replacing Lomé and signed in 2000) for economic partnership agreements to be signed between Pacific Island states and the EU, and by the obligation this placed on Pacific Island states to be fair to Australia and New Zealand, who were after all the Island states' long standing partners in the `Forum family':

> `The European Union, you know the Cotonou Agreement, has written in it an undertaking by all the Pacific ACP - as part of the ACP group - to start negotiating a regional economic partnership agreement with the European Union. That, you can say, makes it necessary for the Forum Island countries to do likewise to Australia and New Zealand. Because the Forum Island countries recognise that Australia and New Zealand are partners, are members of the Fourm. And it would be very odd if [Forum Island Countries] had agreed to do one thing with one group of developed countries and not to very close partners like Australia and New Zealand who are still seen as members of the Forum. So the whole rationale behind an umbrella agreement is to keep the Forum family together while at the same time allowing Forum Island countries to liberalise towards each other' (Dorney: 2001).

Both agreements were forwarded by the Trade Ministers to the Forum Leaders Meeting in Nauru in August 2001, with the recommendation that they be 'formally approved and signed' (Scollay 2001;1). A Brief Guide to the PICTA and PACER, produced by the Forum Secretariat shortly thereafter, described the signing of PICTA and PACER by most Pacific Island Leaders in Nauru as a 'landmark occasion in the history of international cooperation in the Region', and explained that what this meant

[8] Robert Keith Reid (*Islands Business*, April 2001), also reported that Australia was even considering a proposal to allow Pacific Island workers free access to Australia in return for unrestricted access for Australian goods. ABC's Sean Dorney reported that having two agreements was a compromise, saying Australia and New Zealand were not keen on PICTA as under earlier proposals prompted by European Union demands that the Pacific Island states form a unified block, both countries were to have been left out altogether (Dorney 2001).

was that over a period of ten years all barriers to merchandise trade (primarily import tariffs and quotas) would be removed, and 'progress ... in freeing trade in services and the movement of capital and labour across the Islands' will have been made. The triumphal language used in the document suggested that it was not written by Pacific Island staff members at the Forum Secretariat. The Brief Guide explained that while Australia and New Zealand were not members of the PICTA, they were 'important players in the companion PACER'. It explained that PACER's five objectives included: to minimise disruptive effects and adjustment costs for Forum Island countries through (inter alia) the provision of assistance and support for structural and economic adjustments for integration into the international economy (Article 2c), to provide economic and technical assistance to Forum Island countries to assist them in implementing trade liberalisation and economic integration, and secure the benefits of from liberalisation and integration (Article 2d); and to ensure consistency with the obligations of any of the Parties under the Marrakesh Agreement establishing the WTO (Article 2e).[9] Most significantly, it explained that PACER provided for 'the future freeing of trade between Australia and New Zealand and any, or all, of the Forum Island Countries, subject to the mutually satisfactory outcome of negotiations' (Forum Secretariat 2001).

By the time that the PICTA and PACER were agreed to, the social impact assessment of Scollay's proposed free trade area for Pacific Island countries only, which Forum Trade Ministers had called for in 1999, had been completed and submitted. This meant that the far more serious implications of PACER escaped an impact assessment. Its earlier than expected ratification, in October 2002, did not appear to trigger any concern by the Forum Secretariat to carry out an immediate impact assessment on PACER either.

In the following section, the Forum Secretariat's controversial social impact assessment on the PICTA will be examined and its shortcomings highlighted.

[9] Joiner, David (2001) Pacific Agreement On Closer Economic Relations (PACER), As Approved by Ministers 27 June 2001, Forum Secretariat, Suva; p1

Sound Assessment or Token Attention?

Commissioned by the Forum Secretariat in 2000, the social impact assessment of PICTA (Forsyth and Plange 2001) may have been intended to allay any residual fears and doubts that Pacific Island governments may have had about the wisdom of taking this first step towards trade liberalisation. While the report offered reassuring conclusions that 'any social consequences of membership of the free trade area likely to be extremely limited and ... any apprehensions are groundless', these were not based either on an independent assessment or thorough research.

Carried out by two senior academics at the University of the South Pacific, Professors David Forsyth (then head of the USP's Economics Department, and subsequently appointed as Trade Advisor to the Forum Secretariat) and Nii-K Plange (then Professor and head of Sociology), the social impact assessment (SIA) was the first in a series that was planned to be commissioned by the Forum Secretariat as the process of trade liberalisation took effect. As the first SIA, it was intended to forecast the direction and order of magnitude of changes facing the Forum Island countries, develop an analytical framework and identify social indicators and data sets to be used in later quantitative studies of social impacts, specify a system for monitoring social impacts, and propose measures/strategies to mitigate adverse impacts and bolster favourable effects. The Forsyth and Plange report was submitted to the Forum Secretariat in May 2001, in time for the June 2001 Trade Ministers Meeting in Apia, which readily endorsed the two regional trade agreements which by then had been drawn up, referring them to the Forum Leaders meeting in Nauru two months later with the recommendation that they be formally approved and signed (Scollay 2001:1). Whether Trade Ministers, or their advisors, actually read the Forsyth and Plange report of 158 pages is uncertain.

In making their assessment, Forsyth and Plange relied heavily on the findings of the 1998 Scollay report, the R.J. Filmer and T. Lawson[10] study, and on their own review of economic changes in the region since 1998. In addition, they made forecasts of expected economic impacts based on projected changes in the level of imports, exports and employment in three sectors - primary, manufacturing and services - in each of the 14 Forum Island countries. They argued that the economic impacts of dismantling trade barriers over the next 10 years would be of relatively small magnitude - most impacts would be negligible; only 7.1 per cent would be significant and affect only three countries. The gradualist (stepping stone) approach, they said, would have minimal social consequences. Although the authors claimed to have considered `the available literature (in the Pacific and elsewhere) on trade liberalisation with a view to identifying potential social impacts', an FAO study on the impacts of implementing the Uruguay Round in 16 developing countries, including Fiji, published in 1999 and cited in Madeley (2000), was not among the sources they cited.

Among the commonly experienced impacts of trade liberalisation that the FAO study had recorded were surges in food imports and especially of dairy (namely milk powder) and meat (mostly poultry) products; undermining of local food production; smaller producers being driven out of business; and difficulty that farmers had, with reduced domestic support, in engaging in export production to take advantage of expanded market access (FAO Symposium on Agriculture, Trade and Food Security, Geneva, 23-24 September 1999, Synthesis of Case Studies, X3065/E.Rome: FAO, September 1999, cited in Madeley, 2000;74). By excluding such empirical evidence of negative impacts from their purview, Forsyth and Plange were able to discuss impacts in vague and merely speculative terms - they talked of the *possibility* that a free trade area may give rise to 'certain social costs' in 'some member states' but said this was *a possibility* only, that it would not affect all member states, and that any impacts would not be extensive. They made the statement (repeatedly and, in places, in bold letters) that such social costs in any case were expected to be *'far outweighed by the economic and social benefits'.*

The theoretical `social and economic benefits' of trade liberalisation were evidently treated by the authors as an undisputed fact, accepted a priori, without qualification. A list of expected economic (and associated social) benefits was for instance reproduced from the Scollay report without comment by the authors. They included: increased exports; associated expansion of output and employment (reduced unemployment and associated social ills); cuts in prices of some imports; improvements in the range of product choice and in product quality; improved productivity (due to strengthened competition); and higher levels of investment (including possibly foreign investment). These are not referred to as *claimed* or *assumed* benefits of a free trade area, but are presented as certain, expected benefits. There are later references to other expected economic benefits, including rising incomes, with the associated social benefit of 'opportunity for greater spending on health care and education, and on improving living standards generally'. '[I]ncreased demand for female labour' is also mentioned as an economic benefit, with the associated social benefit that 'it may enhance the status of women in the community and in the home'.

Some of the `expected costs' outlined by the authors included: decline of certain uncompetitive sectors, with (resultant) localised job losses and falling output; rise in the costs of some goods due to trade diversion (i.e. where tariff-free imports from Forum island countries become cheaper than with-tariff imports from traditional, more efficient producers outside the free trade area); fall in tariff revenue (which is referred to as strictly a 'transfer') which may necessitate recourse to alternative sources of revenue raising, such as consumption taxes, which are more costly to administer; and increase in negotiating and administering costs. Anticipated social costs included excessive migration to urban areas as a result of improved employment opportunities; deteriorating social infrastructure; growth in the informal sector; and pressure on those remaining in villages. Increased income was also anticipated to produce some undesirable social effects.

Forsyth and Plange provided economic and social impact profiles for each of the individual Forum Island countries. These profiles described existing social problems as the authors saw them, often in ways which bore little relationship to trade liberalisation/reduction of tariffs. Much of what was said by way of anticipated impacts was speculative, and some of the supposed links, for example between complications of pregnancy and increased demands for/stresses of factory work in Cook Islands, were left unsubstantiated. In Fiji, imports were forecasted to rise, but so were exports and employment (albeit by only 0.3%, or around 350 new jobs). Precise predictions of employment increases were made for manufacturing (100), transportation (120) electricity and construction (160), and financial services (no number given). Although employment was expected to drop in Fiji's clothing industry, employment expansion (especially in manufacturing) was forecasted to mainly benefit women but not without social costs: namely domestic violence as a result of tensions arising from impact on household relations, especially in the situation of rising male unemployment. The authors warned that their forecasts may be 'overly optimistic', meaning presumably that negative impacts could be worse. They noted that tariff revenue, running at 5.85% of GDP, was expected to fall by F$0.61 million, but this was considered a 'relatively minor matter in the Fiji context which [would] be accommodated easily by the present fiscal structure'.

No sooner was the Forsyth and Plange assessment completed and submitted when it was rendered virtually irrelevant by the Forum Leaders' decision to have two agreements. The more so as there was a in-built provision in the PACER agreement (Article 6) for the triggering of 'mandatory consultations or free trade negotiations with Australia and New Zealand'. Should any Forum Island country that is a party to PACER enter into negotiations for a new free trade arrangement with either 'an outside *developed* country' or a developing country with `a per capita GDP higher than that of New Zealand', or should the Forum Island countries *as a group* begin free trade negotiations with any outside country, consultations with Australia and New Zealand had to be held. [11] Thus, although PACER was not supposed to come on stream until after PICTA had been in force for eight years, the in-built provisions of Article 6 were expected to trigger negotiations on PACER as early as September 2002, when EU-ACP negotiations for Economic Partnership Agreements (EPAs) under the Cotonou Agreement commenced (PANG 2002;10-11). Ironically, however, PACER was more speedily ratified by the requisite six Pacific Island states plus Australia and New Zealand, before PICTA and so came into force in October 2002, *ahead of PICTA.* This development, which had been anticipated by Aziz Choudry of GATT Watchdog in New Zealand, and which was raised as a concern in February 2002 by the Pacific Network on Globalisation (PANG) in its stinging critique of the Forsyth and Plange study (PANG 2002), threw into question the `stepping stone' concept and the meaning of PICTA, and made the assurances of experts that its impacts would be minimal irrelevant. As Lopeti Senituli, Director of the Tongan Human Rights and Democracy Movement, pointed out in a communication to members of PANG, in February 2002:

> '...the Social Impact Assessment on PICTA is being cleverly used to give the impression that since PICTA will have minimal impact on Pacific Island countries, PACER will also have minimal impact. A used car salesman could not have done a better job....the money spent on ...the PICTA study is money down the drain.... what Pacific Island countries need to see is a Social Impact Study on PACER' (Email communication, 08 February 2002).

In July 2003, University of the South Pacific economist, Dr Wadan Narsey, pointed out that once the free trade pact with Australia and New Zealand came into effect it would be 'catastrophic for local businesses'. 'I would estimate that over 80 per cent of local businesses here in Fiji would fold', he was quoted as saying, adding:

> `I think governments have not thought through the consequences of joining a free trade area...We hear all this talk of...efficiency and economies of scale. But the reality is, small companies will be forced out once the big players come to town ... Governments have

[11] See Forum Secretariat (2001) Regional Trade Agreements: A Brief Guide to the PICTA and PACER.

> not worked out an alternative plan on how to re-employ people if factories close and people are left without jobs.' (Narsey, cited in Tavita 2003)

The comments were significant coming as they were from a longstanding public critic of the monopolies held by selected national industries and state-owned enterprises in Fiji as a result of either protective tariffs or restricted licensing; Narsey's effective support for economic deregulation and trade liberalisation on these grounds had been consistent.

PANG' s critique of PICTA, PACER and the Forsyth and Plange study publicly raised questions about the absence of public consultation and debate, even within national parliaments, over these `far reaching agreements' and pointed out that the two agreements were 'legally binding' and aimed at making Pacific Island states conform to WTO trade rules. As such, PANG said, they were part of an 'externally-driven agenda':

> `PICTA and PACER are instruments to lock the Pacific Islands into an unjust trade regime that will see their national economies systematically opened to suppliers of goods (and eventually services and investment) from all around the globe.... Although PICTA is hailed as a landmark achievement in the history of international cooperation in the Region, both agreements are merely stepping stones towards full compliance with the WTO....They are part of an externally driven agenda....' (PANG 2002)

Since WTO and Cotonou imperatives were the acknowledged principal reasons for PICTA, it is instructive to look more closely at what precisely these imperatives were. In the following sections, the WTO obligations of Pacific Island member states are highlighted through a brief examination of, firstly, the various articles of PICTA that incorporate WTO principles and rules, and, secondly, the key provisions of the Cotonou Agreement, that derive from the WTO agenda or the EU's free trade interests.

PICTA, PACER and WTO Compliance

Although the Forum Secretariat cited WTO obligations as early as 1999 as a reason for establishing a regional free trade area in the Pacific, in fact only three Pacific Island countries were WTO members at the time, PNG, Solomon Islands and Fiji. Nevertheless, because at least three others (Samoa, Tonga and Vanuatu) were in the process of seeking accession to the WTO, and the very purpose of PICTA was to provide a 'stepping stone' or halfway house for Pacific island states en route to full trade liberalisation, PICTA had to incorporate the WTO's cardinal rules of non-discrimination, reciprocity, market access and fair competition. Accordingly, Article 6 of PICTA inscribes the WTO principle known as 'Most Favoured Nation', obliging PICTA partners to extend to one another no less favourable tariff treatment than that accorded to any other (non-PICTA) State, while Article 9, on Trade Distorting Measures, encodes the WTO principle of 'national treatment', disallowing any discriminatory taxes, laws or regulations to be applied to 'originating' imports, putting them at a disadvantage in relation to domestically produced goods. [12] Article 7, on Tariffs, which is considered to be 'at the heart of PICTA', commits PICTA partners to providing reciprocal market access to 'originating' imports from one another by progressively cutting tariffs in accordance with an agreed timetable for tariff reduction on all goods, except those listed for continued protection by individual PICTA members, under the provision of Article 8 - Excepted Imports - the Negative List. [13]

[12] The MFN principle is that no outside country may be given better tariff treatment or a 'better deal' (i.e. lower import tariff rates) than parties to the free trade agreement (in this case PICTA), except if such better deals pre-existed by virtue of an earlier free trade agreement (e.g. Melanesian Spearhead Group free trade agreement) or because of membership of a multilateral commodity agreement. The principle of national treatment is one that requires the application of the same taxes and charges relating to the trade of goods, as well as laws and regulations etc, to domestically produced goods and goods imported from those countries which are partners to the agreement alike. See Pacific Islands Forum Secretariat documents 'A Brief Guide to the PICTA and the PACER' (Forum Secretariat 2001a:5-6) and 'PICTA and PACER: Frequently Asked Questions' (Forum Secretariat 2001b:8).

[13] Negative List products must be produced in-country, but not exported (i.e. produced for domestic consumption only) , and must be products which are produced by other PICTA members and therefore 'at risk' of competition.

Article 2 which states PICTA's objectives, makes it plain that the agreement would be extended to cover trade in services as well as goods.[14] This was also made clear in both media releases and publicity materials subsequently issued by the Forum Secretariat. What the Forum Secretariat did not advertise was the speed with which it had worked to advance the liberalisation of services, by commissioning a study of Services Sector Liberalisation for Forum Island Countries which were members of the WTO, well before PICTA and PACER were formally adopted by the Forum Island states.[15] Carried out by Robert Scollay and Sherry M. Stephenson (Scollay and Stephenson 2001), the study was concluded in May 2001, presented to the June 2001 Forum Trade Ministers Meeting in Apia, and based on its findings, Pacific Island Trade Ministers at that meeting endorsed in principle the introduction of services into the PICTA on the basis of 'a gradual, flexible approach' and `liberalisation among seven sectors, initially, with countries making commitment in a minimum of 4 sectors'.[16]

To add to the momentum given services liberalisation, trade ministers mandated the Forum Secretariat to organize `a workshop for trade officials, and others as appropriate, on trade in services to enable Forum Island Countries to prepare both nationally and regionally for negotiations on expanding PICTA to include trade in services'; further develop `the concept and modality for implementation'; prepare for negotiations by undertaking an "inventory of existing regulations, and ...identifying 'potential areas for liberalization'; and consider (as they would eventually need to) `the appropriate application of a services agreement to Australia and New Zealand' (Brief on Liberalisation on Trade in Services in the Pacific Region: 2003). The Forum

[14] The last objective (f) in Article 2 states: 'contribute to the harmonious development and expansion of world trade in goods and services and to the progressive removal of barriers to it.'

[15] This work was apparently mandated by the Forum Trade Ministers' Meeting of 1999, which had agreed to recommend to the Pacific Islands Forum that the Forum Secretariat, in conjunction with appropriate other regional agencies, undertake further work on 'a service sector study to identify possible sectors for liberalisation in the Millenium Round' (Forum Secretariat Brief on Liberalisation: 2003; 4).

[16] The seven sectors identified for initial liberalisation were: Air Services, Shipping Services, Financial Services, Telecommunications Services, Health Services, Education Services, and Tourism Services. See Forum Secretariat's `Brief On Liberalisation Of Trade In Services In The Pacific Region', 15 January 2003, p1.

Secretariat was directed to report back to the Forum Trade Ministers' Meeting 'once the modality for implementation and other preparations had been finalised', whereupon `negotiations of a legal text and specific country commitments' could begin' (Forum Secretariat Brief On Liberalisation Of Trade In Services In The Pacific Region', 15 January 2003).

The developments described above in relation to liberalising services illustrate well some of the less transparent dimensions of the process by which trade liberalisation in the region in being achieved, and of which the treaty mechanisms of PICTA and PACER are formal contractual outcomes. The role of the Forum Secretariat in advancing trade liberalisation by commissioning studies by free trade advocates, the results of which are intended to guide regional government decision-making, and the mechanism of Forum Trade Ministers Meetings, in committing Forum Island governments to implementing liberalisation in agreed sectors, are less publicly known dimensions of the process. The inclusion of education and health services, both of which are heavily state-subsidised in the region, for liberalisation carried enormous implications, given WTO rules regarding MFN and national treatment. It is significant to note that the report by Scollay and Stephenson (2001), which discussed current (and proposed future) commitments to WTO by Fiji, Papua New Guinea and Solomon Islands, only really made a case for liberalising (in the short term) key infrastructure sectors (telecommunications, financial services, transport and business services (mainly accounting services), and suggested the review and improvement of foreign investment and immigration policies. No specific mention was made of education and health services, although the authors did suggest among medium term objectives that the three countries needed to be 'prepared to make WTO commitments in additional sectors identified earlier as candidates for liberalisation'.

And, surprisingly, the largest provider of tertiary education in the Pacific, the University of the South Pacific (USP), was neither consulted by the Forum Secretariat in the preparation of a draft regional response on the proposed General Agreement on Trade in Services (GATS) which Forum Secretariat put to the June 2001 Trade

Ministers meeting in Apia, nor invited to attend a subsequent Forum Education Ministers' Meeting in Suva in December 2002.[17] USP's exclusion was all the more surprising as the Forum's Briefing Paper to the Education Ministers' meeting had recommended that the Ministers request the Forum Secretariat, in collaboration with education and trade officials and with other regional organisations, to undertake an assessment of national and regional issues pertaining to a possible future agreement on trade in education services, including the costs and benefits of differing options that might be available'. (PIFS Briefing Paper - Extension of PICTA to Education Services 2002). The absence of public scrutiny of the work of the Forum Secretariat, together with general political acceptance of regional inter-governmental mechanisms of policy decision-making, convened and serviced by the Forum Secretariat, mean that those involved in advising and making decisions that will have far reaching economic and social effects in individual Pacific Island countries are far from accountable to national constituencies.

The inclusions in PICTA of commitments to liberalise Government Procurement within the free trade area as soon as possible and to conclude arrangements for detailed rules on this within two years of PICTA entering into force (Article 15), together with commitments in both PICTA (Article 18) and PACER (Article 9) in relation to trade facilitation (harmonisation of laws, regulations and administrative practices), underscore the function of both agreements as liberalising mechanisms in support of the WTO. One of PACER's primary objectives is indeed to 'provide economic and technical assistance to Forum Island countries, to help them implement trade liberalisation measures and to facilitate adjustment to the new regime'. As the Forum Secretariat's Guide to PACER put it: *'Trade facilitation ...... is the keynote'* (A Brief Guide to the PICTA and the PACER; 12). Thus, more than a year before developing countries would successfully resist the strong pressure within

[17] Upon making inquiries with senior Forum Secretariat staff in December 2002 on behalf of USP Vice Chancellor, Savenaca Siwatibau, Dr Sukhdev Shah of the Economics Department at USP was told that the Forum Secretariat had already submitted to the Ministerial meeting in Apia in 2001 a regional response to GATS for the regional Governments' consideration and final submission to the GATS Secretariat, that no further work had been done on the GATS, and no [further] discussion was taking place. (Email comm. Shah to Siwatibau 20 December 2002, copied to Slatter).

WTO from developed countries (and especially the EU) to commence negotiations on the contentious `Singapore issues' (investment, competition policy, government procurement and trade facilitation)[18], Pacific Island states effectively gave blanket approval to implementing policies in relation to at least two of these new issues.

But the most telling aspect of the PACER agreement was its early triggering provisions in Article 6, intended to ensure that should the Cotonou Agreement (or any bilateral or regional free trade agreement) be negotiated by Pacific Island states before PACER was originally scheduled to come into force, Australia nor New Zealand would not be disadvantaged. The provisions of Article 6 oblige any and all Forum Island Countries which is/are party to the PACER to consult with and commence free trade negotiations with Australia and New Zealand if (individually or as a group) they begin to negotiate a free trade agreement with an outside developed country, or with a developing country with a per capita GDP that is higher than that of New Zealand. Herein lay PACER's primary purpose. Although the trigger provisions appear reciprocal and non-discriminatory, with Article 6 (6) obliging Australia and New Zealand, upon commencing formal negotiations for free trade arrangements with any non-Forum country, to likewise undertake negotiations with each FIC for 'improved market access', and Article 6 (7) stipulating that any such negotiations among PACER partners that are triggered by negotiations by any of them with non-Forum countries should endeavour to produce arrangements which are 'mutually beneficial' , that provide 'equal or better access for the parties', and are consistent with the WTO, their intention (and the *raison d'être* of PACER) was to ensure that Australia and New Zealand benefit from any future market access arrangement granted by any Forum Island country to any non-Forum country. The provisions of Article 6 reflect the heart of PACER as a binding agreement with Pacific Island states, aimed to protect the competitive economic/trade interests of Australia and New Zealand vis a vis other

[18] The outcome of the 5th Ministeral Meeting of the WTO in Cancun, Mexico, in mid-September 2003 was considered a victory for developing countries which demanded progress on the development dimensions of the Doha agenda.

developed or developing countries with interests in accessing Pacific markets, within the context of the expanding regime of global free trade.

While PICTA (and PACER) emerged from intra-regional negotiations and may to that extent be regarded as home-grown agreements, of the Pacific Island states' own making, and were certainly represented as such within the region (notwithstanding the convergence between both agreements and WTO rules, PACER's emergence in response to Australian and New Zealand government pressure on Pacific Island states, and its primary function of protecting their interests in Pacific Island markets), the Cotonou Agreement was, unequivocally, neither regionally inspired nor intended primarily to advance the development interests of Pacific Island states. The spectre of the successor agreement to Lomé loomed over the Pacific Island states in 1999 like a dark cloud, heralding the formal end of an era of generous development assistance and non-reciprocal trade benefits.

A New Kind of Partnership - the EU, Pacific Island States and Reciprocal Rights

The most significant new aspect of the Cotonou Agreement, as far as Pacific Island states are concerned, is that all Forum Island states are party to it. This marks a departure from the Lomé Convention, which Cotonou replaced.[19] Lomé had bound together only those African, Caribbean and Pacific countries which had historical traded with Britain or one or other of the European states as a consequence of earlier colonial relationships. Although, in the context of WTO, much is made of the `non-reciprocal' trade concessions Lomé offered to its ACP partners, and Lomé is projected as a `benefactor/beneficiary' relationship (Tekere 2000), in fact the Convention was a mutually beneficial post-colonial development pact between former colonies and their erstwhile colonial rulers in Europe in that it provided trade benefits and aid to the ACP countries, while assuring Europe of continued raw material supplies, albeit often at higher than world market prices. The inclusion of all South Pacific Forum Island

[19] The successor agreement to Lomé is named after the place in which it was signed, Cotonou in Benin. The agreement was to have been signed in Suva, in June 2000, but the venue for the ACP-EU meeting had had to be changed following the political upheaval in Fiji on May 19, 2000.

countries in the Cotonou Agreement signaled a first distinctive difference between this agreement and its predecessor. Unlike the Lomé Convention, the Cotonou Agreement is by no means a politically-motivated agreement based on a moral obligation by European states to provide development assistance to ACP countries in consideration of their historical colonial relationship and, implicitly, the vast economic benefits derived from it by the European states. It is instead an economically-motivated agreement which, at best, could be interpreted as intended to gradually integrate the ACP states into the world economy (or more precisely to force them onto a theoretically level playing field as `equal' competitors in trade and investment). At worst, it could be considered a vehicle for achieving for the EU unequal economic rights of access to ACP markets, under the guise of an equal partnership, and on the basis of supposedly informed consent. This is not, of course, how the Cotonou Agreement is represented by the framers of its text, who project it instead as a comprehensive framework for ACP/EU relations entailing a partnership centred on the concerns of sustainable economic development, reduction and eventual eradication of poverty, and the smooth and gradual integration of ACP states into the world economy.

That the successor agreement to Lomé would reflect the vastly changed geo-political realities and global economic arrangements that had emerged since the collapse of socialist regimes and the end of the Cold War was anticipated by at least one analyst in the Pacific who had read the Green Paper on Relations between the European Union and ACP countries produced by the EU in 1996. Roman Grynberg, an economist based at the University of the South Pacific, who later assumed the position of Trade Advisor at the Forum Secretariat, anticipated the changed nature of the successor agreement in a sharp critique he published on the Green Paper in 1997:

> 'It is understandable that Europe wishes to end its post-colonial obligations and develop a new type of relationship that reflects the end of the cold war and the new global trade and economic arrangements that have emerged with the end of the bi-polar world. The economic logic of the first Lomé Convention,

> where Europe devoted so much effort to assuring the supply of raw materials now appears irretrievably redundant. Now 'the market' will provide resources that are needed for Europe's industries...'(Grynberg 1997:1).

A brief comparison with the Lomé Convention, which the Cotonou Agreement replaced, is useful to illustrate how significantly different the Cotonou Agreement is from its predecessor. A distinctive feature of the four Lomé Conventions was their non-reciprocal benefits, extended to ACP state through preferential access to EU markets and guaranteed prices. Through the Sugar Protocol and Banana Protocol, for instance, ACP producers, supplying on the basis of allocated quotas, enjoyed duty free entry to EU markets at guaranteed high prices. In the case of sugar, prices were aligned to the EU's own internal sugar price, paid to its sugar beet farmers. Chand (2001) rightly described these commodity protocols as a 'life-line' for sugar and banana producers in the Pacific and Caribbean'. Lomé also included schemes to compensate ACP countries both for shortfalls in income and earnings as a consequence of fluctuations in price or supply of agricultural commodities (the STABEX scheme under Lomé 1), and for fluctuations in the supply or price of minerals, for those ACP countries dependent on mining (SYSMIN loans under Lomé II) (Chand 2001). Lomé III reflected ACP aspirations to achieve self-reliant development and self-sufficiency, while Lomé IV, a 10-year agreement covering 1990-2000, directed aid and financial benefits towards broader development issues such as promotion of human rights, democracy and good governance, improving the position of women, protection of the environment, economic diversification, promotion of the private sector, and increased regional cooperation (Ibid).

By the early 1990s, the EU had begun dialogue with the World Bank and the IMF on how best to support structural adjustment, which most ACP states were by then implementing (Ibid). Not surprisingly, Lomé IV's mid term review in 1994-1995 saw the introduction of strong political conditionalities (e.g. respect for human rights, democratic principles and the rule of law) as essential new elements of the Convention. ACP countries which did not meet these requirements now faced the risk of benefits being withdrawn and allocated funds being retrieved.[20] The successor agreement to Lomé IV, drafted as it was in the context of the steady march towards global free trade under the aegis of the WTO, and the increasing convergence in the agendas of the World Bank, the IMF, the WTO and the United Nations system, could not have escaped being strongly influenced by what had become orthodox economic and development thinking in the 1990s. Certainly the new agreement was informed by the ideas that trade preferences were not the path to sustained growth and development, and that most of the problems of the Third world could be solved by good governance and a vibrant private sector, both of which had gained strong currency in aid policy circles.

The text of the new agreement strongly emphasised assisting ACP states `adapt to the new conditions of international trade' and make `the transition to a liberalised global economy'. This is expressly stated in Article 1 - Objectives of the Partnership. Article 34 (1), furthermore, states that economic and trade cooperation should be aimed at fostering `the smooth and gradual integration of the ACP states into the world economy', while 34(2) asserts that the ultimate objective of economic and trade cooperation should be to enable the ACP states to 'play a full part in international trade', to be involved in multilateral trade negotiations, to manage the challenges of globalisation, and to adapt progressively to the new conditions of international trade', thereby facilitating their transition to a liberalised global economy'. Article 34 (4)) makes plain that economic and trade cooperation `*shall be implemented in full conformity with the provisions of WTO*' and, in an elaboration on this, Article 36(1) commits the parties to conclude new WTO-compatible trading arrangements, to progressively remove barriers to trade between them, and to enhance co-operation in all areas relevant to trade. Through the new agreement, both EU and ACP states

[20] According to Chand (op cit), Lomé IV introduced phased programming to increase flexibility and improve performance in ACP countries, and decentralised cooperation, including participatory partnership with a variety of actors from civil society, was emphasised.

effectively commit themselves to advancing towards free trade.[21] While the non-reciprocal trade preferences of Lomé IV were retained in the Cotonou Agreement for all ACP countries, it was made clear that this would be for a finite period ending on 31 December 2007, after which new trading arrangements, which were to be negotiated from September 2002, would come into force.

The new agreement affirms a commitment to the GATS but highlights the need for special and differential (S&D) treatment for ACP suppliers of services, and includes an EU undertaking to give sympathetic consideration to ACP states' priorities and support ACP states' efforts to strengthen capacity in the supply of services (particularly labour, business, distribution, finance, tourism, culture, construction and related engineering services) with the objective of enhancing the competitiveness of the services sector. Interestingly, the agreement includes a specific undertaking by parties to liberalise the maritime sector - to 'apply the principle of unrestricted access to the international maritime transport market on a non-discriminatory and commercial basis' (Article 42 (2)). This mutual undertaking is clearly elaborated in the agreement as follows:

> 'Each party shall grant, inter alia, a treatment *no less favourable than that accorded to its own ships*, for ships operated by nationals/companies of the other Party, and for ships registered in the territory of either party, with respect to access to ports, use of infrastructure and auxiliary maritime services of those ports, as well as related fees and charges, customs facilities, and the assignments of berths and facilities for loading and unloading' (Article 42 (3).

This will singularly benefit the EU states, whose shipping companies operate internationally, including in ACP ports. The agreement's inclusion of a statement to the effect that the EU will support ACP states' efforts to develop and promote cost-effective and efficient maritime transport services in the ACP states `with a view to

[21] As Chand (2001) puts it, `the commitment to WTO in fact overrides the trade preferences provided under earlier agreements ... is further elaborated in Article 35 of the Agreement... The ACP-EU states, therefore, have also committed themselves to free trade, albeit, this commitment is to be given form gradually'.

increasing the participation of ACP operators in international shipping services' (Article 42 (4)) confirms the expected reality of unequal gains from liberalisation of services in this sector.

Similarly, the agreement's reconfirmation of commitments under existing multilateral agreements and in particular the protocol on Basic Telecommunications attached to the GATS, and the new commitments to step up cooperation to ensure `greater complementarity and harmonisation of communication systems at national, regional and international levels, and their adaptation to new technologies , and to take measures to enable *inhabitants of ACP countries* easy access to information and communication technologies through, amongst other means, the development of `affordable, renewable energy resources and the development and deployment of more extensive, low-cost, wireless networks', directly reflects EU interests in entering ACP telecommunications service markets. This would be made even clearer in 2003, when the EU submitted its GATS requests to the three Pacific Island members of WTO, Papua New Guinea, Solomon Islands and Fiji, seeking, amongst other things, the opening up of a number of sub-sectors in telecommunications services (particularly data transmission services) to 'full competition and foreign investment'. [22] In its introductory 'General Remarks' to its requests to each of the three Pacific WTO member states, the EU declared its belief that the benefits from progressive liberalisation of services would accrue to all members of the WTO, including developing and least developed countries (GATS 2000 Requests from the EC to Fiji, Papua New Guinea and the Solomon Islands). Other features of the Cotonou Agreement which effectively secure ACP states' commitment to WTO rules include

[22] The EU also requested Fiji to make available to international maritime transport suppliers on non-discriminatory terms and conditions a range of port services currently provided by national companies. These services included pilotage, towing, provisioning, fuelling and watering, garbage collection, shore-based operational services to ships including communications and electricity and water supply, emergency repair facilities, and anchorage and berthing services. Another of EU's GATS requests to Papua New Guinea and Solomon Islands was the elimination of restrictions on foreign ownership of land. All three Pacific countries were also requested to lift restrictions on the employment of foreign nationals by eliminating economic needs or labour market testing. See ' GATS 2000 - Requests from the EC and its Member States to Papua New Guinea, Solomon Islands and Fiji (GATSwatch 2003).

commitments to introduce and implement national level 'competition policies and rules', an 'investment friendly climate' and `transparency in access to markets'.

While the agreement appears to cover some of the broader development concerns of ACP states or their citizens, such as ensuing 'sustainable and sound management of the environment' in accordance with international conventions and undertakings in this area (and for taking into account the special position of ACP states in designing and implementing trade-related environment measures); committing parties to observing core labour standards as defined by ILO, and to formulating/strengthening national labour legislation; making various special treatment provisions for LDCs and landlocked/island countries (Articles 35, 56, 68 and 89); and stipulating gender equality requirements (Article 31), its main provisions relate to trade. Cotonou's provisions for Economic Partnership Agreements (EPAs) form the core of the Agreement. Intended to introduce reciprocity through the establishment of free trade areas between the EU and ACP regions that will give equal access to each other's markets, EPAs were scheduled to be negotiated from September 2002, and concluded by 2007.

According to a draft European Commission document, obtained by Inter Press Service in April 2002, EPAs would be directed at 'fostering closer economic integration between the parties, by removing progressively barriers to trade between them, and enhancing co-operation in all areas relevant to trade, in full conformity with the provisions of the WTO' (Hopkins 2002). The free trade areas were to cover not only goods, but also services, which were projected as a potentially significant growth area for the ACP. Liberalization of services was also seen by the EU as having the positive effect of spurring domestic reform (ibid). Once the EPAs came into force, EU would provide duty free access to its markets for all products originating in ACP countries, and the latter would be given a grace period of up to 12 years in which to dismantle tariffs on imports from the EU (Ibid). The EU favoured negotiating EPAs with regional ACP groupings, rather than separate agreements with the 77 ACP states.

In actual fact, the EU proposed to divide ACP countries into three broad country categories - Least Developed Countries (LDCs), non-LDCs which feel ready and able to enter into the EPA regime, and non-LDCs which do not yet feel ready/able to enter into the EPA regime - and to have differential EPAs with each category. [23] The proposal met with strong opposition in Africa. Third World Network-Africa's Tetteh Hormeko saw it as intended to disorganise the ACP, undermine Africa's continent-wide collaboration for economic development, and secure increased access in the more successful African economies for European industrial products (Hormeko 2003). In Hormeko's words:

> `Not only will these arrangements reinforce the distinctions in economic fortune among African countries, as the less successful economies are hived away from the more successful and encouraged to deal with Europe, their main market, in separate ways. The whole point of economic cooperation arrangements, which group stronger and weaker economies together in order that they may reinforce one another in the removal of structural barriers, is reversed. In addition, for the more successful economies, the nature of the trade relationship envisaged - reciprocal free trade - is one which cannot be available in the relationship with other African countries. Thus a privileged relationship [will be] established between the EU and the successful African economies which isolates the more successful economies from the less successful ones' (ibid).

In an earlier article electronically published by Third World Network-Africa, Moses Tekere of the Zimbabwe-based Trade and Development Studies Centre had looked critically at the post-LOME IV negotiations as they took place, highlighting the inherent inequality of the parties to the negotiation given their unequal `donor-recipient relationship', the EU's clear push to advance its commercial interests through the introduction of reciprocal trade preferences and strategy of making the aid package under Cotonou conditional on `reaching agreement in all areas', and the wide ranging concessions made by ACP, including agreeing to a range of aid conditionalities that

[23] LDCs will continue to enjoy duty free access to EU markets for essentially all goods, non-LDCs which are unable to enter into EPAs will be assessed in 2004 and provided with a new framework for trade which conforms to WTO rules; non-LDCs which are aready to enter EPAs will commit to reciprocal removal of barriers to trade - i.e. to giving equivalent access in their respective markets to one another's products.

included economic performance and 'obedience', in the hope of receiving more aid from EU (Tekere 2000). Despite their many concessions, the ACP's expectations of more aid from the EU remained unfulfilled. More worryingly, by negotiating directly with EU trade experts on very technical trade issues, ACP Ministers made concessions that were likely to have serious consequences for both LDCs and non-LDCs (ibid).

According to Tekere, the ACP's successful negotiation of an extension to its preferential access arrangements under Lomé to 2007 (which was granted under a special waiver agreed to by the WTO in Doha) came at the price of having to concede reciprocal special market access to the EU in ACP countries (ibid). He validly questioned how reciprocity would 'reduce poverty and stimulate sustainable economic growth', and whether ACP countries were `in a position to compete equally with the EU in a free trade arrangement' (ibid).[24] He perceived the process as nothing less than a means by which ACP countries will be `further locked into a development ideology that is not suitable to their development concerns' is instructive, and indicted the ACP for its failure to 'determine their own development ideology, take initiatives and assert sovereignty in national economic policy formulation and implementation'.

Within the region, the Cotonou Agreement, and processes, have also been strongly criticised. In informal notes on the Cotonou Agreement produced for PANG, Jane Kelsey of Auckland University's Law School highlighted its neoliberal underpinnings, and the `duplicitous principles' it affirms:

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[24] Tekere proposed that reciprocity should not be tied to time frames but phased in on the basis of ACP countries achievement (with the help of development assistance) of development thresholds that would enable them to compete with EU firms. He argued that EU aid towards meeting those thresholds should be seen as the price payable for accessing ACP markets. The likelihood of EU buying this argument however is low. In July 2002, EU's Commissioner for Development, Paul Nielson, turned down an ACP request for more aid to help compensate for losses from removal of trade barriers, saying such losses would be compensated for by economic growth. Free trade with the EU, he said, 'will reduce prices, encourage consumer spending, and boost government income from value added tax on goods'. He warned the ACP against looking at the loss of tariff as the 'only thing that happens when you liberalise - this is a very defensive way of looking at things' (Hopkins 2002).

> 'The term 'partnership' and the fundamental principle of 'equality' (Article 2) conceals the inherent structural inequalities between the ACP and EU, sheds the imagery of colonial relations, and disguises the shift from paternalist obligation to a new wave of neo-colonial expansion. The 'fundamental principle' of 'ownership of the development strategies' (Article 2) by countries ignores the coercive context of negotiations between unequals; ownership by their populations ignores the secrecy of the negotiation process and exclusion of ordinary people from decisions about the model of development they prefer. Commitment to the emergence of an 'active and organised civil society' and participation in the partnership by diverse actors refers to its implementation, not to the initial decisions about the model and the terms of the EPAs.' (Kelsey 2003b)

Whether Forum Island states fully comprehended the meaning and implications of joining the WTO, and of being eased into trade liberalisation through the mechanisms of PICTA and PACER, on the one hand, and the Cotonou Agreement on the other, is unclear. Grynberg's early anticipation of the form and intent of the successor agreement to Lomé, based on an insightful reading of the EU Green Paper, and his cogent critique of its clear links to IMF/World Bank structural adjustment policies, were certainly known to those at the Forum Secretariat.

> 'The proposals suggested in the Green Paper, when stripped of their diplomatic pleasantries, are in effect a recitation of the IMF/World Bank structural adjustment policies with a politically correct veneer of a concern for human rights, the environment, and gender issues. It is a compromise between Europe's desire to assure that its former colonies conduct economic policies that are conducive to economic growth and assuring that 'appropriate' social policies are implemented.... [T]he addition of good governance and accountability as one of the proposed policy foundations of European aid largesse towards its now irrelevant and 'dysfunctional' clients....constitutes a new deepening of the policy conditionality that is to be the prerequisite for aid. It is this development of economic, social and political conditionality as a pre-condition for a post- Lomé relationship that provides us with a glimpse of the new 'post post-colonial era' that Profesor Pinheiro has declared to be virtually upon us' (Grynberg 1997:1).[25]

[25] Professor de Pinheiro, European Commissioner responsible for Development Assistance wrote in a foreword to the Green Paper that the post-colonial period was drawing to a close - a view that Grynberg wryly commented was a little hasty, 'since it had clearly not been conveyed to Paris' (ibid: 1).

Nonetheless, at the 31st Pacific Islands Forum meeting in Tarawa in October 2000, Pacific Island leaders welcomed the signing of the Cotonou Agreement in July and expressed appreciation to the European Union and the ACP Group, and to those Pacific Island States which were original ACP members, for assisting and supporting the accession of the six new Forum Island countries to the ACP. The inclusion of six new Pacific Island states in ACP, and subsequently in the Cotonou Agreement, which had been successfully negotiated with the EU and the ACP by the Forum Secretariat, was expected to spread the benefits of development assistance offered under the Agreement to all states in the region and strengthen the hand of Pacific Island states in their subsequent negotiations with the EU under the Agreement. The addition of the six Pacific Island states also entailed direct benefits for the Forum Secretariat. Given the coherence between Cotonou and the WTO, the low regional membership of WTO, and the Secretariat's lead role in advancing economic reform and trade liberalisation within the region, the extension of Cotonou to all Pacific Island states would facilitate the Secretariat's work of securing region-wide compliance in reform implementation. It also legitimated the Secretary General of the Forum Secretariat continuing to function in the role of Regional Authorising Officer, and the Secretariat assuming responsibility for coordinating programming exercises for the Pacific Regional Indicative Programme for the duration of the Cotonou Agreement.[26]

Between 2001 and 2002, following endorsement of a Work Plan by Pacific ACP Trade Ministers in Apia in June 2001, the Forum Secretariat convened a series of inter-governmental seminars, studies, workshops and meetings, aimed at arriving at recommendations for the conduct of the EPA negotiations with the EU. The recommendations that emerged from this intensive preparatory process (which apparently included representatives of `non-state actors', in keeping with Cotonou's requirements for 'broad-based consultation', and presumably ownership of the resulting EPA), proposed a two stage approach, with ACP wide issues being dealt with first by

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[26] Forum Communiqué (2000) Thirty-First Pacific Islands Forum, Tarawa, Republic Of Kiribati, 27-30 October 2000

all ACP countries, followed by a second, `Pacific phase', when a regional EPA would be negotiated, while a Regional Action Plan was proposed to provide support for the implementation of negotiations' between 2002-2007. At the meeting of Pacific ACP Trade Ministers in August 2002, in Apia, Secretary General of the Forum Secretariat, Noel Levi, alluded to the `somewhat ambiguous' attitude of the EU' in respect of the range of issues to be covered under the EPA, and to hearsay that the EU wanted the negotiations to focus only on market access. The 'unambiguous advice' he said he received from Pacific member countries and his `staff experts' however was that the EPA must 'live... up to its billing as a development agreement', and Pacific states 'must state loud and clear the central fact that, unless we have goods or services to export at competitive prices, all the market access in the world will be of no value whatsoever, and all the negotiations we enter into will be pointless' (Levi 2002). The foregoing comments suggested that the focus of the Forum Secretariat and of regional governments was centred essentially, if not single-mindedly, on negotiating EPAs that would support the development of export industries in Pacific Island countries, to take advantage of EU market access, and that as such the focus was primarily on what could be gained, and not at all on what might be conceded, or lost. Other comments made by Levi in the same address indicated even more clearly that he saw the EPA as an opportunity, to be worked to the Pacific's development advantage, and that he subscribed to the idea of trade-led growth:

> 'The process of globalisation has, in fact, largely been imposed on us by events beyond our region but it is up to us to turn it to our advantage. And an EPA may well provide us with an important opportunity to do just that. For those Pacific ACP economies already heavily involved in international trade, what is sought is not just access to EU markets, but also assistance with improving efficiency in viable export industries, and with facilitating the industrial realignment which market forces will encourage. Change of this sort is never comfortable. But shaping our export trade in line with our true competitive advantage is clearly essential. For those economies still to develop a significant export base the issue is rather different; here advice, support - and imagination -- will be required to identify and create a new export culture. This, too, will not be easy, but it is hard to envisage any other path leading to sustainable prosperity in the long run' (ibid).

An Ally in the WTO?

One of the blocks to Pacific Island states' comprehending the hard-nosed politics, strong-armed-tactics and vested economic interests involved in free trade has been the tendency of its leaders to relate to global institutions through personal connections with individuals within them, and to assume that those who come from their part of the world can be relied upon to take up the cudgels on their behalf.[27] During Michael Moore's term as Director-General of the WTO, Pacific Island leaders considered that they had a friend at the helm of the organisation, someone who understood their situation and who they could trust. This kind of thinking was formally conveyed by Deputy Secretary General of the Forum Secretariat, Iosefa Maiava, at the opening of a WTO trade policy course in Nadi in March 2001. Thanking Mike Moore for 'his efforts in assisting ... small., poor and vulnerable economies like ours in moving towards achieving relevance in WTO negotiations', Maiava added: " We are fortunate that Mr Moore comes from this part of the region as he would understand our struggle to achieve the benefits of globalisation'. Surprisingly, the exact same kind of sentiment was expressed by a senior regional citizen and NGO representative, during an email discussion on WTO issues within the PANG network.

That Moore was also very aware of the special regard in which he was held by Pacfic Island leaders, and prepared to exploit it by appealing for their support and cooperation within the WTO, is clear from his opening address to a regional WTO trade policy course that was organised jointly with the Forum Secretariat in Nadi in March 2001, and funded by the New Zealand Government. The course was a follow-up to a Trade Policy Course for LDCs held in Geneva in October 2000 which several Pacific Island participants, including the Forum Secretariat, attended.

[27] For instance, Don McKinnon, Secretary General of the Commonwealth Secretariat, is fondly regarded by Pacific leaders as 'our man' in the Commonwealth and is counted on to understand the complexities of Pacific Island states and politics, especially in times of conflict such as the Fiji coup of 2000, during which the Commonwealth intervened with a fact finding mission.

Moore sent a rather personal video message [28] to the regional course. In it, he paid tribute to Levi, for his 'able leadership', thanked him 'for his support of the work of the WTO', and said he would continue to rely on `his advice and support' in preparations for the WTO Ministerial Conference later that year in Qatar.[29] He went on to assure Pacific Island states that key questions of concern to them, 'to which [he] attached the greatest importance', were being addressed within the WTO, citing the examples of `practical solutions' to the distance, isolation, marginalisation and vulnerability problems of small island economies and LDCs - modern electronic and high speed communications, increased use of the internet, emails, mobile and land-based telephony, plus the installation of 96 Reference Centres in 78 countries, including the Pacific countries of Tonga, Solomon Islands, Papua New Guinea, Vanuatu, Fiji and Samoa, and possibly other Pacific countries in future. In case participants failed to understand how precisely the WTO Reference Centres benefited them, Moore explained that they provided access for users to WTO news, information and documentation, adding 'It brings you closer to our work in Geneva' (Text of Video Message by Mr Mike Moore Director General of WTO, WTO/FORSEC Trade Policy Course for Pacific Island Countries, Fiji, 5 March 2001).

Moore used the opportunity to convey to Pacific participants the idea that the WTO was also responding to the problems and needs of small island states through expanded technical assistance (such as the Trade Policy Course), through continued discussions on Special and Differentiated Treatment provisions in WTO Agreements to make them more operational, and through consultations towards improved market access, especially for LDCs (which, he pointed out, include five Pacific Island countries). He informed the Pacific states of the 'considerable success' of a new WTO

[28] Aside from opening with regrets that that he could not 'be here with you in person', and using solidarity language ('I was in the Caribbean seeing our brothers and sisters there...'), Moore's message concluded with comments that could be judged inappropriate for an official message from the head of the WTO: 'I do wish I could be there with you. I miss the region. I am homesick! I look forward to doing the job and coming back'.

[29] Text of Video Message by Mr Mike Moore Director General of WTO, WTO/FORSEC Trade Policy Course for Pacific Island Countries, Fiji, 5 March 2001.

project - the Integrated Framework for Trade Related Technical Assistance for LDCs - run by the WTO in tandem with five other agencies, International Trade Centre, the International Monetary Fund, UNCTAD, UNDP and the World Bank. Informed by the ideas that trade is a motor for growth and development, and that trade policy needs to be anchored in an overall development policy framework, the Integrated Framework had resulted from coherence agreements among the WTO and the other agencies and is indicative of the latter's collective capitulation to WTO policy setting and agreement on the primacy of trade liberalisation. [30]

Intended to lock developing countries, and LDCs in the first instance, into a trade-led development' approach by `mainstream[ing]' a trade integration chapter into the overall development plans and poverty reduction strategies of all LDCs, 'improv[ing] coordination' among all providers of technical assistance, and 'elaborat[ing] a prioritiesed and sequenced programme of technical assistance in the beneficiary pilot LDCs', the Integrated Framework was projected by Moore as a development initiative, aimed at benefiting developing countries.

> `So for the first time after many years, we are getting all the agencies in a line to assist LDCs. It should have been done years ago. In fact Ministers first instructed agencies to work on this project in 1996. Notwithstanding the delay, the agencies are now working in concert to achieve a purpose as directed by Ministers. I hope this model, when successful, will be used more extensively to assist developing countries and the smaller and more vulnerable amongst us as well' (ibid:4)

[30] The Integrated Framework was endorsed at the Doha Ministerial meeting for piloting in 19 LDCs. It was subsequently planned to be extended to all LDCs, and eventually to non-LDC low-income countries, following a review of the pilot project. Doha underscored the importance of `consistency of action between trade and development communities, of improved market access opportunities, and of partnership between multilateral, bilateral and regional partners in support of policy reform in least developed countries and developing countries.' (Report of the Mainstreaming Seminar II, Integrating Trade Into Development Strategies: The Role of Policy, Technical Assistance, and Capacity Building. WTO, Geneva, 31 October –1 November 2002, WT/IFSC/2, 15 January 2003)

That the provision of technical assistance and capacity under the Integrated Framework was primarily intended to enable developing countries to `meet their obligations under WTO' and to be able to `negotiate inside a new round' was made clear to the Pacific Island states by Moore.

> 'We need to be able to provide you with assistance and capacity to enable you to meet your obligations and exploit the opportunities provided by the WTO agreements. We also need to be able to provide to our small and more vulnerable Members technical capacity so they can negotiate inside a new round. Because it is only inside a new round that we can do the best for the most of our membership' (ibid:4).

Arguing that 'small [and LDC] economy concerns can most effectively be addressed within the context of a wider set of trade negotiations', Moore's main advocacy was, in fact, for the launch of a new round of multilateral trade negotiations at Doha, 8 months later (ibid). Not only did he make this plain, he tried to rally support for a new round among the Pacific states by suggesting a dire fate if they did not come on board to help maintain `the credibility of the multilateral rules-based system':

> 'Ensuring we have a successful Ministerial is my major objective. By `successful Ministerial' I mean one which launches a series of negotiations that all of us feel comfortable with...I am sure that WTO Members clearly understand the stakes involved. We need to maintain the credibility of the multilateral rules-based system. We need to strengthen it. If there are injustices - and there are - if there are things that can be improved - and there are - they can be best improved if we have a wider set of negotiations that bring all these problems together....There are ominous signs out there. Many countries are looking at regional alternatives. Sometimes this is good, sometimes this is a building block. But regionalism must never be seen as a substitute for the multilateral system. *Because we know that the ones who will miss out the most from regional and bilateral agreements will be the smallest, the most vulnerable and the poorest. There are plenty of people knocking at the doors of wealthy countries. There are not that many knocking at the doors of the poorest'* (Ibid:6; emphasis added).

Moore ended his address by declaring that the over-riding challenge of the multilateral trading system was 'join[ing] in international efforts to alleviate poverty, and ...meet[ing] the internationally agreed upon targets of halving poverty by 2015' (ibid:7). In his opening address, the Deputy Secretary General of the Forum Secretariat, Iosefa Maiava, referred to the Pacific free trade area as a reflection of the Pacific Island states' desire for a stepping stone approach to 'wider liberalisation' and as a means of facilitating the integration of the region with the world economy'. He called on the WTO to recognise the uneven playing field within the multilateral trading system, to promote special and differential treatment for 'small, poor and vulnerable states' if these countries are to have a chance of competing, and to provide more trade policy courses (Forum Secretariat Press Statement 2101, 6 March 2001).

Five months after the regional trade policy course, at the 32nd meeting of the Pacific Islands Forum in Nauru in August 2001, Pacific Island leaders agreed to support in principle the launching of a new round of negotiations at the 4th WTO Ministerial Conference in Doha (Jenkins 2001).[31] And, at the Fourth Ministeral Meeting in Doha in November that year, while undemocratic processes and strong-arm tactics were resorted to by the WTO's most powerful member states to compel most developing countries to support a new, 'development' round of multilateral trade negotiations, the Pacific Island states, led by the Forum Secretariat, happily rendered support to the proposal. Their position reflected the Forum Secretariat's insularity and distance from the emerging political stance of developing countries within the WTO, its primary solidarity with other small developing ACP countries and preoccupation with Cotonou issues, and its generally myopic view that confined it to looking at the multilateral trading system only in terms of what Pacific Island states stood to lose or gain from it. Thus, other than registering concern about the unequal playing field and

[31] The decision was somewhat at odd with the other distinctly regional positions taken at the meeting - concern over human rights abuses in West Papua; call for US ratification of protocols to the South Pacific Nuclear Free Zone Treaty and the Kyoto Protocol; the 'sovereign right of states to establish domestic tax regimes of their own design and choosing' and objection to the OECD countries' proposed 'blacklist'; and insistence that the US had a special responsibility towards the people of the Republic of Marshall Islands as a result of their exposure to radiation through the US nuclear tests on Bikini.

asking for special and differential treatment, it tacitly accepted the architecture that was being constructed by developed states in their own economic interests, `legitimated' both by apparent global conversion to its underlying economic ideas, and by the consensual treaty mechanisms put in place to ensure compliance.

Pacific Island states (and their ACP partners) did have something to be grateful to the Doha Ministerial for - a temporary reprieve from suffering the consequences of the Cotonou Agreement. The 4th Ministerial agreed to grant the EU a waiver that allowed the continuation of ACP states' preferential access to EU markets under Lomé for a six-year transition period, till 2007 (Maiava 2002:1). This undoubtedly encouraged continued engagement with and confidence in the WTO. The Forum Secretariat's Trade Policy Advisor, Mere Falemaka, in a presentation at the Forum and Commonwealth Secretariats' Regional Workshop on Challenges for Pacific Island countries in Multilateral Trade in February 2003, hailed Doha as a success, highlighting the Ministerial Meeting's adoption of the Small Economies Work Programme (para 35), and anticipated the 'opportunity' for Pacific Island States of the coming 5th Ministerial Conference in Cancun. The rationale for the Forum Secretariat's trade work, according to Falemaka, was to `generate economic growth from trade expansion' through increased intra-regional, inter-regional, and multilateral trade. From her account, the Secretariat's trade work was all cut out for it and entailed working simultaneously at national, regional and international levels, covering WTO processes in Geneva between 2002-2004, involving seven negotiating groups, and WTO/EPA processes in Brussels between 2002 and 2007, involving 6 negotiating groups (Falemaka 2003).

Faith in and commitment to the whole project of economic reform and liberalisation ran deep within the Forum Secretariat. At the Forum Economic Ministers' Meeting in the Marshall Islands in June 2003, Maiava urged Pacific Ministers of Finance to become `champions of reform' when they returned to their home countries. Entreating them to tackle the sluggish world economy and the region's high population growth by promoting legislative reform within their own governments, he declared with evident conviction:

> `I believe that first and foremost we need champions and believers.[32] And the higher the station of the champion, the better... Which means for us here, our most important champions are you - the Ministers. If you are not going to champion the commitments made under the FEMM [Forum Economic Ministers Meeting] process, I'm afraid that very little that is of value will happen.' (ABC Radio Australia News, 11 June 2003)

The same month, Noel Levi was quoted in a Forum Secretariat Press Release promoting the development of trade as a basis for 'generating growth in our economies', saying 'this will require bold steps in the way we develop our economic and trade policy reforms' (Forum Secretariat, 27 June 2003.) Levi reported that under PACER, which had come into effect in October 2002, a work programme was being developed to `support trade facilitation through improved quarantine services and customs operations' (op cit).

Between the Doha and Cancun Ministerial meetings, the Forum Secretariat not only successfully engineered the negotiation, drafting, adoption and ratification of two regional trade treaties aimed at progressively moving Pacific Island states towards full trade liberalisation, it also worked to further lay the groundwork for liberalising services.[33] The Forum Secretariat also engaged closely with the WTO where it could, attending meetings and seminars to which it was invited. WTO meetings included, significantly, the second Mainstreaming Seminar on Integrating Trade into

[32] The idea of identifying and supporting `champions of reform' is strongly advocated by both the World Bank and the ADB, as evident in the following excerpts from their respective documents: 'The effectiveness of aid under difficult policy environments increases if aid supports champions of reform...' (http://www.worldbank.org/research/aid/africa/tor.html); 'Within all six PDMCs, the role of a 'champion' or group of champions of the reform process cannot be understated' (Knapman & Saldanha 1999:9).

[33] For air services, a draft legal text was developed titled 'The Pacific Islands Aviation Services Agreement' which was negotiated by the Forum member countries. All of the Forum Island countries except Fiji, Kiribati and Nauru, signed a memorandum of understanding 'signifying their commitment to return with the text to their Parliaments for endorsement'. For the liberalisation of education services, the Forum Secretariat had convened a regional meeting of Education Ministers in December 2002, at which an 'introductory paper' titled 'Extension of PICTA to Educational Services' put the 'Forum stance on the extension of PICTA to trade in services' (Forum Secretariat Brief on Liberalisation of Trade in Services in the Pacific Region).

Development Strategies: The Role of Policy, Technical Assistance, and Capacity Building in Geneva in October/November 2002, which was attended by Mere Falemaka. The Forum Secretariat was one of less than a handful of regional economic organisations included among the UN agencies, regional banks and monetary institutions invited by the six core agencies implementing the Integrated Framework to attend the seminar, which strongly reaffirmed the trade-led approach to development. Moore's opening statement proclaimed trade as an engine for growth and development, and claimed the Integrated Framework, with its focus on LDCs, as the `principal mechanism in the international community for *mainstreaming* (integrating) trade into development plans and strategies for poverty reduction'. Moore emphasised the need for `mutually supportive companion policies' (as trade policies 'do not stand alone'), linked the Integrated Framework to the outcomes of the Johannesburg World Summit on Sustainable Development, the Millennium Development Goals (MDGs), and the Monterrey Summit on Financing for Development, and called for better coordination and scaled-up trade related technical assistance and capacity building. Other speakers at the seminar emphasised the need for `greater institutional coherence within participant countries', the development of `sound trade statistics, information systems to facilitate customs processes, market intelligence for exporters, and well-structured training courses for trade officials'.

As it turned out, the ACP process of preparing for negotiations with EU states on EPAs eventually lent itself to organising the ACP states to set the agenda in subsequent negotiations with the EU and resist pressure to proceed with negotiations according to the EU's timetable. The process also eventually contributed to encouraging Pacific Island states to take a more critical stance within the WTO, and to see the economic interests driving WTO processes. From September 2002, when EPAs were due to be begin to be negotiated between the EU and those ACP countries which felt ready to negotiate reciprocal free trade agreements, and especially from May 2003 when a series of pan-ACP and ACP/EU meetings were held, ACP states took the position of insisting on formal commitments from the EU on issues of common interest to all ACP states, as well as on the principles and objectives of the EPAs, before the start of negotiations on EPAs (Tanoh 2003). The unified position of the ACP countries, which was temporarily threatened when ECOWAS (Economic Commission of West African States) broke ranks and announced its readiness to proceed with (stage 2) negotiations on an EPA with EU in April 2003 (ECOWAS reversed its stand less than a month later, during pan-ACP and ACP-EU talks in May), reflected a longstanding tradition of unity and solidarity among the ACP states that went back to negotiations on the first Lomé Convention in 1975 and that was `reaffirmed at the highest political level during two summits of ACP Heads of State and Government (ACP Secretariat 2002). Guidelines for the negotiations on EPAs prepared by the ACP Secretariat in Brussels laid down the approach to be taken in the negotiations, basic principles, and the strategic and specific objectives to be pursued (Ibid). Among the strategic positions advanced by the ACP Secretariat were the following: that, irrespective of the outcome of EPA negotiations, no ACP state should be worse off in the post-2007 period than under the current ACP-EU arrangement; that the ACP states cannot a priori accept to provide reciprocity in EPAs with the EU, or be required to make the same level of commitments under EPAs as the EU, particularly as regards market access; that the provision of special and differential treatment for ACP states is essential, because of the different level of development between the ACP and EU; and that special treatment should be given to LDCs and vulnerable, small, landlocked and island countries under the EPAs, in keeping with article 35 (3) of the Cotonou Agreement (ibid).

The strong resistance emerging among ACP states and from their Secretariat in the lead up to negotiating EPAs with the EU evidently influenced government leaders in the Pacific. Forum Secretariat Secretary General Noel Levi delivered a strong statement on behalf of Pacific Island countries to the 5th WTO Ministerial in Cancun in which he clearly positioned the Pacific Island states with the rest of the developing countries and recorded their deep disappointment over the marginalisation of the development dimension in the progress of negotiations under the Doha Development Agenda. This was supposed to be at the heart of the WTO's work programme post-

Doha and was the reason many developing countries including Pacific island states had agreed to participate in a new round.[34] Levi called for 'fair multilateral trading rules', for the preservation of trade preferences for agricultural and industrial goods for small island economies, and for equitable trade rules that `recognise .... trade asymmetries and allow weaker countries to assume obligations commensurate with their level of development' rather than insist on reciprocity. A 'one-size-fits-all regime' was not yet appropriate to developing countries, Levi said.

On his return from Cancun, following the stand-off between developed and developing countries over the controversial 'Singapore Issues' (Investment, Competition Policy, Government Procurement and Trade Facilitation), and the consequent collapse of trade talks, Levi issued an even stronger public statement welcoming the solidarity shown by developing countries in Cancun, and especially the solidarity amongst the small and vulnerable economies (SVE) group, of which the Pacific Island states were a part. He said developing countries need to ensure that future negotiations `aim for a multilateral system that is more open, fair and transparent for all' (ibid). Importantly, Levi appeared to have absorbed that what was at stake in the struggle within the WTO was essentially ordinary peoples' interests, under threat from global corporations, and that governments of the developing world had, at Cancun, openly positioned themselves with the social movements:

> 'While I regret the collapse of the talks, developing countries, ordinary people of the world, farmers and workers have triumphed over the giant multinational corporations' (Forum Secretariat Press Statement, 24 September 2003).

PANG Coordinator, Stanley Simpson, commended Levi for his strong statement and welcomed the shift in attitude towards to the WTO thus displayed by the Forum Secretariat. Whether or not Levi's statement reflected a real shift in perspective

[34] Levi actually suggested that the Pacific Island (and Caribbean and Indian Ocean) countries' support in principle for a new 'development' round in Doha was conditional on `their interests as developing and as small vulnerable economies' being 'effectively accommodated' (Levi 2003:3).

within the Forum, or just a shift in perspective by Levi is unclear. Levi retired as Secretary General in early January 2004, and his successor, Greg Irwin, a former Australian High Commissioner to the Pacific, was Australia's nominee for the position and the first non-Islander to assume it. Resulting as much from intra-Pacific division and rivalry in the sense of a failure to agree on a Pacific Island candidate, as from longstanding manoeuvring by Australia to assume leadership of the Forum Secretariat (following a similar successful assumption of leadership of the Pacific Community - formerly known as the South Pacific Commission), Irwin's appointment is more than likely to see a quieting of critical voices within the Forum, and a more open driving of the agenda of liberalisation by Australia. An early indication was the announcement made by Australian Foreign Minister, Alexander Downer, during a visit to Fiji in December 2003 that the Forum Secretariat would be the beneficiary of $2.5 million worth of `financial and technical assistance' over the next five years, to support its implementation of PACER, specifically in areas such as trade facilitation and promotion, capacity building and structural adjustment (AusAID Media Release, 18 December 2003). Australia has also contributed $150,000 to enable the Forum Secretariat to develop the Regional Trade Facilitation Program (RFTP), under which reforms in areas such as customs, quarantine, and standards and 'conformance' will be implemented, with technical assistance from Australia (ibid).[35] Downer's choice of words in announcing the new grant was revealing and somewhat disingenuous, given the history of PACER, its intended beneficiaries, and the effective denial of national economic self-determination to Pacific Island states under the emerging regional and global regimes of liberalisation:

> `I am pleased to announce further practical support by the Australian Government aimed at promoting greater regional trade among Pacific Forum member countries. Increased trade and better sharing of resources are keys to fostering greater prosperity in the Pacific region. Australia has an important role in assisting Pacific Island states to take a stronger leadership role in their own development. Improving their capacity to address

[35] The AusAID media release reported that Australia is also providing annual core funding of $1 million for trade and export promotion through the Pacific Islands Trade and Investment Commission (PITIC), based in Sydney.

> issues of governance through pooling of regional resources is crucial to increasing economic development and maximising the benefits of globalisation' (ibid).

Conclusion

This chapter has attempted to show how precisely the Forum Secretariat has been working to advance trade liberalisation in the region and to highlight the implications for the Pacific Island states. The inter-relationship between programmes of economic reform and trade liberalisation policy reform, both of which are being driven and facilitated in the Pacific region by the Forum Secretariat, are clear. The Forum Secretariat's spearheading of regional trade liberalisation via regional trade agreements has therefore been entirely consistent with the leadership role it assumed in driving economic restructuring. The chapter implicitly questions the benefits to Pacific Island states from trade liberalisation by showing, through an examination of the agreements, the various interests that lie behind them and the close convergence of its provisions with WTO rules and principles that are themselves the subject of strong contestation, and suggests that the less than transparent ways in which trade liberalisation is being systematically implemented in the region is a serious indictment of the Forum Secretariat. It is also suggested that strong criticism of the Secretariat from civil society groups within the region, together with the emergence of solidarity and resistance to EU interests among the ACP group of countries as a whole, might have had the effect of making the Forum Secretariat leadership more critical of the free trade agenda and of the inequalities and unfairness of WTO rules and processes.

CHAPTER SIX

STRUCTURAL ADJUSTMENT IN FIJI: POLITICS, PROCESS AND SUBSTANCE

Introduction

The seeds of economic restructuring in Fiji were sown well before 1995, and the adoption and implementation of a coherent policy of economic reform preceded by several years the regionally directed 'reform' programme discussed in Chapter Four. As early as 1984, following policy advice tendered by the International Monetary Fund in 1983, policy-makers within the Alliance Government of Ratu Sir Kamisese Mara had begun to take initial steps towards restructuring by dismantling, in the first instance, the corporatist tripartite arrangements for wage-setting and industrial dispute resolution that had been in place since 1977. The IMF held the Tripartite Forum responsible for the 'higher than warranted' real wage increases since 1977 and disapproved of wage earners being `persistently compensated' for rises in import prices. It called for decisive action to preserve fiscal discipline (IMF Report 1984;10). The Government's imposition of a wage freeze in 1986 not only signaled the end of an era of state-labour-employer collaboration in wage and economic policy making in Fiji; it saw the introduction of what would later be recognised as economic rationalist thinking - linking wages to productivity rather than cost of living, and emphasising economic growth.

As would later reforms, the 1986 wage freeze, and the ideas and arguments used to justify it, had far-reaching political impacts. They triggered the formation of the Fiji Labour Party by the Fiji Trades Union Congress, and its subsequent successful contest of the 1987 national elections, as part of a coalition with the National Federation Party. The FLP/NFP coalition's electoral victory, however, was short-lived – a military coup carried out by a third ranking officer in the Royal Fiji Military Forces, Sitiveni Rabuka, and supported by members of the defeated Alliance Party, ousted the Labour-NFP Government one month after it came to power on the pretext of saving the country from a bloody uprising by indigenous Fijians against what was labeled an 'Indian' Government (Robertson and Tamanisau 1988).[1] A second coup by Rabuka in late September scuttled the Deuba Accord, an agreement between Interim Prime Minister, Ratu Sir Kamisese Mara, and deposed Prime Minster, Dr Timoci Bavadra that was brokered by President Ratu Penaia Ganilau in an attempt to rescue the situation through the formation of a government of national unity. Rabuka's second coup enabled him to complete the objectives of the May coup, as he put it. The coups installed an 'ethnocracy' (Fry 1999) and ushered in almost a decade of institutionalised racism which the regime sought to legitimate by a decreed Constitution. Among other things, the 1990 Constitution entrenched indigenous Fijian rule through the reservation of a majority of Parliamentary seats and key political positions for ethnic Fijians.

Without a parliament for five years, and with political attention both within and outside Fiji centred primarily on demands for a Constitutional review, democratic political reform, and general consensus on the need for economic recovery, the introduction and systematic implementation of a programme of economic restructuring by post-coup governments had an unobstructed start, although trade unions and the Fiji Labour Party voiced vociferous opposition in the media from the very beginning. Generally, implementation of early restructuring measures was facilitated by the repressive political climate and the urgency of achieving economic recovery.

Implementation of the programme of 'economic reforms' (as they are termed in Fiji and the region) commenced soon after the second military coup and continued unabated until 1999. Closely following economic policy prescriptions of the World Bank and the International Monetary Fund, the 'reform' policies in the initial phase included introducing new incentives for export manufacturing, labour market deregulation and re-regulation of

[1] In fact, the Fiji Labour Party/National Federation Party Coalition Government which won the elections had a perfectly racially balanced Cabinet - seven indigenous Fijians, seven Indo-Fijians, and one General Elector(Robertson and Tamanisau; 1988;61). Despite this, and the fact that the FLP dominated the Coalition, attention was drawn to the ethnic composition of the FLP/NFPgovernment - 19 Indo-Fijians, seven Fijians and two General Electors - and the fact that the Indo-Fijian-backed NFP was now in power.

labour unions, formation of a number of government companies as part of a plan to reorganise and corporatise public enterprises, changes to the tax structure (specifically substitution of a regressive - for the formerly progressive - tax system and a lowering of company taxes), and a slew of financial sector reforms which included dismantling interest rate controls, relaxing exchange controls, and encouraging the entry of new financial institutions, including foreign commercial banks.

Following national elections in 1992, the scope and pace of Fiji's `reform' program broadened to include corporatisation of postal, telegraphic, shipping, aviation and housing services, the restructuring of national electricity and water supply services in preparation for privatisation, and establishing a Capital Market Development Authority (in 1996) to promote private sector development. Additionally, a comprehensive public sector reform programme, modeled on public sector restructuring in New Zealand and Australia, sought to clarify the core business of individual ministries and departments through the development of `corporate plans', annual work plans and budgets. The `reform' programme was further stepped up with the preparation of policy frameworks and legislative support for financial sector reforms, announced in the 1999 budget. Performance budgeting, accrual accounting and annual reporting systems to ensure departments lived within their budgets and met annually projected outputs were introduced. Responsibility for these areas, and for hiring, firing and promoting staff was devolved to permanent secretaries, who were now to be employed on contracts and function as the chief executive officers of government entities.

Economic rationalist ideas about the need to `grow the economy', the role of the private sector as the `engine of growth', the imperatives of raising productivity, finding niche markets and becoming competitive in the international market, the requirements for greater efficiency and, later, the fundamentals of financial accountability and good governance, were variously used to justify economic policy changes put in place in the 12 year period between 1987 and 1999. Decreed policy changes in the early post-coup years were followed by legislated `reforms', facilitated through the bilateral aid programmes of Australia and New Zealand.

The SVT government's overwhelming parliamentary majority and the (Opposition) National Federation Party's preoccupation with negotiating a constitutional settlement (finally achieved in July 1997) continued to ensure a relatively smooth passage for the `reforms' after 1992. Consistent opposition to restructuring, voiced by trade unions, the Fiji Labour Party, critical church leaders and academics, and a small number of NGOs, who variously highlighted both the wider global agenda of which economic restructuring policies were a part and the negative social impacts of restructuring policies, was largely ignored.

In this chapter, I examine the background, politics and process of economic restructuring in Fiji up to 1999. I highlight the context in which 'reform' was initially adopted and implemented, its links to World Bank and IMF prescriptions, its various dimensions and their rationalisation, and the role of the Australian and New Zealand governments in the restructuring process.

Pre-coup Origins

Pre-coup economic restructuring efforts mainly involved wage restraint measures and were understandably marked by a bitter conflict between the labour movement and the Alliance Government. The latter had held power since independence in 1970 and had engaged a section of the labour movement in a corporatist relationship between 1977 and 1984. Devised in large part to marginalise and disempower militant labour leaders aligned to rival political parties, as well as to moderate industrial disputes which dominated the early post-independence period, and regulate wage increases, the Tripartite Forum involved the Fiji Trade Unions Congress (FTUC) and the Fiji Employers Consultative Association (FECA) in national wage-setting, dispute settlement, and labour policy formulation (Slatter 1993; 196-8). The Tripartite Forum, however, as I have documented elsewhere, came to strengthen the hand of moderate - and particularly white-collar - unions, not least the Fiji Public Service Association, which by the early 1980s had come to dominate the Forum and to demonstrate increasing militancy in pursuing its wage demands (ibid:197; Howard 1991; Leckie 1997).

The ease with which trade unions achieved annual wage increases for their members through the Tripartite Forum began to come under scrutiny from 1983. IMF missions to Fiji from that year judged wages and salaries in Fiji to be too high and blamed the mechanism of the Tripartite Forum's annual wage guidelines. It advised decisive action by the Minister of Finance who, it pointed out in a 1983 report, was empowered by the Counter Inflation Act to issue an order controlling wages throughout the economy for an indefinite period (IMF 1983, cited in Slatter 1993:189-190). It also advised altering 'the institutional arrangements for wage determination so that higher import prices are not reflected in wage increases' (ibid). The report of the Fiji Employment and Development Mission (FEDM), published in 1984, had also focused on wages in Fiji. While acknowledging the achievement of the Tripartite Forum in successfully implementing incomes policy, it said deteriorating economic circumstances had made even modest wage increases excessive (FEDM 1984; 286).[2] Then, in October 1984, in a paper presented to the Fiji Government entitled "Wage Developments in Fiji 1970-1984', the IMF blamed 'the protection of real wages through indexation in recent years, while incomes in the sugar sector [had] fallen and industrial costs [had] risen' for Fiji's deteriorating budgetary and external balances. It pointed out that since 1977 the real wages of government employees had increased substantially faster than the wages of other employees, and highlighted the fact that public sector wages and salaries had increased to 53% of government current expenditure, 44% of government total expenditure, and 13% of GDP in 1984. This, it said, was a major factor in the deterioration of the central government's

[2] The FEDM report was deeply gender biased. It held women's entry into the labour market responsible for exacerbating male unemployment and lowering wages and proposed incentives to keep women at home or encourage them to share jobs. At the same time, it argued against the enforcement of minimum wages in unregulated industries on the grounds that it was pointless to stop paying wages which unemployed people were `anxious to accept' (FEDM 1984:157, cited in Slatter 1987;49-50). The gender bias of the Mission's report is more fully critiqued in Narsey (1985).

budgetary position.[3] Barely a month later, the Alliance Government unilaterally declared a wage freeze, breaking the 1984 Cost of Living Adjustment (COLA) Agreement (which had already been signed by the Prime Minister, Ratu Sir Kamisese Mara) and thereby, the accord with the labour movement, and terminating the Tripartite Forum arrangement.

The events that unfolded from that point on illustrated that economic advice and prescriptions are never implemented in a vacuum, and may have unanticipated political outcomes. Yet the range and combination of variables within any specific social and political environment that can be activated by human agency are usually excluded from analyses and prescriptions, which focus primarily on economic indicators. The `one size fits all' economic prescription of structural adjustment policies is indeed advanced as if its application takes place in the same laboratory conditions everywhere, with political impacts or costs externalized or attributed to other deficiencies.

Thus it was that, in the very year that the Fiji Employment and Development Mission observed that 'there are very few countries in the developing world today that enjoy Fiji's combination of *relative prosperity*, social harmony and freedom from repression' (emphasis added), and just a year after Fiji's gross national product per head, at US$1,790, placed it slightly above the average for middle income development countries of US$1,500, economic policy advice tendered by those assumed to know best , was contractionary, resulting in the wage freeze (Knapman 1988; 157,170). While this may well have had the desired economic effect of moderating the disequilibrium between revenue and expenditure (produced by sluggish economic growth and dramatic increases in public expenditure as a consequence of wage and salary increases and increased debt servicing in the early 1980s), and while prospects were beginning to look more promising in 1986 (with a drop in oil prices, higher sugar and gold prices and increased tourism

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[3] By the time this IMF report was submitted to the government, the FPSA had successfully pressured the government to meet backpay obligations for January and February 1984 (which were paid in March), with the rest to be paid 'in instalments in cash and government bonds', and had won its case for a Cost of Living Adjustment for 1983, which had gone before the Tripartite Forum's Inability to Pay Committee. Howard (1991:151).

receipts), the economic balance sheet did not take into account *political* reactions and counteractions. Yet these political 'externalities' came to have the most direct bearing on the course of events between 1984 and 1987.

The 1984 wage freeze marked the end of a cozy relationship between the Alliance government and the trade union movement, and paved the way to a major and bitter political rift. The unions reacted in outrage to the wage freeze, denouncing the government for stabbing it in the back, and set to organising a series of public meetings to discuss a general protest strike. The government proposed an economic summit for February 1985, to which unions would be invited but when the FTUC rebuffed this and continued to plan a national strike, Prime Minister Mara declared he would break the strike by calling in `the disciplined forces' if necessary, and announced other options he was prepared to consider, such as sacking civil servants en masse, and de-registering unions (*Islands Business*, February 1985;14). Two glossy broadsheets, titled 'Think Fiji First' and 'Why a Wage Freeze will Help our Country' were produced by the government and distributed nation-wide through a daily newspaper to justify the wage freeze to the general public. In these, the wage freeze was portrayed as a strategy to assist `the poor, the unemployed, and the struggling farmers', and the unions were cast as a dangerous force with political designs:

> `In recent weeks the government and people of Fiji have witnessed a growing threat to the country from a planned national strike. A group of union leaders have attacked the government's plans to improve Fiji's financial position. They are opposing moves to make more money available for helping the poor, the unemployed and the struggling farmers. They have insulted the Prime Minister, one of the greatest supporters of the unions. In their campaign against the government, they hope to cripple the nation by calling a national strike. After that they want to take over the government of the country by forming a Labour Party' (*Think Fiji First*, n.d.)

The broadsheets discussed Fiji's balance of payments problems and the danger of `becoming bankrupt', arguing that it was better to make adjustments now than be forced to do so later by the IMF. The country was described as a family, whose (benevolent) head, the government, now had to use its `legal powers' to enforce a 'plan for improving the family finances' so that 'less fortunate brothers and sisters would have an opportunity to improve their income' (*Islands Business*, February 1985). The latter argument might have been convincing had the Economic Summit which followed in February 1985 (which the unions boycotted) and the budget for 1986 demonstrated more than rhetorical commitment to `the poor, the unemployed and the struggling farmers'. In fact, the Summit functioned as nothing more than a legitimising exercise through which the government simply sought to rationalise the wage freeze as a necessary move which would ensure that the benefits of development were evenly spread amongst people. Its actions, just over a year later, in gazetting, and then rapidly rescinding, a long overdue Wages Council Order to cover the poorly paid workers in the garment industry (some of whom earned as little as 25 cents an hour), following pressure and strong lobbying by garment manufacturers, cast serious doubt on the government's avowed concern for the poor (Slatter 1987: 47).[4] The 1986 budget, similarly, indicated little evidence of consideration for the poor, the unemployed and the struggling farmers.

The Alliance Government paid a heavy price for breaking its tripartite accord with the FTUC. The union leaders moved quickly to form `a party for the working people' and the resultant Fiji Labour Party was formally launched in July, 1985. Four months later it had succeeded in winning municipal elections in the capital, and in December 1985 it polled very well in a by-election for a vacant parliamentary seat. In April 1987, the FLP, in coalition with the predominantly Indo-Fijian supported National Federation Party, defeated the Alliance in national elections and formed the government. A month later to the day they were ousted in a military coup, following an orchestrated destabilisation campaign by the so-called `Taukei Movement', whose leadership primarily comprised defeated Alliance candidates.

[4] In the 1987 election campaign, the Labour Party publicly alleged that it had proof that garment manufacturers had made a substantial contribution of $72,000 to Alliance Party coffers.

The military coup of 14 May 1987, and the forces of military aggression and racism that it unleashed exacted a heavy economic toll. The impacts were felt immediately. Within two weeks of the coup, 1,239 citizens had fled, most of them businessmen, professionals and skilled workers, many shifting their money abroad in the expectation of an overnight devaluation of the Fiji dollar. By end of June, foreign reserves had fallen to $119 million, property values and manufacturing output had fallen by 50%, occupancy rates in hotels were down to 20%, and thousands of workers had been 'laid off'. By mid August, 27,000 applications to emigrate had been lodged at the Australian High Commission in Suva, the New Zealand High Commission had a two month backlog of applications to process, and $11 million in bank deposits had been overdrawn from the banks as confidence in the economy plummeted (Robertson and Tamanisau 1988;117). The combined effects of business closures, capital flight, loss of investor confidence and virtual cessation of foreign investment, together with the collapse of tourism and a halt to the sugar harvest caused massive balance of payments problems, requiring 'draconian economic policy measures' (Knapman 1988;172).

In fact, the economic crisis that resulted from the 1987 coups provided an ideal context, or enabling environment, for economic restructuring. As a World Bank report in January 1991 put it, "Fiji suddenly faced the need for short-term stabilisation measures, for economy [sic] recovery, and for more basic structural adjustment measures' (1991, Vol 2; 2). The military-appointed Interim Government, which held power between 1987 and May 1992, acted swiftly and decisively as advised to implement both economic stabilisation and recovery measures, followed by a programme of structural adjustment. That it did so in a climate of political repression, that this indeed provided a favourable reform environment, and that the application of earlier economic policy advice might be said to have brought all this about, are details that are rarely, if ever, mentioned.

Deregulation by Decree: early post-coup `reforms' 1987-1992

The first policy interventions, put in place between 1987 and May 1992, were introduced, perforce, by decree. Stabilisation measures aimed at stemming capital flight and building up reserves included credit restrictions, strict foreign exchange controls and two devaluations, of 18% in June and a further 15% in October 1987. Recovery measures aimed at restoring investor confidence included a generous inducement to encourage export manufacturing, or, in the words of the World Bank, `to promote labour-intensive exporting' (World Bank 1991, Vol 2;6). Announced in December 1988, the tax free factory/tax free zone scheme granted tax free status to companies exporting 95% or more of their output (Harrington 1996;1). Tax-free status meant

> `Tax holidays of 13 years or more, no withholding tax on interest, dividends or royalties, freedom to repatriate capital and profits, freedom to import specialist personnel, exemption from a wide range of import duties such as [on] raw materials, components, spares, building material and capital goods, and access to overseas markets through various preferential arrangements to which Fiji is party, such as the South Pacific Regional Trade and Cooperation Agreement (SPARTECA) and the Lomé Convention' (Sutherland 1989;133)

An unadvertised component of tax free export promotion was the post-coup labour policy. As Knapman (1988;186) put it, `trade unions and industrial action will be illegal; wages are to be determined by supply and demand; and the employee's rights are to be safeguarded by the Labour Department'. The combined effects of this generous subsidy of export manufacturing, the preferential market access provided under SPARTECA, and the additional lowering of costs through devaluation resulted in the rapid expansion of the garment industry. Within three years, garment manufacturing ranked second to sugar as Fiji's foreign exchange earner; by 1993 it employed an estimated 11,000 workers, mainly women, making it a Pacific showcase for export-led growth.[5] Other recovery measures included incentives to stimulate agricultural investment, and incentives to revive tourism

[5] An IMF study commissioned by the Fiji Government in 1995 returned the finding that Fiji's tax incentive system was biased towards three sectors (manufacturing, tourism and agriculture), created distortions and eroded the government's revenue base - for each $1 of investment by TFF/TFZ firms, it said, the government lost $1.15 in foregone tax revenue (cited in Delforce and Sikivou 1997;8).

(World Bank 1991,Vol 2;6). So successful were these initial interventions that by the time the World Bank produced its 1991 Pacific Report, in January of that year, it was able to proclaim that 'the ground lost during 1987-88 has now been almost fully restored and the economy looks strong'. It lauded 'the resilience of the Fijian economy and its capacity, through structural adjustment, for improved growth performance' (ibid).

To kick-start and legitimate the programme of structural reforms which the Interim Government took upon itself to implement, a National Economic Summit was convened in 1989. Its purpose, according to one source, was to identify `policies and strategies which could be used to improve Fiji's economic performance', and at the end of the Summit 'a comprehensive and radical set of economic reforms were [sic] announced' (Lightfoot 1994;3). These comprised: trade liberalisation, constraint on the growth of the government sector, reform of the taxation system, reform of the labour market, increased Fijian participation in business, and re-orientation of sectoral policies (ibid). The six main `legs' of the new policy framework reportedly identified by and adopted at the 1989 Summit, were summarised in a later parliamentary paper, in 1993, as follows:

- Deregulation of the economy to bring domestic prices more closely into line with world prices
- Restraint in the growth of government expenditure, to ensure availability of resources for growth in the private sector
- Reform of the system of direct and indirect taxation, to minimise market distortions and improve incentives for risk taking and effort
- A wages policy that recognises the paramount importance of maintaining international competitiveness;
- Mobilisation of all sectors of the community in support of economic expansion; in particular increased Fijian participation in commerce and industry; and
- Re-orientation of sector policies in accordance with the above general policies (*Opportunities for Growth*, 1993:3-4).

In the government's own words, the restructuring programme (summarised in Table 1) switched economic policy and strategies `from import substitution, self-sufficiency and a heavy involvement of government in business' to 'an integrated policy, centred on the acceleration of economic growth by expanding exports' (*Opportunities for Growth*, 1993:3). That the programme followed standard IMF and World Bank policy prescriptions of structural adjustment will be demonstrated in the following elaboration of the strategies undertaken. Indeed, although there was little public acknowledgement of the source of government's policies, policy coherence in this early period was the direct result of both the close guidance provided by these agencies,[6] and of 'more flexible [strategic] planning processes' replacing 'target-oriented, needs based five-year plans' (World Bank 1993;27).

The inclusion of the policy goal of 'increased (indigenous) Fijian participation in commerce and industry' within a programme of neo-liberal economic reforms, signaled the Interim government's commitment to two apparently incongruous goals. It has indeed been argued that one of the drawbacks and contradictions in implementing economic liberalisation in Fiji has been its peculiar modification to allow the primarily *political* project of advancing the economic power of a category of indigenous Fijians under a system of state patronage to proceed unhindered. Yet, it could be argued that the facilitation and capitalisation of private, indigenous Fijiian enterprises has not necessarily been at odds with the economic liberalisation policies of successive post-coup governments, and that the state's open championing of private enterprise development (albeit in this case exclusively for indigenous Fijians) and breeding of a new class of wealthy `Fijians in business' has helped in the breaking of economic, financial and trade monopolies and protections, paving the way to theoretically more open and competitive markets.

In the following section we will consider in greater detail what the elements of the new policy framework entailed.

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[6] Aside from receiving policy advice from IMF Missions to Fiji from the early 1980s, as already mentioned, Fiji was a regular participant in Joint Annual Meetings of the World Bank and the IMF. In his statement to the September 1997 World Bank/IMF Annual Meeting as Fiji's (Interim) Minister for Finance in the post-coup Interim Administration, James Ah Koy announced that Fiji 'fully embrace[d] the policy of trade liberalisation...' and argued that 'the pace and sequence of trade liberalisation must be consistent to [sic] other micro reforms in the country'. Highlighting his government's commitment to raising the level of investment and providing resources to the private sector to spearhead economic expansion, Ah Koy added: 'We will continue to look to the Fund and the Bank to assist us in facing these daunting challenges' (IMF Press Release 1997:2).

Fig 1: National policies for export-led economic growth 1989-1992

Policy in Brief	Economic rationale	Policy measures implemented
Deregulation of the economy	To bring domestic prices into line with world prices	Removal of license control on imports; replacing licenses with tariffs; reduced level of protective tariffs & replacement by standard fiscal tariffs rate (lowered each year); withdrawal of subsidies on primary commodities; reduction of price control; lifting ceiling on interest rates; partially lifting exchange controls; development of financial reform programme; establishment of Fair Trading Quality & Standards Act.
Reducing the size of government & public expenditure	To make resources available for growth in the private sector	Restraint in government spending (reducing government expenditure relative to GDP, moving to net deficit of zero, and increasing proportion of capital expenditure in total expenditure); reform of public enterprises; corporatisation.
Taxation reforms	To minimize market distortions and improve incentives for risk-taking	Introduction of Tax Free Factory/Zone Scheme, tax relief for companies exporting more than 30% of output, and VAT; reducing personal tax rates; reduction of high marginal rates of direct taxation; raising tax threshold; compensating income tax payers for VAT; abolition of basic tax; reduced tax bands to 3; alignment of company tax with top personal tax rate; minimised concessions and exemptions; reduction in fiscal duties & replacing customs duty with VAT.
Competitive wages policy	To maintain international competitiveness (which necessitates flexibility & commercial realism)	Removal of statutory guidelines which fixed a ceiling for national wage increases (lifting Remuneration Order from August 1 1991); modification of labour laws to ensure industrial action is taken with full support of unions and strikes are used as last resort.;(supervised secret ballots for industrial action & time limits on validity of strike mandate); removal of trade union immunity from civil damage claims in case of an illegal strike; removal of legally required automatic check-off of union dues for members of recognised unions.

Source: Opportunities for Growth, February 1993.

Deregulation Measures

The first set of deregulation measures cited in Table 1 were in fact trade liberalisation strategies, aimed at enhancing Fiji's competitiveness and enabling businessmen to `respond to world prices in international markets' (*Opportunities for Growth* 1993:3). As such, they were projected in official documents as essential elements in the key strategy of creating 'an outward-looking, export-oriented economy' and, implicitly, as a means of enabling competitive (national) businesses to seize opportunities in international markets. What is strikingly absent in official documents explaining economic policy is any hint of a doubt about the expected positive outcomes from economic and trade liberalisation. The benefits of trade liberalisation, intended by its powerful institutional advocates at the global level to create national economies in which no competitors enjoy special advantages or are favoured and in which all barriers to the free entry of foreign goods, services and investment have been dismantled, were evidently accepted by post-coup governments as an article of faith. Explaining Fiji's deregulation measures two years later, an ADB consultant succinctly stated its economic benefits in terms of efficiency and consumer gains:

> `By removing trade protection, the government sought to improve industry efficiency, while reducing prices and increasing the range of goods available to the consumer' (Lightfoot 1994;3).

The argument of efficiency featured clearly in the World Bank's promotion of deregulation policies in Fiji (1991;10-11). Encouraging the Interim Government in its deregulation efforts, the Bank said 'competitive gains achieved through the devaluations of 1987 should be preserved through 'cautious fiscal and monetary policies', and if necessary through `further exchange rate adjustment'; and high priority should be given to economic deregulation to provide 'more freedom for entrepreneurs to engage in informal as well as more structured enterprise, to compete more effectively, and to produce goods and services more efficiently' (1991;10). It added:

> Efficiency can be promoted throughout the economy by continuing to reduce distortions stemming from import restrictions, high tariffs, remaining price controls and agricultural subsidies - in general by

> stimulating the economy through the removal of disincentives and the development of market rather than special incentives (World Bank 1991;10).

The Bank expressly advised against government intervention and direct involvement in the promotion of new agricultural initiatives, and called for the abolition of protective arrangements (quotas, prohibitions and high tariffs) which were still in place for a number of agricultural products. (ibid;11).

Reducing the size of Government

Reducing the size of government through restraint in government spending and reform of public enterprises proved more difficult to achieve in this early period, not least because of the `lack of standard procedures for corporatisation, including legal and administrative frameworks' (Opportunities for Growth 1993:5). Initial attempts at reform in 1990 and 1991, implemented by the relevant ministries, focused on the corporatisation of a government department and three state-owned enterprises through the formation of four companies, respectively Fiji Posts and Telecommunications Ltd., Ika Corporation Ltd., Fiji Pine Ltd., and National Trading Corporation Ltd (formerly the National Marketing Authority). A 1992 study provided a medium term framework for the budget, incorporating reduction in the size of government expenditure relative to GDP, movement towards a net deficit of zero, and an increase in the proportion of capital expenditure in total government expenditure. Additional expenditure in 1992, however, had produced a net deficit of 3.4 per cent of GDP, and a net deficit of 2.5 per cent was budgeted in 1993 (ibid). The persistence of budgetary deficits was contributed to by the continued expansion of military expenditure in this period.

In its 1991 report, the World Bank had specific directions for the Interim Government in respect to reducing budgetary costs and improving the efficiency and performance of public enterprises. These included introducing profit objectives for public enterprises and subjecting them to income tax to reduce their net costs to the Treasury; giving the Ministry of Finance supervisory power over their financial performance, and strengthening the newly established Public Enterprise Unit, to exercise supervision and control. It stressed that reform of the public enterprise sector should include a programme of privatisation, both to reduce budget deficits and to provide increased scope for private enterprise initiatives' (ibid;13). It recommended commissioning a study to determine the range of enterprises which would benefit from privatisation. All of these recommendations would later be implemented by the Soqosoqo Vakavulewa ni Taukei (SVT) government. Meanwhile, the private contracting-out of services by government departments was welcomed by the Bank (1991;10). The retirement of 'large numbers of civil servants' through the reduction of the retirement age to 55, and loss of many others who had `left the country', were implicitly judged positive developments that favoured a reduced role for, and a more efficient, government (ibid;12). The Bank apparently ignored the promotion of insufficiently competent lower ranking officers to replace retired or emigrated civil servants, and the resulting inefficiency that would become a pronounced problem in years to come. To keep personnel numbers down to 'efficient levels', it advised that staff requirements be considered before vacancies were filled (ibid).

Taxation Reform

Aside from the Tax Free Factory/Zone scheme, the Interim Government had introduced a further inducement for export production - full tax rebate for companies exporting more than 30% of their output (minimum export value of F$10,000). Then, in 1989, a Fiscal Review Committee highlighted what it considered the major shortcomings of the existing tax system. These were: its narrow base which 'caused taxation to fall heavily on a relatively few people', high marginal rates of direct tax, and complexity of the system, both in the number of different taxes and in the exemptions that were allowable (ibid:6). This report apparently provided the basis for tax reforms put in place between 1990 and 1992. These were directed at `extending the tax base, improving incentives, and reducing scope for tax evasion, while at the same time achieving a system that accorded with *communal notions of fairness and equity*' (Opportunities for Growth 1993;6;

emphasis added).[7] The tax reforms included reduced personal income tax rates (including reduction of high marginal rates of direct taxation) to 'improve incentives', and the introduction of a Value Added Tax (VAT), in July 1992, to replace a number of other indirect taxes, including customs duty. The recommendations of the Fiscal Review Committee closely approximated the opinion of the World Bank, as expressed in its January 1991 Pacific report:

> 'Tax reform is also required to reduce the disincentive effects of some taxation, the distortions that exist, and the low revenue elasticity of the system. These are most evident in indirect taxation, which has narrow coverage, low buoyancy and multiple specific rates. Further consideration should be given to a general sales tax, levied at the manufacturing stage, to broaden the tax base and replace most domestic excises' (1991;10).

Upon request, the New Zealand government provided technical assistance for the introduction of VAT, providing several short consultancies between 1991 and 1992 (Interview with Nicky Hill, 12 May 1999). Further changes to the tax system were announced in the 1992 budget (effective from 01 July 1992) to 'compensate income tax payers for the introduction of VAT'. These changes raised the tax threshold, abolished basic tax, aligned company tax with the top personal tax rate, and reduced the number of tax bands from 10 to 3. Concessions and exemptions in the tax system were also minimised. There was a reduction in fiscal duties, and customs duties were replaced by VAT.

Labour Reforms

By far, the most hard-hitting reforms, and those which drew the greatest organised reaction and resistance, were the so-called `labour reforms', through which the state sought to undermine the rights of workers and repress the trade union movement. The introduction of labour decrees in the first two years following the coups, together with

[7] The phrase in italics is nowhere explained in *Opportunities for Growth*, but is reminiscent of the arguments used by the Government in public education materials it later produced to persuade the public to see the 'fairness' and 'equalness' of VAT - everyone would meet their obligations and contribute tax.

the Internal Security Decree and the Fiji Intelligence Service Decree, both of which permitted harassment and detention of citizens, particularly unionists, reflected both the repressive political climate in the early post-coup period, and the central role played by trade unions in opposing the post-coup regime.[8] Trade unions had been very strong critics and opponents of the coups and their leaders had sought early support from international trade union bodies including the Council Australian of Trade Unions (ACTU) and the New Zealand Federation of Labour (NZFOL).

A month after the second coup, the Interim Government decreed the abolition of trade union rights. This was only repealed when the ACTU threatened to re-impose the maritime trade bans which had been lifted in July, and to impose, as a further sanction, a ban on air travel to Fiji from 1 November (Knapman 1988;180). Indeed, strong international reaction to the overthrow of the democratically elected FLP/NFP government and to the subsequent creation of what the European Parliament called a `racist dictatorship' (Knapman 1988;180) were to play a major part in the years that followed, both in attenuating the excesses of the post-coup regime and in forcing Fiji back to a democratic path. The combination of trade bans, suspension of bilateral aid programmes, denouncements by foreign governments and international organisations, and the interventions of fact-finding missions, all of which relied on the supply of information from active national institutions, not least the trade union movement and the deposed Coalition government, placed effective brakes on the course of extremism, and helped reverse a number of repressive policy measures.

Apart from breaking with the system of statutory wage guidelines, which set the ceiling for national wage increases applicable to all industries each year, a series of changes to existing labour laws was put into effect through the decrees. The labour decrees were announced in May 1991 by Interim Minister for Finance, Beranado

[8] Mahendra Chaudhry's paper ' Human and Trade Union Rights: Fiji - A case Study', presented at a SPOCTU Conference in Wellington in 1992, documents the various repressive measures introduced between 1987 and 1992.

Vunibobo, at a National Economic Summit to which labour leaders were not invited. The first of the decrees came into effect later that month. Decrees 18 & 19, the Sugar Industry (Special Protection) Amendment (No3) Decree and the Protection of the National Economy Decree, respectively, were introduced swiftly, primarily to deal with industrial actions taken by two unions, the Fiji Mineworkers Union and the National Farmers Union, both of which were seen as political. The decrees criminalised trade union activities that threatened the national economy by impeding the smooth operation of key industries. These were listed as sugar, copra, mining, tourism, aviation, telecommunications, oil transport and electricity, but the Finance Minister was given power to add other industries to the list. Strikes were outlawed in all major industries, officers of trade unions were made liable to prosecution, and severe penalties (14 years imprisonment or $10,000 fine or both) were included for principal offenders.

In 1991 and 1992, other labour decrees followed which amended existing trade union laws, thereby systematically dismantling the whole legislative architecture guaranteeing worker and trade unions rights that had been built up since the 1950s. The Industrial Associations Act, the Trade Union (Recognition) Act, The Trade Unions (Collection of Union Dues) Regulations, the Trade Unions Act, the Trade Unions Regulations, and the Trade Disputes Act were all amended in crucial respects to, among other things:

- bar industrial associations from functioning as trade unions
- prohibit individuals from holding more than one union or industrial association office
- empower the Registrar of Trade Unions to declare the election of a Secretary or Treasurer null and void for certain reasons
- exclude certain categories of workers from recognition (namely those acting in what was deemed to be a confidential capacity, or in jobs relating to industrial relations)
- grant the Minister of Labour discretionary power to declare strikes concerning recognition unlawful;
- remove the obligation on employers to deduct union dues at source for members of recognised unions;
- require state supervision of secret ballots by union members prior to industrial action;
- set time limits on the validity of strike ballots;
- broaden the definition of strike, to include go-slows, work to rule, and breaches of contract of service;
- criminalise engaging in, or causing others to engage in, an unlawful strike;

- remove immunity for trade unions from civil damage claims (e.g. claims for loss of output or damage to materials) in the case of unlawful strike (Chand 2000; 157-164).

Although several of these decreed changes to labour and trade union laws (namely those relating to the supervision of ballots, and the recognition and registration of unions) were rescinded in 1997, following threats of national strikes from the Fiji Trades Union Congress and strong pressure from the international labour organisations, notably the International Confederation of Free Trade Unions (ICFTU), most have remained in place and have had the (intended) effects of weakening the power of trade unions, lowering union membership, and encouraging the formation of rival, and especially ethnic-based, unions (Chand op.cit:164-5).

While no evidence can be found to link the specific form of Fiji's labour reforms' to the prescriptions of multilateral agencies, the latter's unequivocal judgement that wages in Fiji were 'too high',[9] that determining wages and prices (as part of a general regulation of private sector activities) was unlikely to produce a resilient economy (World Bank 1991:9), and that offering incentives such as low labour costs could raise manufacturing employment and export earnings, provided useful justificatory arguments for `reforms' which were as much intended to disarm the labour base of the main political opposition to the post-coup regime, as to achieve the objective of economic growth. As the SVT government would later put it, they were adopted "as a part of the overall economic policy package for private sector led growth" (Parliamentary Paper No 58 of 1997:5). In the view of the Bank, raising the level of workforce productivity and 'improving value for money' was not just the `only way' that Pacific member countries would be able to 'compete in the global marketplace' (World Bank 1993;56), it was the only way that wage increases could be justified.

[9] In its March 1993 Report on Pacific Island Economies, the World Bank discusses the 'high reserve price of unskilled labour' in its Pacific member countries - between three and seven times the price of labour in South East Asian countries - saying the high wages reflected the 'generally comfortable living conditions offered by subsistence agriculture' rather than high productivity.

Mobilising All Sectors to Support Economic Expansion

Except for the facts that it may have engendered a greater degree of ownership, and that it could conceivably be justified by the primacy given to both the 'private sector' and to expanding investment, the inclusion of 'increased Fijian participation in commerce and industry' as part of the policy goal of mobilising all sectors of the community to support economic expansion essentially reflected the political agenda of the post-coup regime and had nothing to do with the World Bank's, or any other policy advising agency's, framework. The policy was implemented through a Nine Point Plan introduced in November 1988 and focused on 'restructuring and strengthening.... the executive capacity of the Fijian Affairs Board to formulate and implement policies and strategies aimed at improving the lot of Fijians in all sectors' (Sutherland 1989;137).

It soon became very evident that it was the lot of strategically placed, middle-class Fijians that was primarily improved by the 'affirmative action' policies and strategies pursued by the Interim Government and the SVT government succeeded it. Amongst other things, the plan entailed the provision of a $20 million interest-free government loan (to be repaid over a 20 year period) to Fijian Holdings Limited (FHL) to invest in various profitable companies in the industrial and commercial sectors, with the express goal, according to Sutherland, of achieving 15% Fijian ownership of the corporate sector by 1995, and not less than 30% by 2000 (1989;137). Encouraged by the 'good returns' generated by these investments, presumably to the 14 Fijian Provincial Councils which comprised the company's original shareholders, a further interest-free loan of $8 million was provided for in the 1993 budget (*Opportunities for Growth*; 7). Shortly afterwards, the Board of Directors of FHL opened shareholding in the company to individual Fijians, including several of its own Directors. The goal of extending indigenous Fijian ownership to the corporate sector raised to a new level a long-standing political concern with the under-representation (and failure) of indigenous Fijians in business. Public funds, made available through subventions from the state in the form of loans, were now 'legitimately' used to purchase shares on behalf of whole groups of indigenous Fijians, through a private company whose initial shareholders were the 14 Provincial Councils.

A `Commercial Loans to Fijians Scheme', administered by the Fiji Development Bank, was also established to further facilitate the active participation of indigenous Fijians in commerce and industry. Some of the beneficiaries of this scheme ventured into transportation, retailing and real estate businesses. Indigenous Fijian investment in the Unit Trust of Fiji reportedly increased. Other supports to Fijians in business included the provision of special business advisory services and training, and the establishment of a Fijian Commercial Development Unit in the Central Planning Office to undertake research and promote indigenous Fijian business development (Opportunities for Growth, op. cit.).

Mobilising other `sectors' also entailed encouraging women's involvement in `meetings of national importance', namely National Economic Summits, held in 1989 and 1991.[10] While little attention was paid to actually involving more women in decision-making, e.g. by appointing women to boards of statutory bodies, a Ministry of Women, established in 1987, signaled a seeming official commitment to women's development. The government's strategy to reduce poverty, announced at the 1991 National Economic Summit, was to provide jobs for the poor, ensure the poor had the means to take advantage of job opportunities, and provide a `safety net' for those who continued to experience extreme deprivation. These poverty reduction goals, supposedly achieved by means of subsidising export-manufacturing through a 13- year tax holiday for Tax Free Factories, instituting a garment training school for would be employees in the industry, and raising the paltry Family Assistance Allowance, together with lowered income tax rates, raised tax thresholds and elimination of 'the so-called poverty trap', had in the government's view 'given considerable assistance to the poor' (op.cit). A $7 million allocation for a Poverty Alleviation Fund in the 1992 budget (recommended by a 1991 Poverty Task Force) had largely remained un-disbursed, not least because of its excessive application requirements. Oversight for the disbursement of funds, to small-scale projects, had been entrusted to a committee comprising NGOs and government ministries.

[10] Women's organisations were invited to, and did, participate in both these summits, although the decision on whether or not to do so posed a major dilemma for more radical groups which were strongly averse to being effectively co-opted by an illegitimate government.

Of these early decreed economic restructuring measures, only the tax free factory scheme, wage controls, the labour reforms and VAT attracted any real public attention, debate and resistance and much of this emerged from the trade union movement, and the Fiji Labour Party.

Legislating Reforms - 1993-1997

In June 1992, following national elections under a decreed Constitution which institutionalized the political paramountcy of indigenous Fijians, the Soqosoqo Vakavulewa ni Taukei (SVT) party, led by the 1987 coup-leader, and former head of the Interim Government, Major General Sitiveni Rabuka, won a majority of seats. Rabuka formed the government with crucial (conditional) support from leaders of the Fiji Labour Party, who were determined to keep Interim Government Finance Minister, Josefata Kamikamica, from becoming Prime Minister.[11]

Encouraged no doubt by the World Bank's positive projections for the Fiji economy in January 1991 -

> 'Fiji has the potential for sustained real GDP growth averaging close to 6% per annum in 1990-1994, and probably 5% per annum in the succeeding five years' (ibid; 14),[12]

the SVT government decided to continue the `broad direction of economic policy set out by the previous government' , declaring that the economy had now `recovered from a serious setback' and there was `renewed optimism amongst businessmen' (*Opportunities for Growth,* 1993; iii). And, doubtlessly to deal with the barrage of criticism emanating from the trade unions and the Fiji Labour Party about the economic 'reforms', the SVT government pledged to

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[11] Kamikamica, who succeeded Beranado Vunibobo as Interim Finance Minister, was seen as a major architect of the so called `reforms'. He was considered hostile to trade unions and opposed to reinstatement of the Tripartite Forum.

[12] The World Bank projected an average GDP growth rate of 5.8% for the years 1990- 1994, and of 5.1% between 1995-1999 (1991;15). Asian Development Bank figures published in 1996 put actual growth rates at 4.9%, 2.2% and 3.9% for 1992, 1993 and 1994 (ADB 1996).

> `build the kind of society that we all want to see - a society that balances the pursuit of material wealth with a strong sense of community care' (ibid).

Opportunities for Growth was the SVT government's blueprint for the economic `reform' programme it would put in place during its seven year tenure, from 1992-1999. In his foreword to this medium-term plan (and the first ever strategic development plan)[13], submitted to Parliament in February 1993, Prime Minister Rabuka stated:

> `We have emphasised again the necessity to achieve basic economic health. Investment and competitiveness in the private sector, and efficiency in the public sector are essential to any successful national programme. We also need to make sure that we use the resources we generate to create a caring, just and united society. This document identifies the issues that are crucial to the formation of such a society. (ibid; iii).

The 158-page plan reviewed `progress in implementing (macro-economic) policies for export-led, market-oriented economic growth instituted by the Interim Government', and outlined the policies and strategies of the elected government (1993:3-14;15-22). In its opening statement on policies and strategies, the SVT government renewed its commitment to the broad policy principles established by the 1989 Summit, aimed at `accelerated economic growth through private sector initiative and an emphasis on exporting' (p15). In affirming the primacy of the private sector and importance of free markets, the government projected a diminished developmental role for government, one that was confined to the provision of health and education services, and dependent for revenue on private sector funding:

> `The policies recognise that private sector companies, operating in open markets, provide the essential driving force of the economy.

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[13] Up until 1987, five year comprehensive development plans were prepared by government and were the responsibility and main focus of the Central Planning Office. The last of these five year plans, Development Plan 9 (1986-1990), was suspended following the 1987 military coups, as efforts were directed at economic resuscitation. Medium term economic policy became the focus of attention once remedial measures were instituted and the new economic and social policies (constituting structural adjustment policies) announced at the National Economic Summit of 1989 were effectively adopted as a medium term plan by the Interim regime.

> Choice, competition and incentives promote efficiency in companies, and provide the necessary signals for effective investment. An expanding private sector is the main creator of employment and rising real incomes. The private sector also provides revenue for government through taxation. This revenue is [sic] the finance for government service. Expenditure on health and education, in particular, underpins the productivity of the labour force and is hence essential to the continued growth of the private sector. Private and public sectors are thus highly inter-dependent. Both grow together since the private sector funds the public sector, and the public sector takes the lead in educating and training the workforce. Conversely, failure in the private sector will reduce funding for the public sector and slow the growth and improvement of services. Policies for the future aim to give scope for the effective operation of the private sector and to ensure that the public sector is efficient in its role.

With government hereby redefined as primarily the educator and trainer of a productive workforce for the private sector, and dependent on taxes from the private sector for the revenue required to provide education and health services, it might have been argued that tax exemptions for export industries and reduced company tax rates made little sense. The plan's enunciation in Chapter 5 of the required 'major investment in education and training' for economic success suggested, however, that funding for education (reform?) might come from external sources, namely the World Bank and `donor agencies', who were reportedly assisting in drawing up a programme to 'ensure market-related output from schools and training institutions to strengthen economic performance, job opportunities and levels of remuneration in the medium and long term' (1993;43).

To continue the 'strategic approach to planning' that had been put in place following the coups, which emphasised 'the primacy of effective policy formation and concentration on specific issues relating to the implementation of policy', the Economic Strategy Committee set up by the Interim Government and chaired by the Prime Minister, was re-established (op.cit; v). The following three focal areas of policy were highlighted in the government's plan:

- raising rates of effective investment
- sustaining the 'competitiveness' of the labour force
- managing the role of government.

Aside from maintaining export-orientation, incentives and promotional activities and improving investment administration to raise rates of investment, the new government committed itself to further reviewing (ie reducing) import tariffs and lifting licensing requirements on dairy products, rice, canned fish, lubricants and roofing materials, which were still in place, reforming capital markets (to among other things, provide varied lending instruments and allow non-resident companies with some local participation to borrow in Fiji), strengthening the productivity of the workforce, and giving attention to `land issues'. While proclaiming that the success of its economic policy depended heavily on the ability of `Fiji's own businessmen and agriculturalists' to `meet the challenges of an outward-looking economy', and that the policies recognise 'the emergence of a sophisticated entrepreneurial section of the community that can lead industry and the nation into rapid economic growth', the government committed itself to increasing the level of foreign investment, through a `sustained campaign of investment promotion, if necessary' (1993:18).

To sustain the competitiveness of the labour force, the government promoted what it termed `the fundamental principle of effective wage settlement' - that wages be linked to productivity - and presented the disputable argument that if sales expanded there would be a corresponding expansion of rewards:

> 'The process requires trust and cooperation between different industrial groups so that corporate incomes can grow and the proceeds of success are fairly shared between the different groups' (p20).

Also proposed, following an ILO intervention, were a review of the decreed `labour reforms', and monitoring their effects on industrial relations and rates of dispute settlement. Other aspects of the plan included a 'major programme of investment in education and training', attending to occupational health and safety, and improving, through special efforts, both the performance of ethnic Fijians in business and commerce, and the involvement of women in economic and social development (1993:20-23).

The SVT government's plans for managing the role of government were outlined under four headings - industry and commerce, public services, regional development and provincial government, and government finance. In relation to industry and commerce, it emphasised the policy focus on the necessity for the private sector to operate competitively in free markets. As such, government's role in relation to private business enterprise was to be an 'enabling' one - 'that is, creating the conditions in which private businesses can flourish, and imposing as little as possible regulation on companies that might raise costs or impede the effective operation of markets' (*Opportunities for Growth* 1993:22).

Specifically, the government's plans were to substantially reduce its control of prices, relying on `competitive pressures to ensure fair pricing' except in cases of monopoly where price monitoring would be maintained; invest in expanding and providing sound infrastructure, utilise the services of 'contractors' to undertake infrastructure projects, and to operate and run infrastructure facilities'; adopt legislation for standards control and consumer protection; review the tax free factory/zone scheme and whether some industries should be excluded from eligibility for concessions; continue to provide short term export finance (credit) facilities through the Reserve Bank and commercial banks; further relax exchange controls to permit exporters to retain a proportion of their export proceeds in a foreign currency account; undertake research in primary industry, especially in the context of expected declines in sugar prices in the decade; and mobilise aid resources in support of industry(1993;23). The government also planned a programme of privatisation to withdraw government from commercial activities, a review of transport regulations to increase competition and freedom for operators to set prices; and the introduction and enforcement of legislation to protect the environment and ensure sustainable development (ibid: 25-26).

In relation to public services, health and education were affirmed to be 'a fundamental responsibility of government' (albeit instrumentalised, elsewhere in the document, as a means of raising the productivity of the labour force). Government was also considered to be responsible for the well-being of the disadvantaged (p26). However, to achieve improved standards of health services, non-budgetary sources of finance were considered necessary, and increased user charges and a national health insurance scheme were proposed, while improvements in efficiency would be sought through greater autonomy in control and responsibility and the introduction of incentives in hospitals and clinics. Contracting out basic services to cost save, and providing opportunities to existing government staff to bid for contracts were also proposed. The government would also consider 'more radical reform' of the public service to improve efficiency, including 'changes to the status of government ministries' and evaluating the terms of service of Permanent Secretaries to achieve 'specific contractual obligations and greater managerial autonomy' (ibid: 27).

For regional development, the government proposed reorganising provincial governments to strengthen their independence, expand their responsibilities and enable them to more fully direct development in their provinces. It also proposed to improve education and health services in rural areas, and to undertake rural electrification and housing programmes .

In relation to government finance, the plan included a reduction in the relative size of government (i.e. in the proportion of government expenditure in relation to GDP) in order to 'free financial and manpower resources for growth in the private sector' (p28), and moving government to a `zero net deficit'' (p29). It also proposed to follow up recommendations from a 1992 study, which had identified areas in government where savings could be made or costs recovered, through `contracting out services', reduced allocations to non-priority areas and re-assignment of staff, and reduced funding for public enterprises. While cost recovery measures were not expected to see reduced levels of expenditure (and were even expected to possibly increase expenditure), it was justified by the fact that it would at least 'reduce the amount of expenditure that depended on taxation for funding, and hence relieve the tax burden on the private sector' (1993;29). The recurrent theme throughout the plan that the private sector should not be burdened by taxation, or fettered by over-regulation, or crowded out by state involvement in economic activities, or be in any other way encumbered, constrained or impeded, emphasised the government's stated goal that private businesses should flourish. The growth of Fiji's economy was entirely premised on the private sector flourishing. And the government's commitment to reducing the size of the public sector through privatisation, preceded by a programme of corporatising government enterprises, was intended to open up investment opportunities to the private sector to help it do that.

In its seven years in office, the SVT government worked hard to implement its economic blueprint. Its slow progress in actually implementing restructuring between 1993 and 1995 may have been due in part to a pre-occupation in this period with policy formulation, as suggested by Appana (2003). To some degree too, its efforts at economic restructuring were constrained by the effects of continuing political tensions over the 1990 Constitution and persistent demands for a proper constitutional review. These plagued the SVT government, affecting its credibility domestically, as well as exposing it to continuing international scrutiny and criticism. In such circumstances, faced with constant and very public and organised opposition, there was little possibility for rallying support and broad `ownership' of the reforms. On the other hand, once the Government had put in place a Constitutional Review Process, and the processes of national constitutional debate and negotiation began, these pre-occupied most political parties and groups, with the result that economic restructuring was able to proceed, albeit slowly, without too much attention being paid to it.

The programme of restructuring, and particularly of privatisation, was given some urgency, however, by the surfacing of the National Bank of Fiji crisis from June 1995.[14]

[14] According to Roman Grynberg, the government's privatisation programme had been in `low gear' until the collapse of the NBF 'gave it a new lease of life' (Grynberg, Munro and White 2002; 102).

Massive public criticism was directed at the SVT government for the Bank's collapse in consequence of its loose lending of F$220 million, for the nepotism, patronage, political cronyism, corruption and 'sorry state of governance in the public sector' that had led to it (Siwatibau in Grynberg, Munro and White 2002:xi), and not least for the government's attempts to cover up the extent of debt and loss, and threats to muzzle the media, which played a major role in uncovering the truth. The SVT government now had both a fiscal crisis on its hands, as well as a looming political crisis of credibility and legitimacy. Following two reports on the NBF (one by the World Bank), it moved swiftly on plans to restructure the NBF.[15]

To deal with its fiscal crisis, as it had to borrow $220 million to replace the funds irresponsibly lent, the government employed what Siwatibau (2003) described as a 'creative debt management manoeuvre' (in Grynberg, Munro and White:xii). The idea of re-capitalising NBF by accelerating the government's privatisation programme was floated, somewhat ecstatically, by Minister for Trade, Commerce and Public Enterprises (subsequently Minister for Finance), millionaire businessman, Jim Ah Koy, during the July 1996 parliamentary debate on the NBF:

> `Where should the money come from for capitalisation [of NBF]? We can accelerate the public enterprises program. We have got some star companies, for instance Telecom. There are all kinds of value you put on telecom [sic]. They say it is worth half a billion; I say it is worth three quarters of a billion. Government has already indicated that the report we had from Rothschilds indicates that 30% of that could be sold to a strategic investor. We could accelerate that, Sir!' (Cited in Grynberg, Munro and White op.cit; 96-97).

And so it was that two years later, in an effort to fund both the collapse of the bank and escalating government expenditure, the SVT government resorted to `privatising'

[15] The NBF Restructuring Bill, debated by Parliament in July 1996, divided the bank into two separate entities, renamed the National Bank of Fiji (the 'good bank', as it came to be known) which was to provide reduced banking services, for personal and non-commercial purposes only, and the Asset Management Bank (or the 'bad bank), which was to manage the assets and liabilities (Grynberg, Munro and White; 92-94). The former was later privatised.

Amalgamated Telecom Holdings Ltd (ATH), or at least to selling 49% of its holdings in ATH to the Fiji National Provident Fund (FNPF), Fiji's largest financial institution (ibid; 99-100) The sale followed the Parliament's adoption of the Public Enterprise Act in December 1996, which this chapter examines more closely under a later section on public enterprise reforms. The implications of the asset transfer to FNPF will be drawn out in the following chapter.

Following the conclusion of the work of a Constitutional Review Commission, and many months of delicate political negotiations, a Joint Parliamentary Select Committee reached agreement on a new, democratic constitution and in July 1997, the Constitutional (Amendment) Act was unanimously passed by both houses of Parliament, following its unreserved endorsement by the Great Council of Chiefs. The new Constitution had the unanticipated but welcome effect of rolling back at least one area of the economic reforms. As part of a strong new Bill of Rights, Section 33 (1) of the new Constitution among other things explicitly gave workers the right to "form and join trade unions", and to "organise and bargain collectively" (Constitution (Amendment) Act 1997 of the Republic of the Fiji Islands; 74). Included under Section 195 (1) within a list of Acts which the Constitution repealed were five of the labour decrees introduced in 1991 whose provisions conflicted with Section 33 (1): The Industrial Association Act (Amendment) Decree 1991, Trade Unions (Recognition) Act (Amendment) Decree, 1991, Trade Unions Act (Amendment) Decree 1991, Sugar Industry (Special Protection) (Amendment) Decree 1991, and Protection of the National Economy Decree 1991 (ibid: 149). In December 1997, in a second strategic plan, *Development Strategy for Fiji: Policies and Programmes for Sustainable Growth,* the SVT Government reported that the Ministry of Labour was updating the repealed laws to realign them to the provisions of the new Constitution. It also reported the re-activation of the Tripartite Forum and the expectation that this mechanism would improve consultation between government, labour unions and employers (Parliamentary Paper No 58 of 1997;8).

Prepared by the new Ministry of National Planning, established in August, the second strategic plan was issued by the government in time to accompany the 1998 budget. It consolidated the policies and strategies followed by the SVT government since 1992, and included `major initiatives planned for the next eighteen months' (Parliamentary Paper No 58 of 1997:v). A key initiative was the adoption of a 'more strategic and de-centralised approach to planning, together with a strengthened decision-making machinery', under which 'core' Ministries (viz Education, Health, Works and Agriculture), would undertake more of their own sectoral planning (ibid). This initiative was the outcome of a 1995 review of the role, responsibilities and functions of the Central Planning Office `in the current public sector economic planning system', wherein government's role in `directly productive sectors' was `reduced to the creation of an enabling environment for the private sector to take the lead in the promotion of economic growth, with direct government investments being restricted to the provision of an adequate physical and social infrastructure'. [16] In the inclusive language bequeathed by the UN development conferences of the 1990s, the Plan proposed 'greater consultation and partnership' with all `stakeholders', and undertook to 'adhere to the principles of good governance and public accountability in the development process' (1997;v).

Reviewing implementation of its `economic reform package' between 1992 and 1997, the government reported in the plan that although it was committed to continuing with the trade liberalisation process 'consistent with WTO obligations', the programme was slowed in 1994 to allow local manufacturers an additional transitional adjustment period, and then put on hold in 1995 to ensure that it moved in tandem with other reforms, namely public sector, financial sector and labour market reforms (1997; 3-5). Plans for the latter two areas bear mentioning briefly here.

[16] Background and Terms of Reference of the Review of the Role and Functions of the Central Planning Office (CPO) within the Public Sector Economic Planning System in Fiji, in Siwatibau, S (1995) `Strategic Planning and the Decision Making Machinery for National Development in Fiji: Report to the Fiji Government', Appendix 1:103.

To expand services and enhance the efficiency of the financial sector, a programme of financial reforms was to be implemented by the Reserve Bank of Fiji, assisted by an ADB study in 1996 on the development of a capital market. The Suva Stock Exchange (SSE) was to benefit from a new scheme under which workers' superannuation funds, accumulated through a compulsory savings system to which both employers and employees contributed, would be used for the purchase of shares on behalf of individuals in key government-owned companies under an "Employee Share-Ownership Plan". A block of these shares would be traded through the SSE, and the SSE would be more active under a recently established Capital Markets Development Authority (ibid:5).

The SVT Government's labour policy was to ensure a competitive wages and incomes policy, and encourage enterprise bargaining (rather than collective bargaining) to improve industry productivity. This encompassed developing 'a performance or merit-based system' and 'contractual employment arrangements' across all sectors, including the public sector (ibid: 7). The primary obstacle to achieving a competitive wages policy was identified as 'escalating labour costs' which signaled the urgency of 'appropriate reform 'measures' to ensure that Fiji was an attractive 'investment location'. With the new Constitution's repeal of labour decrees, the government's earlier repressive approach to dealing with the wage and other demands of organised labour had to be abandoned in favour of introducing new thinking and new systems into organisations, starting with the Public Service.

We will return to the financial reforms later in this chapter. In the following section we look at the government's implementation of two key, and inter-related, restructuring programmes: public enterprise reforms, and public sector reforms. Funded by the New Zealand and Australian governments respectively, these reform programmes have been essentially concerned with transforming the role of the state in line with neo-liberal thinking. The objective of achieving gains in efficiency - i.e. reducing costs and improving services - lies at the core of both programmes.

Public Enterprise `Reforms'

In August 1993, Cabinet had set up the Commercialisation, Corporatisation and Privatisation Committee (CCPC) whose remit was to oversee the development and implementation of the Public Enterprise Reform Programme which was aimed at reorganising, corporatising, and eventually privatising public enterprises. The rationale of public enterprise reform, in the first instance, was to make public enterprises more accountable, competitive, commercially efficient, and profit-oriented. Its ultimate goal was privatisation, or transfer of ownership from public to private hands. Selling off public enterprises (divestiture) was a core element in the goals of both public sector reform (aimed at making governments leaner and cheaper to run) and expanding opportunities for the private sector, although it was typically rationalised simply by the ideas that commercial activities were better run by the private sector, and public enterprises were a drain on the public purse. The Government's recent experiences of major losses with FINAPECO, which was wound up in 1993, and with the Government Shipyard, provided apparently irrefutable 'further evidence of the ineffectiveness of government in commercial ventures.' (*Opportunities for Growth* 1993:5). Moreover, as "an essential part of the environment in which the private sector operates", the efficiency or otherwise of public enterprises was seen as having "an impact on [both] the private sector's cost of doing business and Fiji's economic performance" (*Towards a Better Fiji*, 1998;10).

Although some initial reform efforts in the public enterprises sector had been made in 1990 and 1991, with the formation of four companies: the Fiji Posts and Telecommunications Limited, Ika Corporation Limited, Fiji Pine Limited, and National Trading Corporation Limited, the sector was judged as continuing to `perform poorly', with returns on investment averaging only 2.7% since 1992, and receipts from government in the way of operating and capital grants totaling $15m in 1994 (Towards a Better Fiji, 1998:5,6). With some of the largest organisations in the Fiji economy being public enterprises - monopoly providers of essential products and services that include water, electricity, telephone facilities, and port and airport services - public enterprises were potentially ripe pickings for interested private investors. But they had first to be restructured, corporatised, and most importantly, shown to be profitable.

A three stage Public Enterprise Reform Programme, (comprising reorganisation, commercialisation and privatisation) was approved by Cabinet in 1993, with responsibility for the programme vested in a Public Enterprise Unit (PEU), located in the Ministry of Commerce, Industry, Cooperatives and Public Enterprises. A Public Enterprises Unit within the Ministry of Finance was already being supported by a $200,000 grant from the New Zealand Government and a financial analyst, Vic Huddleston, had also been engaged as a private consultant by the Ministry of Finance with the help of the New Zealand government (Interview with Nicky Hill, May 12, 1999). NZODA support for the PEU, which continued for several years as one of three allocations in New Zealand's bilateral aid programme to Fiji, was used in part to pay for 'a succession of positions' within the unit (ibid). By the time the Fiji Pine Commission, the Department of Posts and Telecommunications, and Government Shipyard were corporatised in 1995, much of the groundwork for the public enterprise reform programme, including the drafting of legislation, had already been well laid.

In December 1996, the Public Enterprise Act was passed by Parliament. It provided a legislative framework for implementing the first stage of the public enterprise reform programme - the re-organisation and corporatisation of commercial statutory authorities and commercially oriented government departments. The Act provided for their continued public ownership (`for the time being') and strategic direction by the State (Public Enterprise, Act No 35 of 1996; 1095), and explained that the purpose of re-organisation was to make government entities 'more efficient and productive, more accountable, and better organised' (ibid:1054). Schedule 1 of the Act outlined the following four key principles of public enterprise reform:

clarity of objectives - the principal objective of every Government Commercial Company is to "operate as a successful business, and to this end *to be as profitable and efficient as comparable businesses which are not owned by the State'* (ibid);

management autonomy and authority - every Government Commercial Company was to have a Board of Directors which would be given autonomy and authority to make commercial decisions;

Strict accountability for performance - the Government Commercial Company's Board was accountable to the Public Enterprise Minister and the relevant Minister for the company's performance, and performance was to be monitored against performance targets specified in a `statement of corporate intent; and

Level Playing field - minimisation or removal of any special advantages (e.g. government guarantees on borrowing) or disadvantages (lack of autonomy in decision-making) of public ownership (ibid;1095-1097).

The Act vested overall control of the re-organisation process in the Public Enterprise Minister, although where appropriate he [sic] was to consult with the relevant Minister (Minister of Finance or the Prime Minister).[17] It required both Government Commercial Companies and Commercial Statutory Authorities to annually produce corporate plans, statements of corporate intent, half-yearly and annual reports, and both un-audited and audited accounts, and that these be made available to Parliament. It provided for Permanent Secretaries or Supervising Officers to hold shares in Government Commercial Companies on behalf of the state, while protecting them (and Ministers) from personal civil liability for any act or omission in relation to a Government Commercial Company or a subsidiary or proposed subsidiary (ibid;1077). It removed state liability for any debts or obligations of Commercial Statutory Authorities.

In 1998, in a slick, full-colour report which served as much as an advocacy tool, the Department of Public Enterprises reviewed its work since the adoption of the Reform

Programme. It summarised its priority objectives as 'increasing economic efficiency, and reducing the burden that the public enterprise sector currently places on the tax payer' (*Towards a Better Fiji*: 1998; 13) and explicitly stated the core aim of the reform as privatisation:

> `In the absence of strong public policy reasons, it is Government's aim to sell its interests in commercial enterprises, preferably to strategic investors, and the people of Fiji.' (Towards a Better Fiji; 1998;10).

It also suggested, somewhat contradictorily, that while the aim of reorganising (i.e. commercialising) and corporatising public enterprises was to 'make them more attractive to private entrepreneurs by making them financially sound and seen to be providing a regular return to shareholders', unprofitable enterprises might even be successfully palmed off to the private sector:

> `When it is clear that the Government does not have the expertise nor the capital to turn an enterprise into a profitable business, then it is better off going straight into privatisation. The enterprises that are subject to reorganisation and/or corporatisation reforms under the Public Enterprise Act, may well be sold to the private sector at the completion of the commercialisation process. (*Towards a Better Fiji* 1998;13).

Evidently, a World Bank study on privatisation in 1992 provided inspiration for the reform programme and was taken as the definitive word on privatisation. The Department report cited a statement from the World Bank study report that asserted the efficiency gains and 'customer welfare' benefits of privatisation :

> `Experience from (several) countries demonstrates that private ownership makes a difference. Some state-owned enterprises have been efficient and well-managed for some period, but government ownership seldom permits sustained good performance over more than a few years. Privatisation has helped to improve enterprise performance, reduce the

[17] The Act empowered the Public Enterprise Minister to act, in the event of doubt or delay that hinders the reorganisation process, to give a direction by notice in the Gazette and if such Direction is not complied with, to `do all things necessary and reasonable to ensure that the Direction is complied with' (ibid;1055).

> fiscal burden and country debt, and improve customer welfare - when sales are properly structured and implemented and the market or regulatory environment ensures competitive behaviour'. (Cited in *Towards a Better Fiji*, 1998:25)

In evident agreement with the Bank, the Department went on to itself claim that privatisation 'improved domestic welfare, increased productivity, made consumers better off, and in the majority of cases, all other stakeholders gained as well' (ibid).

According to Department's report, the government owned and had interests in 30 enterprises involved in commercial activities. Of these 13 had been declared under the Public Enterprise Act, which brought them under the responsibility of the Public Enterprise Minister. The other 17 enterprises fell under the responsibility of the Finance Minister and respective line Ministers. For an entity to be re-organised it had to be declared a Re-organisation Enterprise under the Public Enterprise Act and be gazetted. This required consultation between the Minister for Public Enterprises and the line Minister, and Cabinet approval. A Charter Preparation committee, appointed by the Public Enterprise Minister, then prepares a 'Reorganisation Charter' for the enterprise.

Aside from the procedural stages outlined above, the Reform Programme reportedly entailed a lengthy process of general consultations with public sector and public enterprise personnel at different levels, and with stakeholders outside of the public sector, to define the role/mission of public enterprises, identify current weaknesses and problems, and devise reform programmes. On the basis of these exercises, private consultants then drew up papers rationalising a public enterprise reform programme that was purportedly endorsed by public sector personnel. A programme of education had also been taking place within the public service, comprising training of public sector and public enterprise personnel on the rationale and impacts of the reforms, and the production of special newsletters, intended to 'inform all citizens and interested parties on the impacts of the reforms and most importantly the benefits we can achieve from the reform process.[18]

Nowhere in the report is there any mention of the reform programme's possibly negative consequences for users or consumers of products and services currently provided by public enterprises (i.e. reduced coverage and higher costs) or for those employed in these enterprises (i.e. staff retrenchments or redundancies). Only the expected benefits of public enterprise reform are repeatedly stated. A Public Enterprise Reform Advisory Committee, set up under the reform initiative to provide commercial and business advice to the Minister for Public Enterprises to assist him establish `commercially viable companies that will provide maximum return to the Government as shareholder', comprised, almost exclusively, prominent private sector personalities - businessmen, commercial accountants or consultant economists (*Towards a Better Fiji* 1998:36).[19] The composition of all Government Commercial Company and Commercial Statutory Company boards listed in the Department's report indicate the same field of recruitment and a distinctive pattern of overlapping membership. The issues of overlapping directorships in government and private companies and statutory authorities, remuneration earned by chairs and directors, and cronyism were raised in a front page story run by *The Review* magazine that year (Digitaki 1998:18-22).

By November 1998, nine government departments and statutory authorities had been declared Re-organisation Enterprises and the decision had been made in principle to sell part of the government's shares in ten state-owned companies: the Fiji Electricity Authority, Ports Authority of Fiji, Fiji Broadcast Corporation, Fiji Hardwood Corporation, Civil Aviation Authority of Fiji, Government Supplies, Public Trustee Office, Water and Sewage of the Public Works Department, Marine Department, and the Film

[18] The first issue of the 4-page Department of Public Enterprises Newsletter, *Reform*, was issued in March 1999; the first issue of the Financial Management Reform programme, *FMR News*, was issued in April 1999.
[19] The members in 1998 included: businessmen Hari Punja (Chair), Kanti Tappoo, accountant Jenny Seeto, private consultant, Navitalai Naisoro, CEO of Fijian Holdings, Sitiveni Weleilakeba, senior civil servants Jioji Kotobalavu, Brian Singh and Lenaitasi Korodrau, and NZODA-funded private consultant to the Public Enterprise Reform Programme, Guy Beatson (Towards a Better Fiji 1998:36).

and Television Unit (Snell 2000:110). Four bills were presented to Parliament that month, to provide the legal framework for restructuring the first of these - the Fiji Electricity Authority, the Ports Authority of Fiji, the Marine Department, and the Civil Aviation Authority. Their subsequent speedy enactment, on the eve of the first national elections under the new Constitution, suggested a concern to legislatively secure key public enterprise reform plans before the elections, to guard against any policy back-tracking by a new government. A look at just two of these legislation, whose main elements were summarised in the Department's 1998 report, will suffice to highlight the intentions and likely impacts of public enterprise restructuring.

The Electricity Reform Bill provided for the establishment of three distinct companies (Fiji Electricity Generation Company Limited, Fiji Electricity Transmission Company Limited, Fiji Electricity Distribution Company Limited)[20] with separate responsibility for electricity generation, transmission, and distribution respectively. Generation and distribution of electricity were to be opened to competition (with government ownership in the companies limited to 51%), while transmission was to remain wholly in government hands. A Director-General of Electricity was to be appointed to regulate the industry, with additional responsibility for `public safety, environmental impact, and promoting competition in power generation and retail' . He/she was also responsible for ensuring that electricity demand was met, and consumer interests protected (ibid; 33-34). The three companies were to operate through a licensing system, and details of their performance were to be published 'at least once a year' by the Director-General. Among other things, the bill also provided for: a Commerce Commission to investigate and report on whether operations of any of the three companies conflicted with government policy; for independent 'retailers' in the market (whose prices had to accord with a fixed pricing schedule); and for the re-sale (or on-sale) of electricity (e.g. by owners of a shopping mall to tenants).

[20] Elsewhere in 'Towards a Better Fiji', these companies are called by other names - Powergen Limited, Powerlines Limited, and Megapower Limited.

The Civil Aviation Reform Act, which was passed by Parliament on 18 February 1999, provided the legislative framework for the restructuring of the Civil Aviation Authority of Fiji (CAAF). This was mere formality because by the time the Act was passed, the CAAF had already been restructured with the formation of two corporatised entities - Civil Aviation Authority of the Fiji Islands (CAAFI) which retained aviation regulatory functions, and Airports Fiji Limited (AFL), a Government Commercial Company which was assigned all non-regulatory functions associated with civil aviation. A company fully-owned and operated by government in the first instance, AFL was now the primary airport operator, with full control over management and operation of air navigation and airport facilities. AFL was also given responsibility for managing the Nadi Flight Information Region. The Act provided for the entry of additional private 'licensed airport operators' (Towards a Better Fiji 1998:33) and for the issuing of permits and approvals in place of licenses to such private operators where standards were below International Civil Aviation Organisation (ICAO) requirements but were judged functionally safe 'for the type of aircraft and service involved' (ibid).

Considerable groundwork had been laid before the enactment of the Civil Aviation Reform Act. Following CAAF's nomination as a reorganised entity under the provisions of the Public Enterprises Act in May 1997, at least two studies had been commissioned by the government on the proposed restructure. Two different consultants were engaged, at what the Fiji Public Service Association claimed to be "massive cost", to advise the CAAF on the organisation's restructuring (FPSA Annual Report for 1997:22). The restructuring plan that was subsequently implemented was apparently a direct outcome of the Underhill Report and reflected the New Zealand restructuring model (Snell 2000). The AFL was to operate as a management company, and to sub-contract work out to other independent companies. The Underhill Report anticipated the significant redundancies that resulted from the restructure but considered these necessary to create 'a more competitive commercial approach to managing people', 'a more realistic remuneration system, based on performance pay systems', `better designed roles' and `contract of employment enterprise agreements' (ibid:112). By the time the Civil Aviation Reform Act was passed, a New

Zealander, with a background in public service restructuring in New Zealand, including in the electricity industry, had already assumed the position of Chief Executive Officer in AFL (Snell 2000).

The New Zealand government's contribution to the public enterprise programme since 1993 has been significant and sustained. Apart from the $200,000 per annum support to the Public Enterprise Unit within the Finance Ministry for several years, which was partly used to support a string of New Zealand consultants who performed much of the groundwork for the restructuring programme, NZODA also funded what Hill referred to as a 'supplementy' in the Ministry of Finance in the person of Guy Beatson, a New Zealand national and public sector reform expert with experience particularly in finance management in New Zealand (Nicky Hill, Interveiw, 12 May 1999). The supplementy provided vital support for the SVT government's economic reform programme generally. Beatson worked closely with the key figure within the Ministry, Permanent Secretary, Savenaca Narube, one of the SVT government's strongest reform advocates within the government bureaucracy. Beatson's placement in the key Ministry for driving the reform programme, and as a support for Narube, was evidently crucial in advancing the economic reform programme.[21] During his last year he worked with the Ministry of Finance on perhaps the most significant of all reform legislation, the Public Finance Management Act, which will be discussed at the end of this chapter. Beatson also sat on the Public Enterprise Reform Advisory Committee, providing advice to the Minister for Public Enterprises and doubtlessly helping to build understanding and commitment to public enterprise reform.

Public Sector 'Reforms'

As with the Public Enterprise Reforms, with which it is closely related, the basic rationale for public sector reforms hinges on improving efficiency in the provision of

[21] His placement apparently facilitated the engagement (with NZODA support) of other New Zealand consultants from a private consultancy firm in NZ, Public Sector Performance, who put together the policy framework for and drafted the legislation on public finance management.

public services, increasing government revenue, and reducing costs to taxpayers. The primary elements of public sector reform include downsizing (or, in reform language, 'rightsizing'), improved management, increased autonomy with better accountability and monitoring, reduced public expenditure, and increased revenue and cost recovery. NZODA and AusAID support have been crucial to designing and implementing public sector reforms which have entailed the engagement of numerous private consultants from both New Zealand and Australia to provide expertise and training in new operational and management systems, draft legislation to legalise them, and carry out institutional strengthening within different government departments and Ministries. The Asian Development Bank (ADB) has also provided assistance to Fiji's reform programme in specific sectors, including health and agriculture.[22]

The World Bank's second report on Pacific economies, produced in March 1993, had expressed concern about the facts that public sector employment in Fiji had grown three times faster than employment in the private sector in the decade 1976-1986, and public sector wages in 1991 were eating up 51% of the current budget, which accounted for more than 82% of total government outlays (World Bank 1993 Vol 2;15). The Fiji public service was the single largest employer in Fiji, accounting for 45,050 employees or 49% of total employment in 1992. Civil servants comprised 75% of this total, with the employees of public enterprises largely making up for the rest. The Bank had advised 'focused retrenchment' (to eliminate middle management layers and thereby achieve significant savings), `recasting' the size of the Public Service (e.g. by contracting out services for which the private sector had demonstrated capacity), restraining public sector wage increases for a few years, and linking wage awards to productivity. (ibid;16-17). Additionally, it proposed expediting the downsizing process by providing 'a greater degree

[22] In 1995, Fiji's Ministry of Health was assisted in its reform efforts by an ADB study on Cost Recovery in Health Services, and an ADB technical assistance programme secured by the Fiji Government the same year to undertake a review and make recommendations on developing the agriculture sector outlined a private-sector led development strategy for value-added processing, marketing and exports of agricultural goods. In 2002, ADB approved a US$16.8 million loan to Fiji to develop the two major ports 'to facilitate international trade and stimulate economic growth' (Port Development to Spur Growth in Fiji Islands http://www.adb.org).

of flexibility to Department directors in terms of staffing, divestiture, and contracting out decisions', and stressed the urgency of implementing civil service reform measures (ibid;17).

In November 1993, the SVT Government reported to Parliament that its efforts to reduce the size of government, and thereby the level of its expenditure, 'so as to ensure the availability of resources for the growth of the private sector' had had 'limited success' (Supplement to the 1994 Budget Address; 1993:7). In a subsequent report on Fiji in 1995, the Bank again advised that '(m)easures must be taken both to reduce the current size and cost of the civil service, and limit future wage increases', pointing out that 'two thirds of discretionary recurrent expenditure [was] for direct wage and salary costs of the public service', that civil service wages and salaries `affect[ed] wage settlements in the private sector', and that 'affordability' should be the primary criterion for determining civil service wage awards'. (World Bank 1995;ii-iii). The substitution here of `affordability' for 'productivity' as the recommended basis for determining wage awards in the civil service, was left unexplained.

Although the government did adopt a redundancy package applicable to the entire public sector, presumably in response to the Bank's recommendations, by 1997 this had only been implemented in two entities, the Government Shipyard, and the National Bank of Fiji (Delforce and Sikivou). Given the strength of the Fiji Public Service Association (FPSA), cutting expenditure through retrenchment and achieving savings through wage restraint were difficult options to implement, and the government's downsizing strategy therefore focused on 'a zero-growth staffing ceiling, freezing vacancies and eliminating unnecessary tasks and posts'.[23] This strategy, and the later shift in the focus of the reform 'from capping the numbers of employees to expenditure control, based on the annual wage and salary appropriations of individual ministers and departments', were commended by at

[23] By 1999, Forsyth (1999) reported on the relative success of the SVT government's downsizing strategy - '1500 fewer established posts than there were in 1989 [a 6.3% reduction] and nearly 2000 fewer public sector jobs in total'.

least one reform commentator as preferable to outright retrenchment as approaches to seeking `greater efficiency':

> '.....a civil service that delivers more for less...is unlikely to happen in a context of indiscriminate, demoralising retrenchment, with its morale-sapping loss of skills and cosmetic "manpower substitution" (where redundant staff reappear as part-timers or consultants, or are buried in "non-staff" budgets). This is where a switch from reducing numbers per se to controlling expenditure could prove helpful ' (Forsyth 1999;2-3) .

Following the constitutional settlement reached between the SVT and the NFP in 1997, and the new constitution's unanimous endorsement by both houses of Parliament and the Great Council of Chiefs, public sector reform advocacy was stepped up. Indeed, agreement on the new constitution and the accolades and broad acceptance it won for the Rabuka government, appeared to spur proponents of economic reform in general, and public sector reform in particular, in their advocacy for broad ownership of the reform programme.

In a colour handbook aimed at building understanding and commitment to civil service reforms among civil servants and fundamentally changing the service's prevailing 'corporate culture', the government capitalised on the radical political change achieved through the adoption of the new constitution by linking it to the radical economic changes wrought by the new policies. The 'great progress' the country was `ready to make' as it brought in a new constitution was linked with the promise of economic success and raised living standards that the new economic policies held (PSC 1997:5). Prime Minister Rabuka's foreword to the booklet entreated each civil servant to demonstrate civic virtue by making a personal commitment to supporting the reforms:

> '...I invite each Government employee to join in this great mission by making a personal commitment to change which will transform the public service, make it more efficient, and help to create a new Fiji. We can all do our part for the benefit of our society and country' (PSC 1997:2).

Produced by the Public Service Commission, the booklet reflected an important dimension of the reform programme - socialisation into new thinking, values and behaviour through specialised reform management training, and encouraging the emergence of reform 'leaders'. Its method was to build team spirit and agreement on a new game plan[24], to instill a sense of *personal* responsibility for the success of the reforms, and to encourage individual effort and willingness with the promise of reward:

> `The Civil Service system is... something passed down to us. Today's civil servants did not make the system. But it is not enough to say that it is not our fault that the Service operates as it does. Once we have identified problems, it *will* be our fault if we do not change it for the better. The change will involve all of us, and it will offer the chance for you to be actively involved, bringing greater job satisfaction, and rewarding those who are the most willing to improve their work. We all have a chance to 'make a difference', to help ourselves in our careers and to help Fiji' (ibid;14).

Substantively, the handbook summarised the reasons for public sector reforms by re-stating the SVT government's economic goals of increased investment, job growth, expanded export production and greater foreign exchange earnings, and arguing that all hinged on making it `easier and attractive for companies, local and foreign, to start and operate'. Deregulation, it said, was moving forward with the intention of building a 'free and open market economy without the inhibiting regulations and controls previously in place' (ibid; 5). Fiji companies had to 'change the way they do things' so that they could `compete in the new free market here and overseas, against international firms' - they had to 'become more efficient and keep their costs as low as possible' (ibid; 5). And the civil service too had to change, so that it could `play a full role in developing the country and give people better services for lower costs' (ibid;6).

[24] The civil service reforms were likened in the booklet to Fiji rugby - 'Fiji's rugby was once known for its flair and speed... but times and tactics have changed and our national 15's team has been left behind ... the side still has great strengths, but it needed a new approach to help it become fully competitive in international rugby....we could think of the Civil Service as a team which is changing some of its tactics, so it can become more competitive'. The analogy was an interesting one as the national team was then being coached by New Zealander Brad Johnstone, although this detail was not mentioned in the booklet.

The principle of `providing more for less', like that of `producing more with less', lies at the heart of the efficiency ethic which dominates neo-liberal economic thinking. Its operationalisation in Fiji's public sector reform programme entailed, firstly, identifying and cutting back those activities or public services which `would be better done by private companies' to reduce operating costs and enable money to be saved for capital investments in infrastructure development and skill training within the civil service. This was seen as absolutely necessary as, since 1990, government's operating costs each year had been absorbing approximately 80% of total government expenditure, requiring it to borrow to raise money for capital expenditure (ibid; 10). Aside from reducing public spending through corporatisation and/or contracting out services, the reform programme also entailed changing operational or management approaches in four main areas to provide better service to the public, now termed 'customers' in the new `market language'. As explained in the booklet, the four areas were: financial management (`the way the Civil Service handles and manages money'), organisational management (`the way the Service is set up and how it works'), productivity management (`making sure the Civil Service and its employees produce good results for the least cost'), and human resources (`introducing a new system of `performance management' to maximise the use and improvement of individual abilities and skills') (ibid;20). To design the new system of performance management, the Public Service Commission engaged the New Zealand management consulting firm of Hay Management Consultants, who were hired through a tender process (Kotoisuva; interview 13 September 2002).

In a 1997 review of economic reforms in Fiji, produced for the FEMM in Cairns in July 1997, the Forum Secretariat summarised aspects of the new operational or management approaches. Under financial management reforms, Departments and Ministries were directed to prioritize their activities and specify their outputs, and those with `excess human resource capacity' were given the option of re-deploying staff or making them redundant (Delforce and Sikivou:10). Ministries and departments targeted expenditure cuts and efficiency savings to produce a budget surplus of 2.1% by 1999. In July 1997, an accrual accounting project office set up in 1994 to oversee the system-wide implementation of accrual accounting, began to pilot accrual accounting in the Ministries of Finance and Agriculture & Fisheries, and in the Departments of Public Works and Forestry (ibid:10). The move from cash to accrual accounting was aimed at providing a more accurate picture of the financial position of each Department and Ministry, and of Government as a whole (PSC 1997: 21).

Organisational management reforms, aimed at improving public service efficiency, included devolving power and responsibility for staff management, including appointments, promotions, disciplinary actions and transfer, from the PSC to individual Ministries and Departments. In January 1996 this was implemented in the Ministry of Education, but the PSC was 'cautious' about devolving 'key personnel management functions to all Ministries' (Delforce and Sikivou 1997:10). An institutional strengthening programme, supported by AusAID and focused on the Customs Department, the Bureau of Statistics and the Department of Women, included computerisation and upskilling personnel and strengthening of organisational structures (ibid;11).

Productivity management reforms included corporate planning and the introduction of a performance-based remuneration system. In 1996, most Government departments (42 out of a total of 50) prepared corporate plans, identifying their entity's corporate objectives, and bringing them into a coherent framework. In 1997, the PSC worked with the various Departments to bring these plans into conformity with government's national policies and strategies (ibid). While donors and the Forum Secretariat may have considered this dimension of the reform process too slow, there was evidently a strong emphasis in the process on bringing everyone (or at least a critical mass within each Department or Ministry) on board, to ensure broad ownership. The introduction of a performance-based remuneration system into the public sector was found by the Forum Secretariat to be especially slow, despite agreement being reached with unions to base wage settlements on performance from 1996. Similarly, the establishment of employment contracts for Permanent Secretaries and other senior executives in the service, which was only announced in 1997 (Delforce and Sikivou 1997:4,11). A consultancy firm had been commissioned to design a Performance Management System based on productivity, including a performance-based increment system (ibid: 11).

In the following section, we will look in closer detail at the operationalisation of these financial and organisational management reforms via a key piece of legislation introduced on the eve of the first elections under the new constitution. Instigated in the interests of achieving greater efficiency and lowering the costs of running the entire civil service by half (representing a saving of `nearly $500 million a year'), the reforms were not only sharply criticised for their far-reaching long term implications, but were later revealed to have significant hidden costs.

Fast Tracking Financial Reforms - 1998-1999

In 1998, with elections almost upon it, the SVT Government stepped up its liberalisation programme by preparing policy frameworks and legislative support for further financial sector reforms. These were announced in the 1999 budget and included: further relaxation of exchange controls (specifically removing the ceiling on withdrawals of operating and capital profits and allowing commercial banks to approve transfers of up to $100,000 per application without Reserve Bank approval); opening up the banking sector to further competition by enabling other financial institutions to accept deposits from the public and allowing licensed foreign exchange dealers to transact negotiable instruments such as bills of exchange and letters of credit; opening up the pension funds `market' to allow other competitors in to what is seen as a `huge capital base'; bringing in an international rating agency (Moody's Investment Services) to provide the government with sovereign debt rating; setting up a taskforce to break bureaucratic bottlenecks facing investors; studying the IMF's Code of Ethics on fiscal accountability; accelerating its privatisation programme by opening the hardwoods and electricity sectors to private investment; and establishing a centralised Revenue and Customs Authority to implement revenue policies and maximise resource collection (Jayaraman and Ward 1998;1).

The 1999 budget was an `election budget' and was touted by the government (and the media) as one that favoured the poor, primarily because it raised the tax threshold to $6,500 and increased tax allowances, both of which concessions were claimed to directly benefit 54% of the country's assessed prospective tax payers, who occupy the lower income brackets (*The Fiji Times* 7.11.98:1). Trade unionists and opposition parties were quick to point out that the biggest tax break in the budget was a 10 year tax concession to hotel investors undertaking new construction valued at between $10 million and $40 million. This was half the tax free allowance of 20 years given to hotels undertaking constructions of $40 million or more under an earlier introduced Short Life Investment Programme (SLIP), and was facetiously referred to by Finance Minister, Jim Ah Koy, as the `Half-SLIP' concession. The play on a word primarily associated with a women's undergarment undoubtedly raised appreciative chuckles in the male-dominated parliamentary chamber and might have served to downplay this overgenerous subsidy to the hotel industry, a longtime beneficiary of tax concessions in Fiji.[25] The unions also criticised the government for failing to review the 13 year tax concession to the prosperous tax free garment industry leaving garment workers struggling on less than a `living wage' (*The Fiji Times* 7.11.98). They dismissed the tax concessions to lower income earners, saying these were eroded by rising inflation, which stood at 9 per cent at the time (ibid).

The Opposition denounced the 1999 budget as a budget for the rich, for raising duty on used cars, slashing companies taxes (from 12 % of GNP in 1995 to 1% in 1997) and income taxes to create savings of `tens of thousands of dollars' for higher income earners (*The Fiji Times* 17.11.98). Lowered duty on new cars and removal of duty on a range of luxury consumer goods (including golf shoes and equipment, Gucci, Christian Dior and

[25] Under the provisions of a longstanding law, the Hotel Aids Ordinance, hotels enjoyed exemption from paying taxes while under construction. One hotel reportedly managed to legally avoid paying tax for 13 years, by prolonging construction work on its site. A hotelier himself (owner of Naigani Island Resort), as well as a major commercial property developer with buildings rented to government, Ah Koy later told the media that the government might `seriously consider purchasing all those properties it currently rents (from those landlords who want to sell their properties to the government) on a BOOTs (Build, Own, Operate and Transfer) programme, paying them off by installment over a period of 10-20 years' using the 'present amortized rentals' (*The Fiji Times*, November 7, 1998:5).

Versace neckties, and Dunhill, Rolex and Cartier travel clocks) purportedly to benefit, in the Finance Minister's words, "all shoppers in Fiji", were consummate proof to other critics of the budget that the budget was indeed biased toward the wealthy (*The Fiji Times*, Letters to the Editor, 10.11.98,12.11.98).

Ah Koy was nonetheless lauded by the media as a financial genius for producing a surplus budget as he had promised the previous year (*Fiji Review*, December 1998). This was hardly a great feat, as the surplus of $150 million was achieved by the Minister's sale in 1998 of 49% of its shares in Amalgamated Telecom Holdings Ltd for $253 million. For all their attention to the budgetary brilliance of the Finance Minister, the public media had not followed in the least how the Minister of Finance had been legally empowered to control Fiji's assets, determine development priorities, and generally direct government, through an apparently innocuous piece of legislation, the Public Finance Management Act.

Together with the Civil Service Reform Act, the Public Finance Management Bill was hurriedly raced through both houses of parliament on the eve of national elections. The Civil Service Reform Act legalised contracts and other terms and conditions in the civil service that the reforms had already introduced; the Public Finance Management Act had the stated aim of 'improv[ing] the financial management system of the state and ...enhanc[ing] the financial accountability of the Parliament, the Cabinet, Ministers, Public Officers and public entities'. The latter Act seemed intended to turn the business of governance in Fiji into one of financial scrutineering. With its passage, Parliament would have to review each year a plethora of financial documents - strategic policy statements, an annual plan and budget, half-yearly economic and financial updates, an annual report for the Whole of Government (i.e. Parliament, Cabinet, Ministries, public entities) for each financial year, and even *monthly* financial statements for the Whole of Government, to be published 45 days after the end of each month. This legislation of financial accountability reflected a core idea of `good governance', the new buzzword of international financial institutions, inter-governmental agencies and bilateral aid donors.

Under the Act, the Minister of Finance is designated `Ownership Minister' or Minister in charge of looking after government's finances and state-owned assets, and has power to manage the state's ownership interest in the assets (i.e. its interests as owner in its performance and operational capability). The status and responsibility of sectoral ministers, who are termed `Purchase Ministers', responsible for designated sectoral or administrative areas, are diminished. The Act legitimizes a Finance Ministry-driven government, and Finance Ministry determined development planning and control of spending.

The opening sentence of a parliamentary brief on the Bill prepared by Malakai Tadulala (Research Officer, Science Technology and Environment) explained its purpose with reference to the new Constitution:

> `The purpose of this Bill is to improve and strengthen the financial management system of the government and its accountability (sic) *in line with Section 182 of the Constitution'*.

Immediately following this statement, however, the parliamentary brief actually states its real purpose:

> `In short, the *main objective* of this Bill is *to effectively implement a major overhaul and reform program of the government financial management system.* This reform program covers the funding, budgeting and financial accountability of all the three separate arms of Government, namely the Executive Government [sic], the Legislature and the Judiciary. A major change instituted by this reform that is outlined in the Bill, is that the financial accountability of Government services is to be based on outputs (goods and services) of Ministries and Departments instead of inputs (wages and operating expenses) as before. In addition, the reform adopts accrual accounting in its framework, instead of cash accounting currently used by Government Ministries/Departments under the existing Finance Act, Cap 69' (Emphasis added).

Despite this explanation of the Bill's main objective, the argument that this Act (like other enabling or subsidiary legislations enacted since the new Constitution came into force) was required to give effect to new provisions in the 1997 Constitution was elaborated in the brief. The enactment of the new Constitution was said to have rendered a number of provisions of the existing Finance Act (Cap 69 of 1981) which were based on Sections 119-126 of the 1970 Constitution, inappropriate for government financing. "It is in this perspective that government financial management system, its control and accountability need to be streamlined, strengthened and consolidated to meet the financial requirements of the new Constitution [sic]" the brief states.

The specific sections of the 1997 Constitution that were alluded to in the brief by way of justification for the Act are Section 182, and presumably the rest of Chapter 12 (Revenue and Expenditure) of which it is a part, and Chapter 11 (Accountability). The provisions of Chapter 11, which is on accountability, cover the Code of Conduct, Ombudsman, Auditor-General, General Provisions relating to Certain Constitutional Offices, and Freedom of Information. As such, they are concerned with accountability in its broadest terms, not just with *financial* accountability. The latter is covered in the provisions relating to the Auditor-General, and in Chapter 12 which covers the raising of revenue, the Consolidated Fund, appropriations to be authorised by law, authorisation of expenditure in advance of appropriation, the requirement of ministerial consent for appropriation and taxing measures, annual budget, guarantees by government, accounting of public moneys, standing appropriation of Consolidated Fund for payment of certain salaries and allowances and for other purposes (e.g. debt charges, pension benefits). Section 182, which is specifically mentioned in the parliamentary brief on the Bill, says simply that

> `All public moneys must be dealt with and accounted for in accordance with law and otherwise in accordance with accounting principles generally accepted in the public sector'.

While Section 182 of the new Constitution may justify the enactment of a law which strictly lays down procedures and a system to ensure proper use and accounting for public monies, the 1997 Constitution in no way justifies the new system of financial management being introduced through the reforms, the excessive financial reporting requirements, or the strictures placed on government by the provisions of the Act. Indeed, the significant change in government financial management and accounting practices which the Act introduced and the overwhelming preoccupation with financial management systems and statements that were forced on Ministers, Ministries, Departments, and on Parliament where these would be tabled, could have undesirable impacts on the functioning of political institutions, particularly the Parliament, but also the Cabinet, and Government Ministries and Departments.

The pre-occupation with financial accountability, and the inspiration for this law, stemmed from the increased focus on `good governance' by multilateral organisations, triggered by the World Bank reports discussed in Chapter Two. Over the last decade, other multilateral agencies, United Nations agencies and bilateral donors, taking their cue from the World Bank, have correspondingly channeled significant resources to good governance projects. Though some of these have been more broadly focused and have included financing NGOs involved in the promotion and defence of human rights, some have followed the narrow focus on financial accountability.[26]

The Public Finance Act effectively corporatises the state. Its language and intent are to transform the core business and modus operandi of the state so that it functions like an efficient corporate entity. The text is peppered with language and concepts of management and financial management, requiring an extensive interpretations section. Roles for the Cabinet and for Parliament are outlined which are suggestive of new conceptualisations of these institutions' functions and role, which are reduced effectively to financial oversight and management. The Ownership Minister has annual agreements with each public entity in his portfolio by way of an annual corporate plan for each financial year, and determines the amount of equity investment to be acquired in or withdrawn from the entity by the state, as well as to the levels of performance to be

[26] The UNDP office in Fiji advised the Citizens' Constitutional Forum in Fiji in 1999 that the focus of its regional governance project had been changed in mid-1998 from one that `covered the whole spectrum of governance issues to a narrower one of *financial management accountability*' (Letter from UNDP to CCF, 1999).

achieved in the financial year. Similarly, Purchase Ministers have `purchase agreements' with each of the entities (ie departments) within their portfolio under which they agree to `purchase outputs' from those entities. They authorise payments for and monitor the delivery of the outputs, and must pay a fair price for them. In `reformspeak', Purchase Ministers operate effectively as the `clients' of departments, purchasing department services and judging their performance.

The Public Finance Management Act is a replica of legislation introduced elsewhere, based on the World Bank's blueprint for legislatively locking in economic reform policies adopted by national governments, to guard against policy retreat or reversal by either the existing or a succeeding government. This might explain why the Act was rushed through by the SVT Government prior to Fiji's first general election under the new 1997 Constitution, particularly given the provisions in the new Constitution for a multi-party cabinet. According to an informant in the New Zealand High Commission, the legislation was speedily drafted with the assistance of the New Zealand government which paid for consultants and legal draftsmen to both 'put together a policy framework and get the legislation up and running' (Nicky Hill, Interveiw, 12 May 1999).[27] New Zealand consultant, Guy Beatson, who he had had 'a lot of experience of finance management in New Zealand' had also worked on it in his last year with the Ministry of Finance (ibid). Not surprisingly, the Act was modeled on both New Zealand's Public Finance Act of 1989 and Fiscal Responsibility Act of 1994. Its provisions are also similar to the Australian Public Finance Act. In addition to funding the policy framework and drafting work on this legislation, the New Zealand government agreed to provide $1.34 million dollars to implement the project (ibid).

[27] According to Hill (ibid), the New Zealand-based consultancy group, Public Sector Performance, was recruited directly by Fiji Government via a tender process to do the 'implementation work'. The same group had drafted the legislation under an earlier 'design work' contract that entailed putting together the `policy framework' and the legislation. Implementation work involved getting the legislation through the February 1999 Session of Fiji's Parliament.

True to the World Bank blueprint, the Public Finance Management Act imposed a `hierarchical' (rather than `collegial') budgetary approach, with power vested in the Finance Ministry, enabling `top-down control of spending and limiting the scope for legislators to expand the budget piecemeal' (World Bank 1997). Like New Zealand's Fiscal Responsibility Act 1994 on which it was modeled, it laid down principles of `responsible financial management' which Cabinet decisions with financial implications had to comply with. Among other things these principles stipulated that the operating balance for the Whole of Government should not (on average over a three year period) be in deficit; that Whole of Government borrowing should never exceed a `prudent amount' (defined as the nominal GDP of Fiji multiplied by the average ratio of government borrowings to nominal GDP of the country's five largest trading partners over the last five years); that the `Whole of Government net worth' should never be less than 20% of total assets (i.e. its total liabilities should never be more than 80% of its total assets); and that the levels of tax and tariff rates in future years should be `reasonably predictable' and `internationally competitive' (i.e. on par with the average tax and tariff rates of Fiji's five largest trading partners in the five preceding years).

The Act's provisions reflected core public sector reform ideas - improved financial management, producing balanced (zero deficit) or surplus budgets and `living within one's means' - and its primary intention was evidently to compel present and future governments to live by these ideas. The legislative requirement to comply with these principles imposed a straightjacket on future governments. In a newspaper article, USP Economist Ganesh Chand wrote of the Bill, `it has numerous provisions which will severely constrain a government's ability to make economic policies and manage the economy as mandated' (Chand 1999:11). Chand pointed out that the Act legislates a balanced budget, which effectively curbs capital expenditure and borrowing, using a formula that oddly links Fiji's borrowing to the GDPs of Australia, New Zealand, the UK, Japan and the USA, the effect of which would be to limit the government's ability to manage the economy (Ibid). It also pegged tax and tariff rates to those of the same five countries in the past five years, thereby preventing government from changing the tax structure.

> 'What the Bill effectively does therefore is ...define fiscal policy for the nation as a legislative measure. Such constraining of a government's mandate to determine the fiscal policy may well be unconstitutional. Should any government constrain through legislative means, the right and mandate of another to make decisions on government expenditure and revenues? ...In such an environment, there is no role left for the government in terms of managing the economy. Indeed (the Act) takes away the independence of a country in terms of economic policy making' (Ibid).

In contrast to tax reforms (especially the introduction of a Value-Added Tax) and privatisation or corporatisation of public enterprises or utilities, both of which generated major public opposition and much debate, the introduction of this critical public sector reform legislation took place in the virtual absence of public debate. There was little public information, much less understanding of the bill's implications. Only one NGO (the Citizens' Constitutional Forum) made a submission to the Parliamentary Sector Standing Committee on Administrative Services in February 1999, opposing the Public Finance Management Bill. It was nonetheless passed by Parliament a month later.

Conclusion

In this chapter, I have examined the background to and the politics and process of economic restructuring in Fiji from 1984 to1999, highlighting its early links to IMF policy prescriptions, its later foundations in World Bank thinking, its crucial support from bilateral donors, New Zealand and Australia, and some of the key features and rationalisations of the 'reform' programme. I have endeavoured to show the importance of the specific context of crisis in Fiji in both preparing the ground for early economic restructuring measures considered to be essential for economic recovery, and in facilitating their extension and continued implementation, and to suggest that although political conditions may provide fertile ground for the introduction of reform ideas and policies, the potential political impacts of the latter tend to be completely discounted in economic prescriptions. While the role of the South Pacific Forum in promoting and directing 'reform' in Fiji in this period was relatively insignificant, since Fiji's restructuring programme began in a much earlier period and remained relatively self-propelled, independent Forum Secretariat assessments of the Fiji government's progress in implementing restructuring policies certainly functioned to maintain the momentum of the reform programme in Fiji, as elsewhere in the region.

CHAPTER SEVEN

THE UNDERSIDE OF RESTRUCTURING IN FIJI

'The economics of reform are quite straight-
forward, its just that the politics are tricky'.

Hon. Ruth Richardson, NZ Finance Minister 1990-1993
(Richardson 1998:11).

Introduction

Since Fiji first began to undertake economic restructuring on the advice and direction of its various multilateral and bilateral donors, it has experienced 4 elections, 3 military coups[1], and 6 changes in government. The swings in Fiji's political fortunes cannot entirely be laid at the door of externally advised economic policies. The complexity of Fiji's political economy would make such an argument facile and unsupportable. Yet economic restructuring does have political implications and consequences that are not acknowledged by the international or regional agencies whose representatives claim to offer disinterested, technical advice. Moreover, restructuring or 'reform' programmes can ignore problematic local realities, be used to advance particular private interests, and create or exacerbate inequalities. While the politics of economic restructuring in Fiji are in many respects peculiar to the nature of society and state in Fiji, and its multi-ethnic and class dynamics, at the same time it illustrates the typical complexities of social and political contexts in which the one-size-fits-all blueprint of economic 'reform' is implemented.

[1] The May 2000 coup is sometimes erroneously referred to as a `civil' coup. However, Speight's putsch could not have been attempted without the support of significant numbers of the RFM's Counter Revolutionary Warfare Unit and their weapons. Technically too, the coup was only effected after Military Commander, Frank Bainimarama (together with the Police Commissioner, Isikia Savua, former Prime Minister, Major General Sitiveni Rabuka, and the President's own son-in-law, former Military Commander, Ratu Epeli Ganilau) had asked Ratu Sir Kamisese Mara to step down as President. Following Mara's resignation, a new President was sworn in. With the collusion of one of Chaudhry's former Ministers, Tevita Momoedonu, the new President accomplished the resignation of Chaudhry's government, by appointing Momoedonu Prime Minister for a day. The new President's actions were subsequently challenged in Fiji's courts and were judged questionable.

In July 1997, following the submission of a report by a three-man Constitutional Review Commission which had held lengthy public hearings, received 852 submissions from citizens' groups and individuals, and commissioned papers on a range of issues relevant to its terms of reference, and after protracted political negotiations by members of Joint Parliamentary Select Committee, a new, democratic Constitution was endorsed by the Great Council of Chiefs and unanimously passed by both of Fiji's Houses of Parliament. It was a remarkable achievement, representing 'a reconciliation of sorts but more importantly, a consensus on how Fiji should be governed and how its different communities should relate to each other' (Ghai 2000:27). The constitutional settlement owed as much to the achievement of an extraordinary level of trust and goodwill between the leaders of both the National Federation Party and the Soqosoqo Vakavulewa ni Taukei (SVT) during the negotiations, as it did to the inspiring vision of the Reeves Commission's Report, released in 1996, and the efforts of the Citizens' Constitutional Forum (CCF)[2] and its partner, Conciliation Resources, which worked to build consensus among leaders through organised dialogues on divisive constitutional issues.

Two years later, in the country's first national elections under the new 1997 Constitution, the Fiji Labour Party (FLP) swept to power on what some have judged to be a wave of popular opposition to the `economic reforms' (Snell and Prasad 2001a), with a promise to clean up corruption. The FLP's election campaign exploited the SVT government's ill-timed retrenchment of 400 CAAF workers a few weeks before the elections and raised attention to the negative impacts of other reforms. Its focus on 'bread and butter' issues had evidently won out over the SVT/NFP Coalition's reliance on the achievement of a new Constitution and its promise, among other things, of power-sharing between indigenous Fijians (via SVT) and Indo-Fijians (via the NFP). But several other factors contributed significantly to the unexpected trouncing of both

[2] The Citizens Constitutional Forum arose to assist the Constitutional review process by encouraging public discussion, debate and consensus on important elements of the constitution (e.g. models of electoral systems suitable for Fiji, power sharing arrangements) It has since evolved into a civic watchdog agency and works to promote constitutionality, accountability, social justice and human rights.

SVT and NFP, and FLP's huge majority. Among them were: a growing concern over corruption and other scandals in the SVT government; `communal outbidding' by the FLP in its campaign against NFP for Indo Fijian votes (NFP was accused of selling-out Indo-Fijians in the Constitutional settlement); the new Alternative Vote (AV) system (especially the provision for 'above the line' voting based on party preferences); and its strategic use by FLP and the smaller parties, who gave each other their preferences and 'ganged up' to allocate their last preferences for all seats to SVT and NFP.[3] The election had also seen the largest number of women candidates contesting, largely as a result of UNIFEM's pro-active `Women in Politics' project, aimed at increasing female representation in national parliaments, and a Fiji Women's Rights Movement campaign directed at women voters which highlighted issues, rights and accountability.

The FLP's victory resulted in Fiji's first Indo-Fijian Prime Minister - Mahendra Chaudhry, veteran trade unionist, deposed Finance Minister in Dr Timoci Bavadra's 1987 government, and long-time thorn in the Rabuka government's side. FLP formed the People's Coalition Government (PCG) with two smaller, Fijian parties, the Fijian Association Party (an SVT breakaway party, formed after the 1992 elections), and the *Veitokani Ni Lewenivanua Vakaristo* (VLV) a conservative Christian party. For the one year that the PCG held power, the programme of economic restructuring came to a temporary halt. Under Prime Minister Mahendra Chaudhry's leadership, the multi-racial PCG cabinet put on hold the implementation of the Public Finance Management Act and reversed the SVT's restructuring and privatisation programmes in the Civil Aviation Authority (CAAF) and the Fiji Electricity Authority. Amongst other things, it reinstated 400 hundred workers who had earlier been made redundant in CAAF's restructuring, removed VAT on basic food items and medical supplies, reduced interest on Housing Authority loans, and reversed public sector reforms intended to devolve power from the Public Service Commission to Permanent Secretaries. Several scandals linking the reforms to specific private

[3] For a critical analysis of the AV system see David Arms (2001); for an analysis of the 1999 election see Prasad in Akram-Lodhi (ed) (2000).

beneficiaries which surfaced during the PCG's year in office vindicated the FLP's longstanding opposition to structural adjustment and concerns over corruption.

The campaign to weed out corruption might well have stirred those with vested economic interests and/or racist inclinations to find ways of undermining the new government. The coup of 19 May 2000 toppled the PCG and installed a new ethno-nationalist regime, dominated by bankers and investment advocates, who promptly returned Fiji to the path of economic 'reform'. Fronted by George Speight, a fast-talking, fast-rising corporate star and protégé of SVT's last Finance Minister, Jim Ah Koy, the coup was represented as an act taken in defense of indigenous rights. It was engineered with the support of an elite military unit - the Counter Revolutionary Warfare Unit of the RFMF and was patently aided and abetted by a group of indigenous Fijian politicians cum businessmen who had lost power and privileged access to wealth in the form of public resources and state patronage of one form or another as a consequence of the SVT's political defeat. It was financed by a shadowy group of businessmen/women (indigenous and non-indigenous) whose financial interests were threatened by the SVT's loss of power.[4]

A number of factors had combined to embolden them to conspire with others to topple the government through extralegal means. Among these factors were Fiji's history of 'racial' politics; the immunity and subsequent political success enjoyed by the 1987 coup leader, Sitiveni Rabuka; the recently negotiated and still fragile democratic 1997 constitutional settlement, based on agreement between the SVT and NFP, and their subsequent unexpected defeat; FLP's capture of a majority of seats under new electoral arrangements which critics had warned could produce

[4] Stories about the involvement of several businessmen/women, some of them corroborated by television footage at the time of the hostage crisis and occupation of the Parliament complex, have been circulating widely since the coup of 2000. The investigation and prosecution of persons involved in the coup have been very slow. In February 2003, a soldier testifying in the treason trial of George Speight's co-conspirators, Josefa Nata and Timoci Silatolu, gave evidence that he had been told by Speight that the coup was being financed by leading Indian business firms, and named CJ Patel and Punjas (http://www.flp.org.fj/no30219c.htm).

unpredictable outcomes and highly disproportional representation; the view that only a minority of indigenous Fijians had actually given their votes to Labour; the antipathy of ethno-nationalist indigenous Fijians to the idea of an Indo-Fijian being Prime Minister; the new government's failure to include SVT in the constitutionally-required power sharing arrangement; and, not least, what came to be described as Chaudhry's 'abrasive style of politics' (Teaiwa 2000). The 2000 coup exposed other links between public policy (and particularly the so-called reforms) and private economic interests during the SVT's political reign.

This chapter examines some of the political dimensions of the reforms in Fiji. It looks at the context in which reforms have been taking place, raising attention to some of the dimensions of reform which are passed over in silence by institutions and agencies that drive the reform agenda. The chapter seeks to highlight the instrumental and selective use of reform to serve other economic and political agendas, some of the benefits that have accrued to private interests and some individuals (at public expense) through reform implementation (or that would have done so, if other events had not supervened), and some of the implications of privileging the private sector and encouraging private profit making. The chapter takes a thematic, rather than chronological, approach.

The Fijian State and the Institutionalisation of Protection and Privilege

Fiji presents a challenge in many respects to the application of public policies framed by economic rationalism. The idea of rolling back the state in Fiji is fraught with political implications, as the post-1987 (or post-coup) state has effectively become a jealously guarded ethnic Fijian institution. This detail goes unmentioned in the official literature published by the World Bank and other donors, although it is certainly well recognised. While good governance discourses in the region have generally focused on abuses of traditional systems and leadership, the whole architecture of state-financed `traditional' institutions in Fiji has remained outside of their purview, as has the general ethnicisation of the state in Fiji, and these matters have largely been given a wide berth by agencies promoting restructuring. In other words, for all of the proposed comprehensiveness of economic restructuring programmes, these elements, which form an embedded part of Fiji's complex social and political context, have to date escaped, or defied, reform.

The ethno-nationalist ideology and agenda of the post-coup regime that ruled Fiji from 1987 to 1992 significantly changed public institutions in Fiji. The decreed 1990 Constitution, denounced as `racist, undemocratic, authoritarian and feudalistic' by the NFP/Fiji Labour Party Coalition whose government was deposed in the 1987 coup, entrenched and further empowered 'indigenous' political institutions in Fiji which were, in fact, colonial creations, albeit strongly affirmed by indigenous Fijian nationalists. Amongst other things, the 1990 Constitution accorded the Great Council of Chiefs (*Bose Levu Vakaturaga* -BLV) a stronger political role and gave it power to appoint the President; increased the power of the President; implicitly reserved the Presidency and explicitly the positions of Prime Minister, Chief Justice, Chairman of the Public Service Commission, Commissioner of Police, and Chairman of the Police Service Commission for indigenous Fijians; mandated affirmative action for indigenous Fijians and Rotumans; and effectively guaranteed indigenous Fijian political supremacy by both reserving for them a majority of seats in the House of Representatives, and excluding non-Fijians from the Senate.[5] As constitutional lawyer, Yash Ghai, put it '...the 1990 Constitution aimed to ensure the permanent and undisputed rule of indigenous Fijians' (2000).

Purporting to give protection 'to the interests of the indigenous Fijians, their values, traditions, customs, way of life and economic well-being' (Preamble, Constitution of the Sovereign Democratic Republic of Fiji, 1990), the 1990 Constitution made a blanket provision in Chapter III for the promotion and safeguard of the 'economic, social, educational, cultural, traditional and other interests of the Fijian and Rotuman people' and directed the government to 'adopt any program or

[5] For details of the 1990 Constitution's undemocratic and racially discriminatory features see Bain, Griffen et. al. (1990), Sutherland (1992), and NFP-Labour Coalition (1990).

activity for the attainment of the said objectives'. In reality, Lawson (1996:41) argued, it provided no greater protection for land rights than the 1970 Constitution had done, and was from the start unlikely to do much to advance the rights and interests of the indigenous population, except in a superficial sense. By seeking to establish `Fijian tradition at the very centre of political life', it relegated most non-indigenous Fijians 'to political subordination' (ibid:39). More than anything else, the institutions it established, Lawson said, 'reflect[ed] the determination of a political elite to retain political control' (ibid:41). In form and intent, the 1990 Constitution established the principle of indigenous Fijian political supremacy.

Under both the post-coup regime and, after 1992, the elected SVT government of Major General Sitiveni Rabuka, the strengthening of Fijian institutions (namely, the BLV, the Fijian Administration and the Fijian Affairs Board), the tightening of indigenous control over institutions and organs of the state, and the advancement of Fijian commercial investments proceeded quite systematically. The significant resignation and out-migration of Indo-Fijian civil servants, professionals and other skilled people following the coups[6] and the formation of the racially-exclusive Viti Civil Servants Association in late 1987 contributed to a pronounced `Fijianisation' of the bureaucracy after 1987, as documented by Leckie (1991). Statistics on resignations, retirements and new appointments in the Fiji Civil Service between 1987 and 1989 showed more than five times the number of resignations for Indians as for Fijians, and three times the number of new civil service appointees for Fijians as for Indo-Fijians in these years (Leckie 1991:66). While the trend of Fijianisation, according to Leckie, was already evident in the civil service before 1987, it became more pronounced after 1987 and, from 1990, was a planned and constitutionally sanctioned strategy. In December 1990, Public Service Commission Regulations prescribed ethnic quotas in the civil service - no less than 50% of all posts were reserved for Fijians; no less than 40% for others (Government of Fiji 2002). With promotions increasingly being made on the basis of ethnicity rather than merit, so that insufficiently qualified people were often appointed to senior positions for which they

[6] See Bedford (1989) and Prasad and Chetty (1989) for analyses of post-coup out-migration from Fiji.

had little competency, inefficiency in the Public Service grew. Qualified Indo-Fijians were often passed over in promotions. In 2000, the Fiji Public Service Association (FPSA), issued a statement alleging that racism was rife in the public service and provided statistics indicating significant under-representation of Indo-Fijians, particularly at senior levels: Indo-Fijians 'averaged 35%' in the civil service, and held only 4 out of 25 Permanent Secretary posts, one out of 19 Deputy Secretary positions, and five out of 27 Chief Administrative officer posts (*Fiji's Daily Post* September 4, 2000:4).

Institutional arrangements set in place by the colonial administration under a system of 'indirect rule', which rested on bolstering the chiefly system and the relations of production which sustain it, were from the start preserved in Fiji's independence Constitution (Ratuva 2000:229). All three of Fiji's Constitutions (1970, 1990 and 1997) effectively enshrined what have come to be called Fijian institutions, in the sense that their legislative frameworks were given iron-clad protection against amendment through veto powers vested in the Great Council of Chiefs' (or, after 1990, BLV's) nominees in the Senate, and requirements of special voting majorities for any decisions affecting them in either House of Parliament. Effectively, only a Fijian government with a 2/3 majority, and the backing of BLV nominees in the Senate, can change any of the 16 or so Acts constitutionally designated `protected legislation'. These laws, which are considered to protect Fijian rights and interests include the Fijian Affairs Act, the Native Lands Trust Act (NLTA) and the Native Land Trust Board Act. The formula used for the sharing of lease monies, which disproportionately benefits chiefs and the NLTB, provides just one illustration of how colonially-inspired Fijian institutions have empowered chiefs at the expense of `commoners'.

Non-elected Provincial Councils, a key institution in the architecture of the Fijian Administration, dominated by chiefs and linked to both the Fijian Affairs Board and the Great Council of Chiefs, emerged in the post-independence period as a vehicle through which chiefly economic power was further augmented (with some chiefs acquiring considerable personal wealth) and an 'ethnic Fijian bureaucratic strata ...sustained' (Ratuva 2000:229-233). Provincial Councils engaged the provinces in commercial activities, forming companies and investing in local or foreign businesses using resources mobilised within the province through appeals made on the basis of communal obligation to the *vanua* (Ratuva 2000:229-30).[7] In such investments, 'chiefs were often made the legal owners of shares, the legal holders of company titles, and the directors [of] any companies that were created' (ibid;231). Surpluses generated by such investments were used substantially to finance the Provincial Councils' administrative operations (ibid:233). As part of the state apparatus, Provincial Councils have also enjoyed annual government subventions which have often been used in less than transparent ways (Naidu 1989;2000). Ratuva's description of Provincial Councils as a 'semi-state and semi-traditional administrative system' reflects the `grey area' that the Fijian Administration is perceived to occupy, which has `allowed' it to function (under successive Fijian-led governments) quasi-autonomously, and largely outside the ambit of Parliamentary accountability.

The State and the `Fijian Economic Nationalist' Project

The post-coup regime's allocations of more state resources to what Sutherland has called 'Fijian economic nationalism', and particularly to the development of a `Fijian business/capitalist class' or `bourgeoisie' (Sutherland 1989 and 1992), was also based on a deliberate strategy for the advancement of indigenous Fijians in commerce and business. A 9-point plan put together by the `Fijian Initiative

[7] In Ratuva's words '*Vanua* refers to the relationship between the land and the people indigenous to the land. Critically , this relationship is symbolised by chiefly power: the chief 'owns' the land and 'owns' the people....[It] has both political and spiritual dimensions and is thus intensely ideological' (ibid). Ratuva explains that appeals on the basis of communal obligation to the *vanua* carry an understanding that any capital so mobilised is a `collective entity' belonging to the *vanua*. This explains the `altruism', and inter-tribal (or inter-provincial) competition, behind community collections. (2000:230).

Group', a group of indigenous Fijians in senior executive positions in public enterprises and the private sector who met between 1988 and 1989, was adopted by Rabuka's government in 1989. Focused on 'restructuring and strengthening...the executive capacity of the Fijian Affairs Board (FAB) to formulate and implement policies and strategies aimed at improving the lot of Fijians in all sectors', the plan included a $20 million interest-free loan to the FAB to buy shares in Fijian Holdings Company Ltd (FHL). This was to enable the latter to 'acquire shares in profitable companies in the industrial and commercial sectors', with the aim of achieving 15% ownership of the corporate sector by 1995 (Sutherland 1992:193). It also proposed the establishment of a Unit Trust and compulsory savings scheme for indigenous Fijians, setting up a Management Advisory Services Department, reserving designated commercial and industrial activities for indigenous Fijian investment, attaining minimum Fijian shareholding in resource-based industries and indigenous ownership of one daily newspaper, allocating more funds and concessions for commercial loans to Fijians from the Fiji Development Bank, and introducing a scheme to assist 'selected indigenous Fijians with the necessary talent to successfully manage retail businesses' (Sutherland 1992; Government of Fiji 2002).

One of the post coup government's early efforts at assisting indigenous Fijians' engagement in commerce and business involved reserving a quota of licenses to import 3,000 (out of 17,000) tons of white polished rice under new relaxed import regulations (Sutherland 2000). FDB loans to Fijians soared in response to this and quotas in other economic activities, for example in the taxi business, where new licences were preferentially given to Fijians. According to Sutherland, tensions between Fijian nationalist demands for economic affirmative action and the imperatives of economic liberalisation saw the post 1992 SVT government prevaricating on deregulation on the one hand, and virtually abandoning its affirmative action programmes for indigenous Fijians on the other. A subcommittee on Indigenous Fijian Participation in Business convened in the lead up to the 1995 National Economic Summit had demanded a softening of government's deregulation policy and protection for Fijian entrepreneurs who owned small enterprises which were 'in their infancy' and could not compete with longer-established, Indo-Fijian owned enterprises that had developed during Fiji's import-substitution era (ibid:213). Their anti-deregulation stance was shared by the Fiji Manufacturer's Association, the powerful lobby group of Fiji industrialists, which placed an advertisement in the Fiji Times asking for balance in the government's deregulation policy so that employment creation, job protection and the export-led growth objective of government were taken into account. Largely in response to the latter's appeal, the government slowed its pursuit of deregulation. Newly-appointed Public Enterprise Minister, Isimeli Bose, was even quoted questioning whether it was wise to open up Fiji's economy and 'bring in things which undermine our own industry which employs our people' (*The Fiji Times*, 21 October 1996).

But the 'nationalist project', as Sutherland terms it, was by no means abandoned. It might be argued that at one level it was being operationalised illicitly, and selectively, as the National Bank of Fiji loans scandal revealed. Officially, too, it was re-articulated in a second, *Ten Year Plan for Fijian Participation in Business*, drawn up in 1995. Proposed by the Managing Director of the Fiji Development Bank, Laisenia Qarase, under the auspices of Economic Commission for Asia and the Pacific (ESCAP)'s Pacific Operations Centre in Vanuatu (Ratuva 2000:234), this second plan suggested that the objective of affirmative action should be the achievement of 'overall parity between Fijians and other communities in all spheres of activities within the shortest period of time possible', and proposed five strategies: 1) enacting appropriate legislation to promote and safeguard the interests of Fijians; 2) re- organising and strengthening the Fijian Administration; 3) accumulating savings to provide investment capital; 4) ownership by Fijians of 50% of the corporate sector and other business sectors by 2005, and 5) development of indigenous Fijian entrepreneurship, business education and training.

The similarity between the objectives of the 1995 plan and the earlier 9-Point Plan suggests Qarase's key role in the Fijian Initiative Group, and the target of acquiring indigenous Fijian ownership of 50% of the corporate sector by 2005 reflected an ethno-nationalist political perspective, more than a realistically attainable goal.[8] Nonetheless, this goal, and its implicit aim, of creating a successful (ie economically powerful) Fijian business/commercial class to rival the Indo-Fijian business-commercial class,[9] did, according to Ratuva, encourage the granting of large loans by the Fiji Development Bank to indigenous Fijian enterprises and entrepreneurs, with the size of the loan, rather than the rate of return on investment, being used by the Bank as the criteria for measuring success (Ratuva 2000:237).[10] Statistics provided by Sutherland (2000:212) show that an overwhelming majority of FDB's loans to indigenous Fijians in 1995 and 1996 (61.6% and 58.1%) were for real estate investments; by contrast, commercial and business service loans comprised 3.7% and 31.5 % respectively. Ratuva has pointed out that few indigenous Fijians qualified for large loans, and as such the FDB's approach of favouring large loans, provided enormous scope for patronage (ibid:237).

Ratuva's view that post-independence attempts at economic affirmative action for Fijians have 'resulted in unsustainable waste' (2000:235) is supported by the examples he provided of two FDB schemes: the Commercial Loans to Fijians Scheme, through which, by 1996 some $70 million worth of loans remained outstanding; and the Equity Investment Management Company Limited (EIMCOL), established to train general store managers and provide them with loans to purchase general stores, which proved a complete failure, with all general stores being closed or sold within a few years. An overview of post-independence commercial schemes

[8] It is interesting that although reference is made to the second plan in "*50/50 by Year 2020*", the current Soqosoqo Duavata Lewenivanua (SDL) Government's Blueprint for the advancement of indigenous Fijians and Rotumans, it is not attributed to SDL's leader and present Prime Minister Qarase, but is rather said to have been 'prepared by ESCAP/POC' (Government of Fiji 2002a:36). The specific target of achieving 50% ownership of the corporate and other business sectors is most unlikely to have come from Savenaca Siwatibau, head of ESCAP/POC in 1995. According to Ratuva (2000:236), Qarase's 10 year Plan was drawn up on the basis of the Malaysian New Economic Policy (NEP) of 1970, an integral part of which was an affirmative action policy.

[9] Ratuva cites statistics from the Registrar of Companies to show the ethnic pattern in company ownership in 1987: of the 700 companies listed, 50% were owned by Indo-Fijians, 15 per cent by indignous Fijians; 20% by 'others', and 15% joint-ventures between different ethnic groups. By 1997, little had changed: less than 10% of the 101 companies registered under the TFF/TFZs were owned by indigenous Fijians. (2000:232).

for Fijians in Laisenia Qarase's *Soqosoqo Duavata Lewenivanua* (SDL) Government `Blueprint' for Fijian development 2001-2020, provides further supporting evidence for Ratuva's analysis by documenting a pattern of failure among Fijian business schemes[11] although there was no accompanying critique of past policy approaches, or any consideration that institutions like the Fiji Development Bank ought to be held to account for the considerable wastage of large sums of taxpayers' monies, or judgement that such initiatives warranted serious review (Parliamentary Paper No 73 of 2002).

The case of Fijian Holdings Company Ltd (FHL), which Ratuva called `the flagship of communal capitalism', illustrates well the functioning of the post-coup state as a vehicle for the advancement of a 'communal capitalist' class of indigenous Fijians, and the vested interests therefore in retaining indigenous Fijian control of the state. FHL was formed in 1984, the brainchild of the Great Council of Chiefs, and modeled on the Malaysian *bumiputra* investment body, Permodalan National Berhad (Ratuva op.cit). Although its initial capital of $1,145,145 was mobilised through the Provinces, the NLTB and the FAB, its `dramatic expansion' between 1990 and 1994 owed much to a F$20 million interest free-loan provided to the company in 1989 by Rabuka's post-coup government under the 9- Point Plan. By 1992, Ratuva records, FHL's after-profit tax stood at F$2,752,554. As mentioned in Chapter Six, a further interest-free loan of $8 million was provided to the company by the SVT government in its 1993 budget (Opportunities for Growth:7), following which the company's Board of Directors opened shareholding in the company to individual Fijians, including several of its own Directors.[12]

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[11] Seaqaqa Sugar Cane scheme, Yalavou Beef scheme, the Native Land Development Corporation (and its several projects - mechanised cane plantation, pigeon peas production in Vanua Levua, mangoes and pawpaws export horticulture rice production) are all described in *"50/50 by Year 2020"* as failures which left government with debts. Also listed as less than successful endeavours are farm management cooperative associations like the Tailevu Dairy Cooperative (which kept accumulating debts), CBM (Cakaudrove-Bua-Macuata) Holdings, which bought 2.5% shares in Stinson Pearce Ltd before it went broke, and other province-based companies, Yatu Lau (buses), Kadavu (shipping), Tailevu (dairy farming).

[12] Only indigenous Fijians registered in the *Vola ni Kawa Bula* (the Fijian landowning registration system) are eligible to invest in FHL.

By 1994, the FHL's interests in nine major companies in Fiji were worth F$27,111,948 and, by 1995, these companies were realising profits of between F$0.9 million and F$4 million (Ratuva:2000:241). Ratuva reported the breakdown of 'A' class shares in FHL at the end of 1992 as follows: NLTB: 500,000 shares; FAB: 100,000 shares; the Provinces: 713,650 shares; and private shareholders: 3,384,034 shares (op.cit:241).[13] The facts that the considerable loans from the public purse to FHL were subsequently converted to grants by the SVT government, and that the shares of individual shareholders in Fijian Holdings Ltd (including company directors and their family members) came to exceed those held by the Provincial Councils, the NLTB and the FAB combined, meant that individual shareholders benefited financially from SVT Government's unjustifiable conversion of public funds to private gain. While FHL was lauded as a success story of Fijians in business, its claimed 'success' brought it (and the governments which supported it) little credibility, and bred widespread cynicism towards programmes of affirmative action for Fijians in business.

None of Fiji's various economic affirmative action programmes for indigenous Fijian advancement has been subjected to a proper review to assess its effectiveness in achieving stated objectives, and its primary beneficiaries. Assessing affirmative action from a social justice perspective, one would be concerned to see them benefit those in economic need. But, as Ratu Joni Madraiwiwi remarked in 2001:

> `The provision of these monies has become an end in itself providing a convenient (if ineffectual) riposte to those who demand special privileges for indigenous Fijians. The situation is exacerbated by the fact that many of the beneficiaries of this government largesse are those who have already benefited (i.e. those from the emerging middle classes) at the expense of those who are in real need' (Madraiwiwi 2001).

[13] In 2003, Fijian Holdings announced a pre-tax profit of 12.4 million dollars and the company was issuing dividends of 10 cents per share for it's A-class shares and 5 cents per share for its B-class shares, totaling some 2 million dollars (Address to the Senate by Sen. Atu Embersen- Bain, September 2003).

Thus, whereas the tendency of economic affirmative action programmes to advantage those who least need them has caused them to be called into question elsewhere, in Fiji it might be argued that those who have benefited from such programmes were in fact their intended beneficiaries, that the economic nationalist project was indeed to create an indigenous business class.

The affirmative action programmes instituted under Rabuka became a subject of much debate during the Constitutional review process.[14] The new Constitution's provisions for affirmative action were more inclusive than those of the 1990 Constitution, providing as they did for affirmative action programmes to address 'all groups or categories of persons who are disadvantaged'. Yet, when the Peoples' Coalition Government sought to apply what it considered to be the intention of the social justice provisions of Chapter V (against the advice of the CCF and of consultants Yash Ghai and Jill Cottrell, whose opinions on the matter were sought by Chaudhry's government), there was an outcry from Fijian nationalists. The PCG's Social Justice and Affirmative Action Bill proposed to extend to Indo-Fijians the special loans from the Fiji Development Bank that were formerly reserved only for Fijians and Rotumans. It was read as an attempt to withdraw a privilege long enjoyed and considered an entitlement by indigenous Fijians.[15] An acrimonious public exchange ensued between Laisenia Qarase, then a BLV nominee in the Senate, and the government, in which were revealed Prime Minister Chaudhry's contempt for Qarase as both a lead facilitator and prime beneficiary (as an individual shareholder in FHL) of economic affirmative action schemes, and Qarase's outrage at the PCG's intention to interfere in special credit schemes for indigenous Fijians offered through

[14] Not only were papers commissioned on the subject, and the issue fully discussed by the `Reeves Commission' in its comprehensive Report of the Constitutional Review, the Citizens' Constitutional Forum, in one of its early consultations discussed the merits/demerits of affirmative action programmes and invited Malaysian Economics Professor, Jomo K.S, specifically to share his critical analysis of affirmative action programmes in Malaysia.

[15] The PCG Minister for National Planning, Dr Ganesh Chand, justified the Social Justice & Affirmative Action Bill by saying it would 'promote economic growth', and that 'Our position is that under the law we cannot discriminate...' (quoted in Digitaki, *The Review*, April 2000). Tamarisi Digitaki, of *The Review*, wrote '...many Fijians...are convinced that this is an attempt by the Indian-dominated government to trample their chances of bridging the economic gap between Indians and Fijians' (*The Review* April 2000).

the FDB. The issue, and Chaudhry's personal attack on Qarase (Digitaki 2000:17) were used, with others, to mobilise indigenous Fijians against the Chaudhry government on the argument that indigenous Fijian economic interests were under threat.[16]

The foregoing discussion provides the general political context in which the restructuring programme of the SVT government was being undertaken. The chapter now turns to look at four areas of 'reform' in which the interplay of public policy and private economic or party political interests were evident, and where reforms were seen to lend themselves to other political and/or economic objectives. The privatisation of Amalgamated Telecommunications Holdings (ATH) Ltd, the formation of, and planned sale of government shares in, Fiji Hardwood Corporation Ltd, the restructuring of the Civil Aviation Authority of Fiji, and the proposed restructure of the Fiji sugar industry each provide different insights into the economic and political realities of Fiji, and highlight questionable aspects of reform. The section that follows, on some of the reforms' other beneficiaries, concludes the chapter.

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[16] The SDL government which came to power in 2001 has made its `Blueprint' for Fijian and Rotuman development the primary focus of its economic development programme. Its 268-page 20-year plan for Fijian development is rationalised on the grounds of continuing socio-economic disparities between indigenous Fijians and other ethnic categories. The document argues that indigenous Fijians have been disadvantaged by protective ('paternalistic') colonial policies which locked them into the village-based subsistence sector under a codified and rigid communal schema, and retarded their participation in commerce and business. The Fijian Development Fund, set up in 1951, is criticised for discouraging individual economic enterprise outside the ambit of the Fijian Administration, and reforms in the 1950s aimed at addressing the socio-economic problems of Fijians within the ambit of the communal system, for 'further crystalising communalism' (pp 24-27). It is also argued that while communal land was meant to protect indigenous Fijian land, it also became 'a barrier to their economic development', and that communalism had become 'an entrenched component of the mainstream indigenous Fijian social psyche' and the primary 'social basis for mobilisation in politics and economic development (Government of Fiji 2002a:32). These arguments are not disputed. However, only a minority, a particular category and class of indigenous Fijians, have been seen to benefit from nearly 15 years of economic affirmative action policies, as both Ratuva and Sutherland have shown. The socio-economic status of the majority of indigenous Fijians has remained unimproved by these policies and this reality, ironically, provides the justification for their continuation.

The NBF, ATH and FNFP Deal

During the SVT's rule, affirmative action ideas and political patronage had combined to produce a major case of corruption: the highly publicised National Bank of Fiji fraud, briefly discussed in Chapter Six. Exposed by an insistent media and outraged Opposition Members of Parliament in 1995-96, the case highlighted the cronyism and patronage at work in the SVT government and the failings of those entrusted with the responsibilities of public office. A public outcry followed the media's public exposure of the Bank's approval of huge (and now unpaid) loans totaling $220 million to the family, friends and associates of the SVT government, and the disclosure in Parliament by opposition MP David Pickering that NBF's general manager, Visanti Makrava, an appointee of SVT Prime Minister, Sitiveni Rabuka, had himself 'borrowed' between $3 and $5 million from the Bank (Munro 2002:30). Although it has since been argued that the National Bank's high debt structure was traceable 'to one extraordinary loan to the Stinson Pearce Group' in an earlier instance of corruption,[17] and that 'all the problems of nepotism, corruption and appallingly weak public administration that developed in Fiji and the NBF after the [1987] coups were already there well before 14 May 1987' (Grynberg et al, op.cit: xxiii), Rabuka and his government Ministers were certainly implicated, not least because of their alleged interference in Bank loan decisions.

Munro suggested that ideas about deregulation and liberalisation of financial markets might have inspired the NBF's defiant response to the Auditor General's accusation that the Bank was being unethical in terminating him as the Bank's auditor

[17] Grynberg et al (2002) in their meticulous investigation and chronicling of the 'devastating national financial scandal', based on publicly available information, documented how a Finance Minister Charles Stinson in the Alliance Government in the 1980s had abused his powers under the Banking Act to waiver the provision prohibiting the granting of any single loan of more than 25% of the Bank's issued capital. That he did this expressly to enable a massive, and insufficiently secured, loan to be made by the NBF to the Stinson Pearce Group, which his own family owned, is clear. The loan remains unpaid today and far from being brought to account, the principal of SPG, Peter Stinson, was rewarded with Ministerial posts in both the last Alliance government and Rabuka's first post-coup administration, and subsequently with a diplomatic posting to Canberra as Fiji High Commissioner by the SVT government.

(in favour of an independent auditor) after receiving a second qualified report disclosing irregularities and excesses:[18]

> 'The NBF countered by saying ... that its competitive standing in the brave new world of deregulation and globalisation of financial markets required that it be `professionally' audited. (Munro 2002:19).

Taken together with his subsequent comment that since `a properly conducted outside audit' would likely be `more rigorous and probing than one conducted by the Auditor General', it 'seems the NBF genuinely believed that its practices and procedures were above reproach and that it had nothing to fear', what is suggested is that NBF's management may have come to understand their role as a bank, the functioning of global financial markets, and the work of auditors in 'the brave new world of deregulation' as being liberated from earlier protocols. That they failed in their fiduciary responsibility as a bank to maximise returns on investment for their depositors, and instead gave over their funds to a host of non-performing borrowers, including some of themselves, was as Siwatibau stated, indicative of the 'sorry state of governance in the public sector'. That it may have been encouraged by the lawlessness of the 1987 coup and the post-coup ethno-nationalist agenda, of which the granting of large loans to FHL and increased allocations to other Fijian institutions were a part, was not addressed by Grynberg et al. although it is part of the subtext. Certainly the coup raised the expectations of its supporters and the resultant cronyism, nepotism and patronage that became the norm in the civil service infected all other institutions of the state.

How the SVT government chose to deal with the problem of the National Bank's imminent collapse (or more correctly how to reimburse funds it borrowed from

[18] The first, and very belated, qualified report on the NBF by the Auditor General was made in December 1993. His second report for the year ending June 1994, released in April 1995, disclosed irregularities and excesses, and confirmed other findings of Don Aidney and Adam Dickson, whom Minister of Finance, Berenado Vunibobo, had appointed in January 1995 to carry out an independent audit of the Bank.

its own coffers to shore up the Bank) - by stepping up the privatisation of Telecom[19] and tapping pension funds, evidently with the full knowledge and support of external advisors who included at least one representative of the donors - was almost certainly inspired by neoliberal policy ideas on capital markets and deregulation of the financial sector. In particular, ideas about reforming public pension programmes, investing pension funds and turning workers into 'investors', and liberalising the `pension market'. An illustration of neoliberal economic thinking was provided by Marshall N. Carter, Chairman and Chief Executive Officer of State Street Corporation in an address to the UN Second Committee Briefings on Finance on 19 May 1998. Concerned that 'large proportions of the world's capital [was] not being put to its best use', Carter welcomed the growth in investment by pension funds (because funded pensions had created 'large pools of real financial assets that, that, if well invested, can become a dynamic engine of economic growth') and commended `far-sighted governments' who had replaced 'pay as you go' state pension systems with 'better funded private and public pensions' that are 'not a total burden on the government and tax-payers' (Carter 1998).

Far from being a burden on the government and the taxpayer, Fiji's superannuation scheme, the Fiji National Provident Fund (FNPF), was a compulsory saving scheme based on equal contributions by workers and employers, that paid members a generous interest on their contributions or savings, and offered (until mid-1999) an exceedingly generous pension (of 25% of total contributions annually until death) to every wage and salary earner who reached retirement age and opted for it. Concern about the non-sustainability of this arrangement led the government in 1999 to reduce the percentage paid annually, although the new arrangements did not affect those already on the pension. The proposal to use pension funds to purchase 49% of the government's shares in Amalgamated Telecom Holdings Ltd (ATH), certainly entailed putting to use a large pool of real financial assets and Ah Koy's announcement in November that year that government would be looking at `opening up pension funds

[19] Preparation for the sale of Telecom involved the consolidation of government's holdings in FINTEL (in which it held 51 %), Telecom Fiji (in which it had 100% ownership), and Vodaphone (in which it had 51 per cent shares) into one company, Amalgamated Telecommunications Holdings (ATH).

to allow other institutions besides FNFP to enter the market' indicated an evident inclination to move in the direction of private pension schemes *(The Fiji Times*, November 7, 1998). That either of these moves is in the best interests of contributors or future pensioners is questionable.

The FNPF's major investment in ATH, engineered by the SVT government with the assistance of the management and board of FNPF, was certainly not made with the interests of Fiji's workers foremost in mind, rather with the need to recover funds used by the government to recapitalise the swindled NBF. The idea of speeding up the public enterprise reform programme and privatising ATH for this very purpose was the brainwave of the SVT government's new Finance Minister, Jim Ah Koy. As mentioned in the last chapter, he had trumpeted the idea in his parliamentary address on the NBF bill in July 1996, when he held the portfolio for Trade, Commerce and Public Enterprises. That the FNPF 'investment' involved the purchase of ATH shares at well above market prices and for a total sum ($253 million) that exceeded by far what was offered by the only other two tenders,[20] suggested something more sinister than 'a creative debt management manoeuvre' (Grynberg et al 2002:xii): that is, unfair, if not fraudulent, use by the SVT government of workers' pension funds, under the guise of an 'investment' in a 'star company'. Even the price paid by the FNPF for the government's shares in ATH appears to have been determined by the amount the government needed to recover from bailing out the NBF.[21] The conflict of interest in FNPF's General Manager, Lionel Yee, sitting on Telecom's Board of Directors while the creative scheme was being worked out (Yee only resigned from the Telecom Board a fortnight before the sale was concluded), and of the Minister for Finance making this decision, when he was also responsible for the FNPF (Grynberg 2002) added to the impropriety of the sale. The 'major loss to the pensioner/worker to have assets that earned 8% traded in for assets returning [in the Minister's own words]

[20] According to Grynberg (2002) the other two bids, from the private sector, were reportedly for $60-90 million, from Cable and Wireless, and $70 million, from France Telecom.
[21] Although Ah Koy had cited a Rothschild valuation of Telecom's assets, Grynberg pointed out that that valuation was based on growth rates enjoyed by the company in 1994 and 1995, extrapolated forwards to 2010 (Grynberg 2002:120).

less than 2%' was highlighted in a strong critical article by Grynberg (in Grynberg et al. 2002: 118).[22] He said:

> `The Minister of Finance appears not to have seen that his admission, made with apparent pride in his own financial acumen, demonstrated an unusual lack of understanding of the conflict of interest in which the ATH transactions placed him' ....In the final analysis, to substitute riskless government papers yielding 8% for a wasting asset yielding a 2% dividend appears to be a gross and monumental financial error'. (Grynberg 2002:118).

Ah Koy's view of what government had accomplished through his maverick triangulation of NBF debt, ATH assets and FNPF capital, was self-congratulatory:

> 'We have a win-win situation. We receive value for the portion of our assets sold, yet we will still enjoy higher returns on our remaining ownership, and as a bonus, retain those returns within Fiji for more capital developments' (*The Fiji Times*, 7 November 1998:3).

It might have been thought at the time that the FNPF investment retained the company in local hands, and that ATH's monopoly of telecommunications made it a profitable investment. But as Grynberg pointed out, a government announcement, made simultaneously with the announcement of ATH's sale to FNPF, that it would be reducing monopoly licences from 17 to 5 years, indicated that the very protection (monopoly rents) that had secured ATH's past high profits was to be withdrawn. Moreover, mounting pressure, not just from domestic consumers demanding cheaper telephone and internet rates, but also from foreign service suppliers (as we have seen from the EU GATS requests of Fiji) to open Fiji's telecommunications market to other competitors also placed the future profits of ATH in some doubt. These pressures did intensify as WTO processes related to GATS stepped up. By 2001, Forum Secretariat free trade consultants Robert Scollay and Sherry Stephenson were advising that the high cost of

[22] Prior to the ATH share purchase, 90% of FNPF's portfolio of $1.9 billion was held as public or para-public (Grynberg 2002:123)

telecommunications services in Fiji as a result of the monopoly supplier was 'holding back business development' and urging the Fiji government to find a way to bring forward the date at which the monopoly will be terminated, or else Fiji may not be in a position to `make credible commitments under GATS' (Scollay and Stephenson 2001:38). Scollay and Stephenson conceded that the situation was `complicated ...by the position of the National Provident Fund as a major shareholder in the existing monopoly provider' and that the 'financial health of the FNPF may be threatened by the introduction of much-needed competition into the telecommunications market', but added that the `serious problem....must be addressed to ensure that *the benefits from introducing a competitive telecommunications market* are not postponed indefinitely' (Scollay and Stephenson 2001:39). They also recommended ending the FNPF's monopoly in pension provision, also dubbed 'an obstacle to development', and said decisions to liberalise both the telecommunications and pensions sectors could `pave the way for 'pre-commitments' to be made in Fiji's GATS schedule, and thereby help to 'lock in any liberalisation measures' (ibid: 40).

The implications for the FNPF investment of Fiji being pushed to move towards free trade in services and particularly in telecommunications services, may not have been fully appreciated at the time by all those involved in the decision, although it may well have been understood by the New Zealand consultant sitting on the Public Enterprise Reform Advisory Committee. Grynberg records that while in the public debate there was great concern expressed over the implications for FNPF and the security of workers' pensions of the ATH purchase, in the parliamentary debate on the transfer, the NFP Opposition's criticisms (made by its Finance spokesman Dr Wadan Narsey) were somewhat muted by discussions the party was then holding with the ruling SVT on forming a coalition to contest the 1999 elections in May, although the minority FLP was abrasive in its criticisms.

The developments in service sector liberalisation suggest that the privatisation imperative which originally informed Private Enterprise Reform policies in Fiji, has been replaced by a simple, yet far more perilous, demand for market access. Thus, the formerly advocated and pursued policy option of privatising state-owned enterprises, which exposed governments to political criticism for decisions to sell off public assets cheaply to foreign suppliers, is replaced by the imperatives of the multilateral trading system and the apparently neutral principle of market access. States need not sell off their assets, but they may not be able to survive once they are forced to compete with other, 'more efficient' foreign suppliers - a form of `privatisation by stealth'.

Although ATH's profits in 2001 looked very good, and the company (in partnertship with Datec (PNG), made an initially successful bid in 2002 to buy 51 per cent shares in Telikom PNG (a bid which was subsequently recalled following the change of government in PNG), the direct challenge posed to Telecom Fiji Limited from 2002 by an insistent American Info-Tech company, TELPAC International, provided a foretaste of a likely trade war over telecommunications market access in the near future. TELPAC's CEO, Tim Gibbons, sought a judicial review of the Post and Telecommunications (Call Back Schemes) Regulation 2002, enacted to stop TELPAC offering call back services in Fiji.[23] With ITC technology advancing ahead of regulatory frameworks and protocols, and pressures to liberalise markets intensifying and being aided by the GATS, the future for ATH is decidedly uncertain.

By February 2002, ATH was listed on the South Pacific Stock Exchange and opened to public shareholding. Shares priced at $1.06 a share (compared with $1.22 a share paid by FNPF in 1998) were open to all Fiji citizens, local businesses and institutional investors. Prime Minister, Laisenia Qarase had indicated to the Federated Employers' Federation in September 2001, shortly after his SDL party swept to power in elections, that the government would be opening up shareholding in ATH to

[23] Gibbons' open rallying of Fiji citizens to demand competition in the telecommunications market and cheaper calls and public allegations of Telecom's price arrangements was apparently successul. A self-styled human rights activist James Bacchu reportedly collected 60,000 signatures in support of TELPAC in December 2002. This speaks out loud and clear that people want alternatives', Gibbons said. He said his company was 'coming out aggressively against any moves that want competition out of the market.' (The Daily Post, December 16, 2002:3).

`broaden public ownership and create more investment opportunities for indigenous Fijians and Rotumans' (*Fijilive* 30 September 2001, cited in Appana 2003). A publicity sheet produced by the government and disseminated through the daily newspapers entreated citizens to 'Be Part of Fiji's Largest Share Offer', and invited FNPF members to use part of their FNPF savings to buy shares through the FNPF Share Investment Scheme if they did not have the funds to purchase the minimum 500 shares. Explaining the Share Investment Scheme when it was first aired some months earlier, FNPF Chairman Peter Lee, said the scheme was `an initiative of the FNPF Board that evolved from requests from members who wanted to be given the option to decide for themselves on the investment of part of their retirement funds to earn presumably a better return' (*The Fiji Times*, October 23, 2001;6). He added that 'the concept [was] one of liberalising the Fund's investment activities by giving members some choice' and that members are advised `that the share market is volatile in which ... losses and gains are equally possible', and that they should `take proper financial advice' (ibid). Notwithstanding the FNPF's cautioning of its members, the government's advertisement to FNPF members to buy shares in ATH might be considered an invitation to FNPF members to double-expose their savings to risk. As it is, according to Grynberg, a future government may well have to lower FNFP pensions further 'to accommodate the long term diminution of the financial returns of the fund'. Which would mean, he added, that Fiji's pensioners may ultimately pay for the NBF disaster (Grynberg et al. 2002:123).

While the privatisation of ATH demonstrated an unusual case of selling off state-owned assets at above market price, it involved a less than transparent process, was not motivated by the stated objectives of privatisation, and was indeed a transaction achieved with the complicity of FNPF's management and board members, and intended primarily to cover one massive fraud with what might prove to be another.

Fiji Hardwood Corporation & TRM: Converting Public Investment to Private Profits

Through its Finance Minister, Jim Ah Koy, the SVT government was involved in planning another questionable asset sale under the dual guise of reforming public enterprises and advancing the interests of Fijian landowners. Following the incorporation of the Fiji Pine Commission as Fiji Pine Limited, in an initial stage of public enterprise reform in the early nineties, the SVT government incorporated the Fiji Hardwood Corporation Ltd (FHCL) as a state-owned company in March 1998, to exploit Fiji's mahogany forests in tandem with a `strategic partner'. To the FHCL was transferred ownership of 14 hardwood plantations in Viti Levu and Vanua Levu of which 33,500 hectares were Honduran mahogany. The mahogany trees had been planted on leased native land by the British colonial government in the 1960s. Whereas plantations of pine that were also planted by the colonial government had been harvested by the state since the 1970s, the mahogany, a slower growing hardwood, was only then coming on stream for harvesting (Kahn 2000). As the trees were not indigenous, permitting harvesting without environmental limits, the mahogany forests offered Fiji and the successful strategic partner a major source of wealth, although it required careful negotiation with Fijian landowners who were already aware of the value of the resource and not only wanted a fair share, but had already begun exploring logging options in which they would have a major stake.

Late in 1998, Ah Koy appointed George Speight, his protégé and CEO of one of his own companies, Heath Fiji Limited (which the Ah Koy family co-owned with Health Fielding Australia), as Chairman of both Fiji Pine Ltd and FHCL. The appointments were highly questionable as Speight had an indirect pecuniary interest in Fiji's forest resources which cannot have been unknown to Ah Koy[24]. Speight had

[24] Nor too could Speight's shady business background in Australia with the Wattle Group (a pyramid scheme which had lost many people pension funds they had ill-advisedly invested) have been unknown to Ah Koy.

been hired as a consultant by Marshall W. Pettit of Anglo-Pacific Ltd, an American company which was making a bid for Mahogany logging rights, after reportedly being approached by Fijian landowners. Speight was engaged as Pettit's main contact 'and a link with both the landowners and the government'. He was regarded by Pettit as 'a godsend' because he 'understood financial markets' and `could communicate those concepts in Fijian' (ibid). According to Kahn, Pettit reported that he and Speight had:

> 'developed a shared vision for a unified timber industry, stripped of turf conscious bureaucrats who did not understand American finance' (Kahn 2000).

Pettit's proposed scheme involved selling 'tens of millions of dollars in bonds to finance the development of a forest products industry' with the bonds being repaid from the proceeds (ibid).[25] When Fiji Pine knocked back the scheme, which entailed landowners buying back their property and setting up a competing business', Pettit and his partners carried out 'a private investigation into the operations of Fiji Pine' and compiled a report claiming to 'show how powerful officials had used dubious accounting to profit at landowners' expense' (ibid). None of this timber politicking could have been unknown to Ah Koy in his capacity as Minister for Public Enterprises. In an interview with *The Review* shortly after his appointments, Speight reportedly said, with an unseemly air of proprietorship: 'I own the trees now!'.

Pettit had found it awkward to settle a bill which Speight submitted for his services to Anglo-Pacific shortly after he was given his two powerful government appointments, although he did partly do so (ibid). And perhaps to distance itself from Speight, Anglo Pacific withdrew its original bid, but submitted another under the name of Timber Resources Management (TRM) Ltd, a consortium 65% owned by Anglo-Pacific, and the rest by New Zealand and Australian timber companies (Frank 2000). TRM Ltd was one of two finalists

[25] In a New York Times article on Fiji's mahogany and the Speight-Pettit connection, Joseph Kahn said if the deal had been successful, Pettit wouldhave earned 'millions of dollars in fees before a single tree was felled'.

narrowed down by Price Waterhouse, which was hired by government to search for a strategic partner among foreign logging companies. Bidders had been asked to take a stake in Fiji Hardwood Corporation and contribute to the building of infrastructure such as roads, sawmills, and sanding and furniture plants (Frank 2000). The other finalist was Commonwealth Development Corporation, CDC, a 50-year old investment company owned by the British government. CDC had considerable investments in the Pacific Islands, offices in Fiji and Papua New Guinea, and was a shareholder in (and manager of) the first Pacific Islands venture capital fund, the Kula Fund, launched in Suva in February 1998.[26]

Although TRM made a much higher bid, of $210 million[27], Price Waterhouse recommended CDC (which had offered only $68 million), saying the company was `more established than TRM and would provide more direct benefits to Fiji' (ibid). The government responded by publicly challenging the recommendation in a crowded conference room in February 1999, cutting short Price Waterhouse's presentation, and firing the company (ibid). The extraordinary attack on Price Waterhouse was led by Speight as Chairman of the Fiji Hardwood Corporation, a leading member of the government's mahogany steering committee, and insider agent for TRM. Pettit's later statement that his association with Speight had worked against TRM during negotiations, 'since other people involved were in effect constantly inferring that Speight was carrying our banner' (Frank 2000) confirmed that Speight's connection with Pettit's company was well known. This connection might only have become a liability after the PCG took power, as all indicators were that the SVT Government favoured TRM.

The SVT government's intention to sell shares in FHCL to a company whose principal Speight had worked for, was most irregular to say the least. As it

[26] The Kula Fund was set up to provide equity capital to small and medium sized businesses in the Pacific Islands. Its first investment was providing equity to assist financing Pacific Green Industries (Fiji) Ltd, a highly successful coconut wood processing and furniture manufacturing company based in Fiji. Kula's other shareholders in 1998 were the ADB, the European Investment Bank, FNPF, the International Finance Corporation, and Proparco (*The Fiji Times*, 10 February 1998).
[27] The figure of $210 million is cited by Kahn (2000); Frank (2000) cites the figure of US$110 million.

happened, Speight's fortunes changed dramatically when the SVT lost power in the 1999 elections and the new government of Mahendra Chaudhry removed him as Chair of FHCL. Pettit, who had reportedly already spent $2 million in Fiji, rallied the US Ambassador in Fiji, Osman Siddique, to his aid, after it became clear that CDC was the PCG's 'preferred bidder' (Kahn 2000, Frank 2000). Despite a US Trade and Development Agency sponsored trip to the US for four PCG Ministers, Chaudhry's government stuck with the decision to award the contract to CDC. The US Ambassador complained publicly about lack of transparency and warned that American investors would flee Fiji (Kahn 2000). Following Fiji TV's disclosure of Pettit's payments to Speight, the Prime Minister went public with an attack on TRM, calling Pettit a 'carpetbagger' with no money of his own to invest and a scheme to extract huge profits from Fiji's mahogany. This did not quell landowner unrest over the PCG's favouring of CDC, which by now was being fanned by Speight. According to Kahn (2000), Speight mobilised landowners to 'form their own company, with him as their head' and to demand that `full control of plantations be returned to ancestral chiefs', a proposal which found ready supporters. [28] Landowner protests became overtly racist and focused on Chaudhry's intrusion into matters Fijian.

Speight's putsch on May 19 2000 which toppled the PCG government, and the messy hostage-taking crisis that he orchestrated and attempted to justify as necessary to secure indigenous rights and interests which were under threat from an 'Indian' government, only later came to be seen for what they were: motivated by the Chaudhry's government's dashing of his private hopes of personal enrichment. The role in all of this played by Ah Koy, however, remains a matter of speculation. Neither he, nor any of the other powerful business figures who are widely known to have lent support to Speight's toppling of government, have been brought to account. Nor was

[28] On 9 May 2000, Canada Stockwatch (Toronto) reported on a share exchange agreement that a company called Bioforest Investment Inc had entered into with Castella Casino Corporation. Registered in British Virgin Islands, BII had the right to earn 70% of Bioforest Holdings (Fiji) Ltd and Bioforest Products (Fiji) upon providing US$11 million to finance a project in Fiji. Both BHFL and BPF were 30% owned by a company called Taukei Unit Trust. Castella was to own the other 70%. Bioforest was confirmed to be a client of Iniasi Vodo Tuberi, Speight's legal advisor, although Tuberi denied that the company had any link with Speight (Castella Casino Corporation Interest in Fiji, July 13, 2000).

his decision, as Finance Minister, in appointing Speight as the Chairman of the FHCL, knowing, as he must have, about the latter's connections with Pettit and interests in the resource, ever subjected to an inquiry. Far from it, Ah Koy who has ingratiated himself with chiefly Fijians, was recently appointed to the Senate, as a nominee of the Great Council of Chiefs.[29]

It could conceivably be argued that in a policy environment which lauds entrepreneurialship and profit-making and privileges entrepreneurs, facilitates the opening up of handsome investment opportunities (including for ex-public servants), advocates public/private partnerships, and creates revolving doors between government and the private sector, all in the belief that this is for the greater public good, discernment between public and private interests becomes difficult. Yet, where those empowered to make and implement public policy are themselves businessmen with considerable private investments of their own and an inclination to seek new opportunities for private accumulation, any confusion of public and private interests may be less than innocent and the burden of accountability on them, and on government, is even greater. The FHCL/mahogany affair illustrates how the policy of corporatisation can lead to unintended consequences. In this case, combined with what Teresia Teaiwa has called (Rabuka's) 'can-do capitalism' ethos[30], a millionaire Finance Minister, empowered through 'reform' legislation to sell public assets, and his protégé racketeer, and aided by other political dynamics in the complex context of Fiji, it led to a conspiracy to overthrow a government whose democratic election put a spanner in their plans.

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[29] Ah Koy's talent for opportunism was illustrated by his success in legally re-classifying himself (and all the members of his family) as indigenous Fijian, with all of the privileges that entailed, following the 1987 coup.

[30] According to Teaiwa (2000), during Rabuka's Prime Ministership, `a brash nouveau riche elite of "indigenous" Fijians developed and thrived. George Speight is a good representative of this group, but an even better example is his mentor and benefactor Jim Ah Koy: both illustrate a new opportunism in regards to identity politics in Fiji.'

CAAF Restructuring: Eliminating Jobs and Disciplining Labour

Other public enterprise reform programmes undertaken by the Rabuka government were questionable, both in terms of their rationale and negative social impacts. One of these concerned the Civil Aviation Authority of Fiji (CAAF). As mentioned in the previous chapter, CAAF was nominated a reorganised entity in May 1997 by the Minister for Public Enterprises, under the Provisions of the Public Enterprises Act. Two studies had been carried out to advise CAAF's Board on its restructuring (Report to the FPSA 55th AGM, 1998). One of these proposed sweeping changes to its organisational structure to effect a much smaller entity (CAAFI) with responsibility only for the regulatory functions associated with civil aviation. For the commercial activities of running the airports, it was proposed that a private company be established, Airports Fiji Limited (AFL), to be fully owned by government in the first instance. All `surplus property' of CAAF, including staff quarters, were to be sold. Five hundred of the existing 800 staff were to be made redundant (Ibid).

The declared aim of the restructuring was to improve efficiency in CAAF and make the cost of services more competitive (i.e. cheaper). This was revealed during extensive media debates on the proposed reforms in which the FPSA publicly questioned the restructuring plans and its proposed retrenchment of large numbers of workers, and pointed out the injustice of highly-paid CEOs assuming new positions in AFL, while hundreds of long-serving employees of CAAF lost their livelihoods. In a sharp critique of Fiji's civil aviation reforms, Snell (2000:111) argued that the aim of restructuring CAAF had less to do with selling off an unprofitable public enterprise than with 'reorganising industrial relations and reducing public service union influence in the running of the airports'.

Snell's argument that CAAF was not a burden on the taxpayer or the government - it had made consistent high profits in the 1990s, and had had no recorded loss in 15 years - and did not fit 'free market advocates' stereotypical portrayal of inefficient and technologically backward public enterprises' is a compelling one. According to Snell, CAAF was a 'leader in aviation innovation':

> `In 1994 Fiji became the first nation in the world to introduce Global Positioning Systems (GPS), a satellite navigational system, into its commercial domestic airlines' which set the stage for the implementation of GPS technology worldwide. In more recent years, CAAF has enhanced GPS technology through the introduction of advanced, computer-based surveillance and data-link communication systems. The experimentation and implementation of these devices have kept CAAF on the cutting edge of aviation technology' (ibid).

Responsible for tracking aircraft over the Nadi Flight Information Region (FIR), a space which included the Fiji Islands and five other nations, CAAF's responsibilities apart from air traffic control included provision of a range of airport services which required the employment of a large staff, from certified fire staff, search and rescue teams, security officers, airport tax collectors, customer service workers, to support workers such as baggage handlers. As Snell saw it, FPSA had become a powerful trade union, a majority of the airport workers were FPSA members, FPSA had used its power to `check management and government prerogatives in the running of the airport', and the reforms would have functioned to 'substantially weaken if not completely remove trade union control in the industry' (ibid). FPSA's annual report for 1997 confirmed the importance to the union of its CAAF members, who, at the end of that year comprised 12% of the FPSA's total membership of 3,587, and constituted the largest number of FPSA's members (443) after the civil service - 2,639) (FPSA Annual Report for 1997:18).

Although the proposed restructure of CAAF was vehemently opposed from the beginning by Opposition parties and the FPSA because of the proposed redundancies and loss of valuable assets, the SVT government proceeded with the restructure plans, and modelled implementation on the New Zealand philosophy of achieving rapid restructuring through the formation of AFL and the appointment of a new CEO, whose job was to 'ensure [that] new work practices and individual contracts were established starting from day one' (ibid). A New Zealander with experience in public service restructuring in New Zealand, including in the electricity industry, Alan Lodge, was rapidly recruited for this purpose and, as mentioned in the previous chapter, was already in place when Parliament passed the Civil Aviation Reform Act.

CAAF employees were given the option of applying for jobs in the reorganised companies, forming their own companies and tendering for work that would be contracted out by AFL, or accepting a redundancy package. Workers who were unsuccessful in their applications with the new organisation also qualified for the redundancy package. The FPSA was unable to strike as laws restricted strikes in strategic industries but it instructed its members not to accept any of the three options, hoping that the AFL management would be forced to negotiate if it was unable to recruit sufficient workers to run the airport (ibid). Although two smaller unions, one of them the Fiji Air Traffic Controllers Association, secured AFL tenders by forming companies (Strategic Air Services Ltd and Airport Management Technical Serivices Ltd) and therefore fell in line with the reforms, more than 80 trained, aviation emergency fire-fighters, all members of FPSA, held out. AFL's award of a contract for fire services to a newly formed company, Fire Control Fiji Limited, which had no firemen to speak of, and which turned, with AFL's help, to recruiting 15 non-union firemen from New Zealand, caused a major industrial incident in April 1999, with solidarity action being taken by International Transport Workers Federation in support of FPSA. The public perception of New Zealanders taking over part of the running of Fiji's airports through restructuring plans which cost 400 local workers their jobs, was more than what was needed for a strong campaign by the FLP against the SVT government and its economic reforms in the elections the following month.

Why the SVT government proceeded with what was an ultimately suicidal programme on the eve of elections remains a mystery but it was a politically costly decision. The more so as landowners, on whose leased land the airport was built, joined the fray and demanded (justifiably it could be argued) a re-negotiation of the lease, since airport services originally provided by the state on land leased by the state for a public purpose, were now to be operated commercially, and in part by privately-owned companies, for profit. But the CAAF restructuring case not only illustrated how swift political retribution can be for ill-timed restructuring programmes, it also highlighted how simply biased in favour of private enterprise and private profit making, to the exclusion of all other considerations, the economic rationale behind public enterprise reform is. Here was a section of government which was not only earning assured good revenue, but also providing secure employment to hundreds of workers, who were in all doing a good job. Nowhere was there evidence of inefficiency or of compromised standards in CAAF's delivery of services. While a core idea behind economic restructuring, that governments are always wasteful and inefficient, did not apply in the case of CAAF, a related notion that government should not crowd out the private sector by undertaking activities that are not their core business might well have informed policy making in this case. That the SVT government was also waging a fierce battle with the FPSA, and specifically with its nemesis, FPSA General Secretary, Mahendra Chaudhry, in this instance and, riding too confidently on the accolades it had won for its concessions in the constitutional settlement, was using the restructuring of CAAF to try to defeat FPSA and Chaudhry, was also clear, albeit grossly miscalculated.

When it assumed power, the PCG carried out a review of CAAFI and AFL, following which it ordered AFL to terminate its contracts with Strategic Air Services Ltd, Airport Management Technical Services Ltd, and Fire Control Fiji Ltd, and ordered an inquiry into allegations of improper practices in the award of the contracts. With the reinstatement of staff who had been terminated, AFL was directed to resume responsibility for all services provided by CAAF before the restructure. A government statement issued on July 22 announced that the government's decision would facilitate future arrangements for Nadi Airport landowners, and for airport workers to join AFL as shareholders (*The Fiji Times*, July 23 1999).

Restructuring the Sugar Industry - disempowering farmers and playing into racial politics

The restructure of Fiji's sugar industry[31] had been in the pipeline since the late 1980s and several studies and evaluations on the industry were commissioned in the 1990s by the Sugar Commission of Fiji. The most comprehensive and expensive of these, reportedly costing $450,000, was undertaken by the UK-based consulting firm of Landell Mills, in 1991 (Snell and Prasad 2001b). It proposed a restructuring plan which was never implemented. In the mid-1990s the World Bank, the Asian Development Bank and AusAID each carried out their own assessments of the industry and proposed institutional reforms concerned with lowering costs and increasing productivity through improved farming practices, and reducing `political interference' in the industry (ibid). The anticipated loss of Fiji's preferential market in Europe under Lomé IV, and a view that the higher than market prices paid for sugar under Lomé IV had subsidised inefficiency, informed restructuring plans. So too did the ideas, mooted by the World Bank in its several proposals and guidelines for reform of the industry, that 'labour and grower organisations were an impediment to reform, and that their share of sugar revenue [should] be reduced so as to enhance competitiveness and efficiency improvements' (Snell and Prasad 2001b). The Bank's recommendations included privatising the Fiji Sugar Corporation, downsizing the mill workforce by 50%, and increasing the export tax on sugar to capture some of the EU subsidy to farmers and help fund productivity improvements (ibid).

[31] The sugar industry has long been the mainstay of Fiji's economy, a major earner of foreign exchange, a source of livelihood for many thousands, and a general money-spinner in the domestic economy. It is also historically and symbolically significant. It was to provide labour to the Colonial Sugar Refining Company's sugar cane plantations that Indians were brought to Fiji under an iniquitous indenture system that was described by High Tinker as 'a new system of slavery'. When the indenture scheme was finally brought to an end, the CSR re-organised production so that Indian tenant farmers on leased native land produced cane under contract for the company's mills. This continued until 1970, when the mills were nationalised. Major industrial struggles by Indo-Fijian cane farmers for a fair share of the returns from sugar were fought and won over the years, and the cane fields were the cradle not only of the earliest trade unions, but also of the National Federation Party, which was for most of the first 17 years of independence, Fiji's Opposition. Following the 1987 coups, the NFP and the Fiji Labour Party have vied for leadership in the political constituency of the 'cane belt'. The NFP's failure to win a single seat in the 1999 elections, and FLP's complete sweep of Indian communal seats has seen the effective political demise of the NFP.

A Sugar Industry Strategic Plan was developed in 1995 by an Australian consultant from the Australian Expert Service Overseas Programme, an initiative sponsored by AusAID, purportedly on the basis of a broad consultative process with stakeholders (ibid). The Strategic Plan's key features were: introduction of a Quality Cane Payment System (to replace the existing payment by weight system which it was argued did not encourage growers to improve cane stock); mechanisation of cane loading and amalgamation of cane-gangs to reduce harvest costs; implementing an incentives system for mill workers (the Productivity Pay System) to encourage mill efficiency by 'reducing costs and work stoppages' and speeding up crushing; and upgrading the rail system and linking pay increases for rail employees to increased productivity (ibid).

The Strategic Plan was greeted with strong opposition from growers. Prior to and during the 1998 Sugar Cane Growers Council elections, both farmers organisations, the National Farmers Union (headed by Mahendra Chaudhry, and aligned to the NFU) and the Fiji Cane Growers Association (aligned to the NFP) attacked the Plan and `anyone supporting the Plan was seen as betraying the growers' (ibid). As Snell and Prasad explained, the growers did not so much dispute the report's findings as object to the proposal that the initial costs of the improvements in infrastructure, estimated to be around $80 million, be shared between FSC and the growers:

> 'Growers were asked not only to fund cane research, but also to contribute to the upgrading of the rail system through a user pay system. Under financial constraints associated with mounting costs and diminishing returns, in addition to an uncertain trade environment and land tenure system, growers objected to these measures' (Snell and Prasad 2001b).

Moreover, the Strategic Plan held particularly negative implications for small farms. NFP Leader, Jai Ram Reddy, then also Leader of the Opposition, was quoted as saying that implementation of the quality system would mean dismantling small farms, and that, he would never support. 'There will be too many people who will be thrown off the land because Fiji's sugar industry has been built around small farms', Reddy said (*The Review*, 1998:33). His comments not only raised attention to the reality of the large number of small cane farms, which would no doubt have been considered `uneconomic' and `non-viable' by the various agencies that have carried out assessments of the industry; they also highlighted the multi-functionality of cane farming for small farmers. Native land leased for cane cultivation under the 30 year term of ALTA provided a means of livelihood from cane growing, but also a home-site, and access to land for food production. As Lal et al (2002) recorded:

> `Small farms are a characteristic feature of the Fiji sugar industry, with each grower holding on average, during the 1984-96 period, about 7.1 ha of land. On average only 4.2 ha is used for cane cultivation and the rest for growing other crops for subsistence, or as homesite'.

In their critique of the Strategic Plan, Snell and Prasad predicted that under its purported 'best practice' farming model, 'thousands of growers [would] be forced out of farming' as those with small farms, or marginal land or otherwise difficult-to-cultivate terrain, `[would] never be able to produce the quality cane required to make a living under the new payment system' (ibid). Moreover, sixty one percent of Fiji 's cane growers, they said, produced less than the 150 tonnes required to be produced annually to be viable. In addition, the Plan's proposal to speed up operations through mechanical loading of freshly cut cane, an upgraded and faster rail system, and rapid milling would throw many other people in sugar-dependent regions out of work (ibid).

Beyond weeding out small, and 'inefficient', growers and cutting other industry-related jobs, the model proposed for the restructure of Fiji's sugar industry was intended to fundamentally alter the nature of farms in the industry as well as the relationships between growers, the FSC and mill-workers, and introduce what Snell and Prasad describe as 'the more vertically-integrated agri-business farming model which dominates in the USA, Australia and Europe'. They elaborated:

> '....[in] such a model, power over the production process is taken away from farmers and mill workers and put into the hands of mill management...In this new system of sugar cane production, farmers, transportation workers, and mill workers are expected to abide by new regulations and guidelines or else face penalties....The proposed changes...represent dramatic alterations in the social organisation of agriculture .... [T]he proposals work to undermine the very accommodations that have been reached between the growers, the FSC and the mill workers since the establishment of the Sugar Industry Act in 1984. By undermining these accommodations, the Strategic Plan opens up the way for a new round of contestation in the industry' (Snell and Prasad 2001b).

According to Snell and Prasad, the proposal in the Plan to 'reward individual performance' aimed to disorganise growers and mill workers, both of whom have had a long history of successful collective bargaining through their respective union organisations, while negative stereotypes embedded in the Plan about growers and workers (as scheming, lazy or careless), conveyed the idea that growers and mill workers have 'had it too good for too long'. All of the industry's workers were being told that they need to 'change their attitude' and 'become more flexible'.

FSC's attempts to get agreement from growers (and mill-workers) to proceed with restructuring stalled after 1998, as other events overtook the industry. The problem of expiring Agricultural Landlord & Tenant Act (ALTA) leases from 1997 presented a major problem, one which fell to the new FLP-led PCG and Prime Minister Mahendra Chaudhry to resolve. Sugar is predominantly produced by Indo-Fijians, and approximately 73% of Indo-Fijian farmers in the industry cultivate sugar on land leased from indigenous Fijians, under ALTA (Naidu and Reddy 2002:8). Under ALTA a minimum 30-year lease is mandatory, but there is no automatic right of renewal for tenants; landowners are required to `provide evidence that their needs are greater than the tenants' when seeking the return of leasehold lands during the period of lease' (ibid). The low rent received from land leased for cane farming (where rent is assessed on the basis of unimproved capital value (UCV) of the land), together with the inequitable sharing of lease monies under existing arrangements, and, in some cases, a genuine need to retrieve land because of increased population, encouraged many landowners to hesitate over renewing the expiring leases.

When tensions developed between Prime Minister Chaudhry and General Manager, Marika Qarikau, following what was seen as Chaudhry's attempted interference with the NLTB (which was considered by Qarikau and others in the Fijian Administration and government establishment to be out of bounds for a non-Fijian), Qarikau campaigned among landowners not to renew leases. Chaudhry's efforts to establish a Land Use Commission, which had the backing of some Western Chiefs, only added fuel to the fire, as it was seen as an attempt to undermine NLTB and threaten Fijian land ownership interests. The Chaudhry government's decision to set aside $20 million to finance the resettlement of displaced farmers (i.e. those whose leases were not renewed), and the option given displaced farmers to either accept a lump sum pay-out of $28,000 or be resettled on land developed by the government elsewhere (Naidu and Reddy 2002:11), brought more negative reaction from Fijian ethno-nationalists who perceived this as unfairly favouring Indo-Fijians, since no special assistance was being offered for indigenous Fijians wishing to take up cane farming on their returned (or other) land.

The expiring ALTA leases became mired in bitter racial politics in the 12-months during which the PCG ruled, resulting in the eviction of many hundreds of Indo-Fijian cane farmers. In several cases, they were subjected to harassment by landowners; a few were forced to vacate the land at a moment's notice, without time to dismantle their houses, and there were a number of incidents of orchestrated illegal takeovers of farms by landowners. According to the FSC, the conflict over land reduced the amount of land under cane cultivation to 50,000 hectares and a sustainable industry needed 70,000 hectares under cane cultivation to produce between 350,000 and 400,000 tonnes of sugar, for which 165,000 -190,000 tonnes have an assured market in EC (Hafiz Khan, Presentation at a National Land Workshop attended by the researcher in July, 2002). In recent years, FSC has been struggling to meet 300,000 tonnes (ibid).

Following the 2000 coup, FSC resumed plans to restructure the industry. Qarikau was replaced as General Manager of NLTB by Kalivate Bakani, who had worked for many years with the Fiji Development Bank Details of revised plans proposed by a committee of four which included economist Navitalai Naisoro (a former consultant in the SVT government) were outlined by FSC Chairman, Hafiz Khan, at a national workshop on land, organised by CCF in July 2002. They entail having 4 independent mills, operated by four companies, whose shareholders would include landowners, farmers, the FSC and mill workers. Each would have a Master Lease with NLTB and contracts with farmers. NLTB had indicated it would be happy about Master Leases[32] as it would be easier to have lease monies paid in by only four companies. Farmers would be paid $32 per tonne instead of $48-50 per tonne, as before. The lower payment was justified by the argument that the company would take over transportation costs and meet lease payments and farmers would have a 25% share in the company. Under the old arrangement, for every dollar earned in cane payments, 70% went to the grower and 30% to the miller. According to Khan, there was not going to be `a return to the old way'; to 'seeing farmers making a lot of money from farming cane'.

[32] CCF also supported the proposed restructure of the sugar industry, specifically the proposal to have 4 independent sugar milling companies with FSC leasing all sugar cane land from the NLTB and subleasing to farmers who decide to stay in sugarcane farming. Dakuvula and Naidu (2002), representing CCF, made other proposals for an equitable resolution of problems in the sugar industry. These included: that NLTB's administration cost be reduced to 5%; that the State become a minor shareholder in FSC and transfer 90% of its share ownership in equal proportions to NLTB (50%) and the Fiji Canegrowers Council (50%) - these shares to later be sold to landowners' and farmers' cooperatives; the state and NLTB to find alternative land to resettle farmers displaced by the restructure; the State to identify new commercial crops for lands currently under cane and identified for resettlement; NLTB to agree to a 5 year moratorium on expiring ALTA leases; all parties in the industry to accept a 'no strike' agreement in the sugar industry for five years; two thirds of members of the NLTB to be chiefs and representatives of the cane belt areas for the next five years; and joint meetings of all stake holders to be held to explain the restructure plans and develop consensus on the way forward. These recommendations were subsequently endorsed at a Landowners and Tenants Workshop organised by CCF in Bulu Tikina, Ba Province, 3rd April 2002.

Small farmers would lose out in the restructure, although they could amalgamate, presumably to meet a production quota (Khan 2002:comment made at CCF Land workshop).

With NFU holding 24 out of the 30 seats on the elected Fiji Cane Growers Council, the body through which FSC was required to consult with farmers, FSC had to get NFU's agreement to proceed with these proposals. According to Khan, Chaudhry had said he would support the restructuring plan if FSC put its support behind the resolution of the land conflict, which FSC had agreed to do. He said FSC did not care what legislation agricultural lease arrangements came under, so long as the arrangements provided 'security and an equitable deal for both the landowner and the tenant'[33] :

> 'We don't care about the colour of skin of the farmer. We just want good green cane being produced for the mill. The FSC is a commercial operation and our position is that anything outside of the commercial dimension of production is outside of the FSC's remit'.

From Khan's account, FSC appears to be leaning away from tenant-farming as a model. It is open to a big company running production, with tenant farmers being transformed to agribusiness employees or farm labourers. Its survey of sugar industries elsewhere had led it to conclude that `everywhere else where sugar was produced more viably, it was through estate/plantation production'. Swaziland, Mauritius and Guyana were cited as examples. As FSC saw it, the long-term viability of the industry was still in doubt - other agro-industries could come in to take its place in the future. Whether its thinking had been shaped by the prognoses provided in the World Bank, ADB and AusAID assessments is uncertain, but it was more than likely.

More interesting still was the FSC's expectation that with the restructure, a 'new breed of farmers' would enter the industry - farmers without 'an emotional

[33] Following the coup, NLTB had proposed agricultural leases of native land should no longer be under ALTA but under a new legislation which would bring it under the direct authority of NLTB.

attachment to the land"; farmers who simply 'come in to make money'. Although some of the `old breed' were expected to stay on, because they had no alternative, Khan said they would probably be phased out, while those who had already left would not be wooed back.

> 'A lot of them are bitter and broken-hearted; many were second and third generation farmers and were only doing it as a traditional heritage; earnings from the cane farm were insufficient to support them. It was used however to educate their children, as an investment in the future.'

Khan said the FSC would start taking up those fields which were left by farmers who had moved off the land, and would use contract farmers to supply the mills.

Although the restructure of the sugar industry is still some way off, and its implementation will require reaching agreement with growers and accommodating the demands of the four strong unions involved in the industry, the writing is on the wall. That the pressure to restructure has primarily come from international financial institutions and donor agencies, purportedly to enable the industry to adjust to the inevitable termination of preferential access to EU markets and the subsidised prices paid for sugar, is very clear. That it has also been driven by concerns to: i) make the industry 'more competitive', which may be translated to mean 'able to offer sugar at a cheaper price by cutting costs of production'; and ii) reduce 'political interference' by essentially disorganising growers and workers, whose unions are considered 'an impediment to reform' is also very clear.

It could be argued that, more than the imperative of Cotonou and WTO, racial politics in Fiji has aided the impetus to restructure the industry. The political conflict in 1999-2000, which spilled over into the area of land policy, provoked NLTB hostility to ALTA lease renewals, and led to the exit of hundreds of Indo-Fijian cane farmers from the industry, has certainly achieved a weakening of the growers' position. While this misfortune would not have been wished upon growers by advocates of reform, any resulting weakening of growers' organisations would certainly be welcomed as a positive development for the reform agenda. But the restructuring proposals appear to be linked in another, more direct, and rather sinister, way to the disturbing racial politics that played out over land and ALTA in 1999 and 2000. Not only did the focus on `EU subsidies' (meaning the high price paid for Fiji sugar by the EU)[34] in some of the rationalisations for the industry's reform, find its way into both NLTB and landowner arguments for fairer rent, but NLTB's General Manager, Mariko Qarikau, was being advised in the framing of policy arguments during the crisis by a former consultant to the sugar industry.

Canadian economist, John Davies, had been commissioned by the Sugar Council of Fiji in 1997 to conduct studies on cane-burning and cane transportation (1997a; 1997b), while he was a visiting professor at the University of the South Pacific. Davies, who's spouse is indigenous Fijian, revealed himself as an apologist for the coup, and advocate for indigenous political supremacy, in his contributions to post-coup debates. In several earlier papers, he had also encouraged indigenous Fijian distrust towards Indo-Fijians and, in relation to the sugar industry, he had argued that Indo-Fijian farmers were profiting from sugar market arrangements with the EU, while landowners, on whose land the sugar was grown, were barely able to buy a newspaper with their share of lease monies.[35] The NLTB's and landowners' subsequent arguments in favour of 'market rent' have made direct reference to `the EU subsidy'. As Lal et al (2002) point out, if `market rent' is applied as the NLTB and the post-coup

[34] Under the Lomé Convention and its successor, the Cotonou Agreement, Fiji is usually paid two to three times the world market price for the sugar it supplies to EU markets under its quota of 197,000 tonnes a year (Lal, Lim-Applegate and Reddy 2002).

[35] Davies' contribution to the cause of indigenous supremacy went further. In a draft paper entitled 'Fiji's Constitutional Dilemma: The Way Forward' which was evidently written for Qarikau but leaked out electronically to an unintended wider readership, Davies made extraordinary proposals for amending the 1997 Constitution to 'properly protect Fijian interests'. Among his proposals were: a wholly communal representatation based electoral system and first-past-the-post voting, with 65% of seats reserved for Fijians for the first two elections; and restricting eligibility for certain positions (e.g. the Prime Ministership) to Fijians, but disguising the racially discriminatory provision (so as not to attract international condemnation) by using the criteria of 'fluency in the language, customs, practices, traditions etc of the country'. In Davies' words: 'The criteria of cultural competency can be set to ensure that it is virtually impossible for a non-Fijian to pass the required test'. In the event of a challenge by a non-Fijan, Davies wrote: 'the BLV will be the final arbiter'.

Interim Government have proposed it, 'based on a percentage of gross value of production (GVP), so that the landowners can also receive a share of the EU subsidy', so that landowners receive rent plus a percentage of production, it `would be equivalent to double dipping'. Such a 'repressive...inefficient and feudal' system would, they said, more than halve the incomes of households on marginal land, and put them below the poverty line (Lal, Lim-Appleby and Reddy 2002).

The various forces impelling restructuring of the sugar industry and the relations of production on which it is based will ultimately see major transformations in the way of life of thousands of families, Indo-Fijian and Fijian alike. The 1990 `vision' of economist, Navitalai Naisoro (a key consultant to the Finance Minister in the SVT government and more recently one of four consultants engaged by the FSC to revise the sugar industry's restructure plans), expressed in an address he made at the University of the South Pacific that year, of Fiji's cane-fields being replaced by micro-chip factories, provides a disturbing reminder of the power, and often the social irresponsibility, of economic policy makers.

> 'My hope is that one day instead of seeing the greenery of sugar cane fields we see the greenery of well engineered factory complexes. Who cares for the weather if you are growing microchips' ('Reflecting on the Fiji Experience and USP', *USP Bulletin* 23: 4, 2, March 1990; cited in Robertson, Robbie (1993) "Fiji's Garment Led Export Industrialization Strategy", *Bulletin of Concerned Asian Scholars*, Boulder, 25 (2: 1993).

Private Sector Beneficiaries of Reform

Among the hidden or undeclared beneficiaries of the SVT government's restructuring or reform programmes were the small number of firms awarded big contracts by governments for reform-related work, and the large number of external consultants engaged in the public service, and specifically in the Ministry of Finance, in reform policy formulation and implementation work. When Chaudhry's PCG assumed office, it found the civil service awash with foreign consultants, most of them part of aid-funded reform teams, and many of them effectively occupying the driver's seat within department. Details of the SVT government's extensive reliance on external consultants (foreign and local) were exposed by *Fiji's Daily Post* shortly after the new government came to power (Koroi 1999; Chandra 1999). Mesake Koroi's article, titled 'Its Consultants Galore', was evidently written on the basis of information and documentary evidence passed on to him by the new government. It alleged corrupt practices in the award of government contracts under the legal framework of the Public Enterprise Act:

> `... Some of these consultants were opportunists who used political connections to get what they wanted. And the disturbing feature of this situation was that the hiring of consultants seemed to be part of a well-planned scheme to benefit only a few people. In the end the scheme would have allowed a few family companies to control the business sector of this country in the new millenium. Part of the plan was to corporatise and privatise all the strategic public enterprises and statutory bodies, including telecommunications, electricity, water, airline, airports, ports, forests of hardwood, pine, housing and to sell them to strategic partners and companies, both local and overseas, which would benefit a handful of people through commissions and shares. The legal framework under which the scheme operated was ... the 1996 Public Enterprise Act which the same politicians helped to enact in Parliament. So while over 35 percent of Fiji's total population are on the poverty line, some politicians, through their companies, were skinning the country of its funds, using various forms of contracts' (Koroi 1999:5).

Among the disclosures made in Koroi's column were the following:

- the installation of computer software in all government departments for the new accrual accounting system had cost the Ministry of Finance F$7 million, the sum reputed to have been paid to SAP Australia Computer Software Supplier Ltd which was awarded the contract; and the company planned to slap on a further $4.9 million charge for implementation services. In addition, $6 million was paid to Price Waterhouse for 18-20 consultants to complete the accrual accounting project;

• several of the companies which were recipients of consultancy payments were closely linked to public officials, including the Minister of Finance himself, whose family company, Datec, was reportedly paid $430,000;

• two local consultants, Robert Lee and Navitalai Naisoro, were 'on the government payroll as consultants for the Telecom and Air Pacific sales and were contracted for five years at an annual rate of over $100,000 with commission'; Naisoro was separately paid more than $78,000 (and another SVT politician, Kelemedi Bulewa, more than $86,000) for Fiji Pine consultancy work;

• $800,000 had been signed for the accounting firms of KPMG, Arthur Anderson and Price Waterhouse to prepare the following year's budget; and

• in many cases, contracts awarded by the Ministry of Finance had breached the procedures of the Major Traders Board as they had either not been referred to it for approval, as required for any contracts over $10,000, or had exceeded the sums approved.

These revelations brought to the fore some of the realities of economic restructuring and reform programmes. Out-sourcing or sub-contracting is a core feature of the economic reform programme. Under both the Australian and New Zealand bilateral aid programmes, private consultants are commonly engaged and placed in key ministries like the Finance Ministry, to provide policy advice, draft legislation and assist in all other aspects of reform implementation. Australian and New Zealand consultants tend to be recruited from private consultancy firms, some of them formed by former public servants with experience in public sector restructuring in their own countries. Two of the leading consulting companies which have had contracts to support reform in Fiji are Hay Management (NZ) Consultants and Mercer (Australia). There is little doubt that the high fees paid to consultants have absorbed a significant part of total bilateral aid to Fiji. This has boosted the earnings of private consulting firms and contributed to the GNP of donor countries, demonstrating a certain economic logic and efficiency in the use of aid, from the point of view of the donor.

Private consultants, foreign and local, have been key players in the economic restructuring and reform programmes undertaken in Fiji and have therefore been a distinct group of beneficiaries. The engagement of private consultants is not only encouraged and facilitated by the agencies promoting reform, it is part of the very model of state/market relations that restructuring is all about. The underlying value in neoliberalist economic thinking is free enterprise, a key tenet is that the private sector is the engine of growth, and a principal strategy is providing incentives and inducements to business. The onus on a government following public policy prescriptions framed in neoliberal thinking is thus not just to encourage the growth of the private sector with incentives like tax breaks, but to move out of the market and provide investment opportunities to private companies, through privatisation. This is openly articulated as a desirable goal which, it is claimed, will have beneficial effects for the economy and society in general. Moreover, under restructuring, many of the functions and services previously performed or provided by the state become marketised, and this has may mean having to engage consultant firms to undertake work such as legislative drafting, which was previously done by state lawyers. The retrenchment of public sector workers as a consequence of the reforms has often been accompanied by lucrative retrenchment packages, training schemes and business advisory services, aimed at transforming former civil servants into businessmen who may subsequently seek contracts with the government. In some cases, as in the case of CAAF, public enterprise workers who are about to be retrenched are invited to form companies and bid for contracts with the new corporate entities formed as part of the restructure.

Reform advocates emphasise the importance of a 'market-friendly state', promote public-private partnership, and encourage close links between the state and the business community. And in Fiji it has been almost exclusively the directors of well-known local and foreign companies who have been sought after to serve on the boards of various corporatised para-statals or public enterprises. A cover story in *The Review* (October 1998:18-22) showed that a considerable number of those drawn from the private sector to sit on statutory boards actually served on several boards simultaneously, without regard for conflict of interest, and were drawing substantial fees for their extensive 'public service'.[36] Grynberg and White (in Grynberg et al. 2002:92) provided a graphic description of the pattern of appointments in their chapter on the restructure and privatisation of the NBF:

> `Fiji has a known carousel of shifting positions in its statutory bodies.on which the same, very small group of the financial and corporate elite rotate through positions, often with disastrous consequences' .

In the concluding chapter of their book on the collapse of the NBF, Grynberg et al. were even more explicit about the protocol observed by those who want to remain on the `carousel' of financial elites, and the dire implications for Fiji, as demonstrated in the NBF case:

> `These are trusted individuals in a small society with a limited number of individuals able to perform such roles. The trust stems from the willingness of these individuals if not to remain silent in the face of malfeasance, at the very least to be consistent in erring on the side of their patrons. A small society generates only a small number of individuals who are technically competent enough to sit on such boards. But the number of such posts is almost as large as would be found in a large society, and appointments to such positions are determined by a handful of politicians. Those unwilling to live by the implicit code of silence and compliance towards those in a position to grant such patronage find themselves excluded from the lucrative carousel of board positions' (Grynberg et al. 2002:138).

In line with its determination to reverse reforms, the PCG cancelled the contracts of several consultants and firms, to the ire of the latter in some instances, and

[36] *The Review* story by Tamarisi Digitaki titled 'Stacked Chairs' reported on who was on what boards and what they earned. General Manager of the FNPF, Lionel Yee, chaired six public enterprises and sat on three others, as well as holding directorships in a number of private companies. All up, *The Review* estimated that he earned a tidy $200,000 from chairmanship fees ($$80,000), directors fees ($60,000) and his 'full-time job' ($60,000 plus) and dubbed him 'The $200,000 man' (*The Review*, October 1998:22)

a number of court cases were filed against the government for breach of contract. Prime Minister Chaudhry also publicly criticised 'foreign experts and consultants' for `forever telling us that we must change the way that we think and the way that we do things', and called upon public servants to 'act responsibly' and 'carry out their own assessments without the aid of foreign consultants' *(The Fiji Times* 20 July 1999:10). According to Snell and Prasad (2001b) the PCG invested in `rebuilding the policy formulation capability of the government':

> `It re-energised key policy formulation units within government by diverting resources away from consultants into staff development and internal institutional capacity building'.....This development brought to an end the reign of consultants and the industry elite/consultant nexus that had evolved over the previous decade. Where external expertise continued to be needed, new modalities for partnership and collaborative work between a range of relevant domestic institutions and stakeholders and external agencies were set in place'(Snell and Prasad 2001b).

Snell and Prasad reported that the change `did not occur without resistance' and provide an interesting example of the form the resistance took for some of this hidden group of beneficiaries:

> '[W]e have been told that at least one of the sugar industry consultants joined in a concerted move involving a number of external consulting agencies and domestic corporate interests to harness and mobilise the support of indigenous nationalist groups to destabilise the People's Coalition Government' (Snell and Prasad 2001b).

They recorded that since the overthrow of the PCG, 'several of the consultants involved in the sugar industry have given their support to `indigenous nationalist groups' which were involved in the takeover of government in May 2000. Post-coup, development policy formulation, implementation and evaluation have come again to be `dominated by foreign consultants' they said and this was facilitated by the post-coup administration's relaxation of immigration controls on expatriate workers.

With Fiji's return to the path of economic restructuring, post-coup, private consultants are assured of a central place in restructuring programmes. The absence of good governance guidelines in relation to engaging private sector service providers leaves the practice of hiring open to nepotism, patronage and other forms of abuse. Likewise, the determination of consultants' fees appear to be left 'to the market', which translated means whatever the consultant or firm demands. The exorbitant amounts paid to consultant firms involved in setting up accrual accounting systems provides just one example of free market excesses. The SVT government was also almost defrauded by another foreign company which won a contract to make all government computers Y2000 compliant. The contract was cancelled when the PCG came to power and when the work was handed over to the USP's Information Technology Department Services to carry out, it costed the government a fraction of the earlier cited cost.

Although academic discourses and workshops on good governance in the Pacific have addressed issues of corruption in the Pacific region, they have tended to do so from an analytical framework that highlights governmental shortcomings or deficiencies and to be prescriptive. Traditional political systems based on patronage and kinship obligation have come under the spotlight as have institutional weaknesses in the state, e.g. absence or poor functioning of accountability mechanisms. By focusing largely on the political/institutional arena, the practices of the private sector are effectively left out of the field of vision. Moreover, there is an implicit acceptance of the economic reform process, of which 'good governance' is a part, as a positive development, and while there is some acknowledgement of pitfalls or risks in new managerial approaches introduced through the public sector reforms, these have not been made the subject of studies as such. In short, there is an absence of research on the bad governance practices that reform processes may have lent themselves to, or tacitly encouraged. Larmour (2000:5), for instance, raised attention to issues of discretion and accountability in the greater use of contracts and to the fact that `[m]anagerial ideas tend to hold managers accountable for *outcomes*, but be less inquisitive about how they were achieved'. Managers, he noted, are `meant to assess risks but not be discouraged by them'. The paper provided no critique of managerial systems as such, but was a 'neutral' discussion of issues and mechanisms of accountability (in the Solomon Islands), that implicitly supported the reforms.[37]

In a paper presented to an ANU sponsored regional workshop on corruption and accountability in 1998, Prasad (1998:4) expressed the view that 'in Fiji public sector reforms increase, rather than reduce, the potential for corruption.' Among the implications of public sector restructuring he raised attention to were the following: public corporations could now tender for their financial auditors, and tendering processes were subject to few constraints; Ministers could 'take less responsibility for actions taken by semi-public officers'; lower prioritisation of and reduced budgetary allocations to the Ombudsman's office, the Human Rights Commission and other accountability mechanisms as a result of the centralisation of economic policymaking and of resource allocating functions to the Finance Ministry and Prime Minister's office; dilution of the collective responsibility principle of Cabinet; reduced regulatory links between elected executive officers (Ministers) and public agencies and bodies; and the overwriting of public interest considerations by the corporate goals of former government departments. Prasad suggested that the public sector reforms were likely to gradually undermine the social justice, human rights and accountability provisions of the 1997 Constitution. He argued that the `reorganisation of the state' that restructuring involved was a complex process affecting a number of constitutional provisions, that groups, communities and individuals would increasingly 'look ... to the office of the ombudsman to seek redress against what [they] might feel are abrogation of state responsibilities', but that the ombudsman's office appeared `incapable of responding to these complexities', and was, moreover, largely dependent on aid from donors supporting restructuring (Prasad 1998:5).

[37] In his discussion on outcomes for instance, Larmour says accountability for outputs or outcomes 'allows the government to consider whether the public service itself is the right instrument to achieve them. Grants to non-government organisations or purchases from the private sector may achieve the same results' (2000:6). The statement followed a paragraph referring to the following outputs and outcomes: 'numbers of clients served, kilometres of roads built... education...improved health...rural development.'

Turner (1998) similarly argued, at the same conference, that aspects of public sector reforms (mainly privatisation, contracting out, decentralised authority) opened new possibilities for corruption:

> '....these decentralisation initiatives make considerable assumptions on efficiency gains sometimes ignoring the problems which may arise. The critical question would be what control measures are in place to ensure that decentralised authority is not abused. The dispersal of authority opens considerable opportunities for individual officials to appropriate public resources for private gain or for the benefit of others linked by affective relations, such as kinship or ethnicity' (1998:3)

The core ideas and values that are at the heart of both economic restructuring and the good governance project, such as faith and trust in markets, in the inherently superior workings of the private sector, and in the social good of free enterprise, are seldom questioned or critically reviewed in good governance discourses. Even though the underside of so-called reforms, as exemplified in the case of Fiji in this chapter, exposes some of the contradictions between the claimed objectives of reform and its actual outcomes in specific cases and highlights the advancement of private interests at the public expense sometimes takes place, encouraged by ideas that are at the core of the neoliberal economic model. At base, the good governance agenda (and the bottom line of mainstream literature on the state/role of the state) is about ensuring financial accountability, living within one's means, and moving government's out of the economy, or at least reducing its role to one of providing the legislative framework for free enterprise, a framework that 'locks in' reforms. Its an agenda that dovetails neatly with the main agenda of economic restructuring and trade liberalisation and it includes political reform only to the extent that this is necessary or vital for the main agenda.

The `good governance' discourse also functions at an ideological level to reinforce the `superiority' of donors (in terms of economic power, knowledge/expertise and moral authority) over developing states. It subordinates developing states by highlighting their internal weaknesses, belittles them for their moral bankruptcy, and disciplines them through threats of aid withdrawal, all of which works to keep these states in line and obediently following the dictates of the donors, who speak from both the position of economic/financial power and moral authority. But whereas being wasteful and inefficient and inward-looking and economically protective are things which must absolutely be overhauled (and this is what governments are pushed to change), being corrupt can ultimately be (and is) lived with. Particularly if those who are corrupt are also those who are the best reform advocates.

Conclusion

This chapter has examined some of the political dimensions of economic restructuring in Fiji. It began by providing an overview of the domestic political context in which restructuring was being undertaken by the SVT government, highlighting some of the embedded institutional arrangements and the interests they serve. It then focused on four cases of reform to show how they were undertaken to serve other economic and political agendas and private interests, and some of the resulting negative implications or impacts. The chapter ended with a brief discussion of other reform beneficiaries, some of the implications of privileging the private sector and encouraging private profit making, and the inattention paid to this in the good governance literature in the region.

The chapter highlighted post-coup government policies related to the economic advancement of indigenous Fijians, how these were being implemented concurrently with, but outside of the economic restructuring programme, and the abuses to which they had given rise. It showed the selective and instrumental use of restructuring for other agendas, the opportunities for major fraud that privatisation can provide, the beneficiaries of corporatised public enterprises, and the ill-fate of a government which attempted to roll back the 'reforms', counter corruption, and extend affirmative action to all disadvantaged persons, irrespective of ethnicity. Interestingly, the simultaneous pursuit of economic restructuring and economic affirmative action policies for indigenous Fijians has entailed no contradiction. And in fact, with the resumption of economic restructuring by the post-coup, nationalist SDL government, a more explicit dovetailing of the goals of economic restructuring/liberalisation and indigenous economic advancement is espoused. The SDL's blueprint for Fijian development asserts that enhancing the participation of indigenous Fijians in all aspects of life (and particularly in the areas of `corporate ownership, entrepreneurship and management') should be 'chartered on the needs for security, ownership/investment and growth', and that these are 'generally in line with the national [policy framework] emphasis on 'Reform, Investment and Growth' (50/50 by 2020:72,80). Public Enterprise Reform is specifically mentioned as `offer[ing] scope for the participation of indigenous Fijians through equity ownership, supply of goods and services, membership of Boards and employment' ((50/50 by 2020:viii). Specific objectives for this sector include: `facilitating landowners and Fijians generally to acquire equity in the restructured entity; facilitating employee/worker buyout schemes for indigenous Fijians.... and the contracting of their services to the new entity' (ibid:viii).

The Blueprint (and its premature and less than transparent implementation during the 2001 election campaign) may have bought indigenous Fijian political support for the SDL. However, the government's simultaneous pursuit of a 'pro-business, pro-investment, pro-growth policy', as declared by Prime Minister Laisenia Qarase on 13 October 2001, may reap dubious benefits, especially for indigenous Fijians. As Fiji Labour Party Senator, Dr 'Atu Emberson-Bain, stated during the debate on the President's address to Parliament in October 2001:

> 'I respectfully suggest, Sir, that if there is one single threat to indigenous rights and sustainable livelihoods for the poor, it is a government that boasts of being "pro-business, pro-investment, pro-growth'... what we need in Fiji, as well as the Pacific region as a whole, is a development blueprint aimed at meeting basic needs and improving livelihoods. We need to be inward-looking rather than outward looking and to have the confidence to shape our own development model, rather than accepting without question the gospel of the global marketplace. ... Sir, I believe, we are standing today on the edge of a precipice. We have a

choice between resisting or succumbing to the pressures of economic globalisation. We have a choice in the type of development we pursue.' (Emberson-Bain, 26 October 2001)

CHAPTER EIGHT

CONCLUSION

This thesis began by constructing an analytical framework which drew eclectically on Foucault's governmentality ideas, as interpreted by Lemke, on the ideas of selected feminist economists and ecologists, and on what the researcher (as a participant observer and `insider') understands to be widely-subscribed Pacific values. Essentially, the framework was constructed from three sets of ideas. Firstly, from Foucault, the understanding of neoliberalism as a political project - 'as a political rationality that tries to render the social domain economic' as Lemke put it (1997:13). Neoliberalism's restructuring and subordination of the state to the market and its recasting of citizens as self-determining, rational economic actors, capable of assessing the costs and benefits of any action and ultimately responsible for their own actions and welfare, have broader political implications that go beyond the scope of this thesis. The governmentality framework provided a useful lens for the study. It shed light on a number of observed realities in the case of Fiji: the primacy given the market, the privileging of the private sector, and the association of entrepreneurial success (demonstrating supreme economic rationality) with notions of responsibility and morality.

From feminist economics and feminist ecology were drawn ideas that first of all challenge the application of market value to all things in the economic/social/political world. Together with ideas that assert life-sustaining (as opposed to profit or wealth creating) work (including subsistence and sustenance or care work) as 'productive', and that affirm principles of sufficiency and responsibility in production and consumption, these ideas informed the critique of economic restructuring policies. The third set of ideas derives from what may be called Pacific Island cosmologies, which give meaning to a host of intangible, social-relations focused systems, practices and ways of living. The resonance of these ideas and values with some of the challenges that have emerged from feminist critiques strengthen the validity of the claim that there are indeed alternatives to the one-size-fits-all model that has been globalised as SAPs, through relations of dominance and manipulation. The three above stand points assisted in the critical examination of the politics of economic restructuring in the region undertaken for this thesis. .

The thesis firstly provided a background on the origin and use of SAPs as a mechanism for disciplining Southern states, and showed how this was aided by both the so-called `Third World' debt crisis and the collapse of socialist regimes from the late 1980s. The close relationship between OECD countries and the IMF and World Bank was highlighted, as was the power of the IMF to demand compliance, and the World Bank's ideological role in globally marketing economic restructuring as the only path to economic growth and development. The growing coherence in the policy agendas of the multilateral institutions since the formation of the WTO was demonstrated. The WTO's emergence as the most powerful (and unequal) of all the multilateral institutions, its agenda of global trade liberalisation which coincides with the interests of powerful multinational corporations, and the strong opposition to which it has given rise, were highlighted in the background chapter, which closed with a selective overview of critical studies or analyses of SAPs.

The main body of the thesis addressed the four questions raised in Chapter One. 1) Where did the ideas of economic restructuring in relation to their application to the Pacific Island states derive from? 2) How have these ideas assumed dominance in the region? 3) What roles were played and by whom in this process? And 4) How has the implementation of economic restructuring intersected with economic, social and political realities on the ground?.

Chapter Three showed the origin of neoliberal economic prescriptions in first the writings of Australasian-based think-tanks, and subsequently in the economic analyses produced by the World Bank. The role played by neoliberals within both influential public policy think tanks and academia in Australia was especially highlighted. The influence on Australian aid policy of their critique of aid, and of their hard-line economic policy prescriptions for the Pacific Island states, using the instrument of aid was shown. The role of think tanks and of influential voices within them, continues to be seen in the Pacific region as witnessed by a recent Centre for Independent Studies' publication, written by former ANU/NCDS Director, Helen Hughes (Hughes:2003)[1].

Chapters Four and Five focused on the central role of the Pacific Islands Forum Secretariat in mobilising and facilitating economic restructuring and trade liberalisation in the region. While it is true that these programmes are primarily donor-driven, the Forum Secretariat has played a significant, and complicit, role and it is this that is specifically highlighted, especially in Chapter Five. Chapter Four examined the roles played by the Australian and New Zealand governments within the Forum, the influences behind the organisational restructure of the Forum Secretariat, the strategic significance of annual meetings of regional Finance and Economic Ministers, and the institution of `reform' inducements. It showed how the region-wide programme of economic restructuring came into being and how the region's premier political body and its Secretariat were effectively used to build consensus among political leaders on economic, financial and trade liberalisation and commit them to actually implementing reform policies.

Chapter Five cast the spotlight on the Forum Secretariat, and examined how it has been working to advance trade liberalisation in the region and how it has publicly represented what it was doing. The chapter implicitly questioned the benefits to Pacific Island states from trade liberalisation by showing, through an examination of the agreements, the various interests that lie behind them and the close convergence of its provisions with WTO rules and principles. It suggested that the less than transparent ways in which trade liberalisation is being systematically implemented in the region through the agency of the Forum Secretariat, is reflective of the modus operandi of the WTO, a matter which has elicited strong criticism both within and outside of WTO. It also suggested that challenges to the Forum Secretariat from civil society groups within the region, together with the emergence of solidarity and resistance to EU interests among the ACP group of countries as a whole, might have had the effect of making the Forum Secretariat leadership more critical of the free trade agenda and of the inequalities and unfairness of WTO rules and processes. With the change of leadership in the Forum Secretariat at the end of 2003, and the

[1] For a critique of Hughes' controversial article titled 'Aid Has Failed the Pacific', see Slatter (2003).

appointment of Australia's nominee, a retired Australian High Commissioner to the region, as the new Secretary General, it was suggested that critical stance taken at Cancun might wane. Emerging cracks in the consensus on regional trade liberalisation could however see the Forum pulling back in its hitherto strong advocacy for trade liberalisation.

Chapter Six examined the specific context of Fiji and the peculiar political conditions that gave rise to early post-coup economic restructuring. It looked briefly at the IMF's early policy prescriptions for Fiji and then examined the links between subsequent World Bank prescriptions and Fiji's restructuring programme. It then focused on some of the key features of the 'reform' programme, their rationalisation, and the support given to Fiji's restructuring by bilateral donors, New Zealand and Australia. The favourable environment that was created for the introduction of economic restructuring by both the crisis of the military coups of 1987, and the five-year period of non-democratic rule which followed them was especially highlighted, as was the resistance to restructuring shown by the labour movement and the Fiji Labour Party, which together with its coalition partner, the National Federation Party, had been deposed by the coup.

Chapter Seven examined more closely the political context of restructuring in Fiji. It highlighted domestic political tensions in Fiji that surfaced two years after the adoption of a new, politically-negotiated Constitution, following the unexpected defeat of the two political parties whose leaders had brokered it. It discussed the exclusion of embedded institutional arrangements governing and purportedly protecting the interests of indigenous Fijians from the restructuring programme, and highlighted the abuse of economic affirmative action policies during the SVT government's seven-year rule. Four areas of reform were examined to show how their implementation was intended to serve other economic and political agendas and private interests, and some of the resulting negative implications or impacts. The opportunities for major fraud that privatisation can create, and the political extremism that unrequited private economic interests gave rise to in this case, were illustrated by the intended privatisation of government shareholding in Fiji Hardwood Corporation. The chapter ended with a brief discussion of private sector reform beneficiaries, the implications of privileging entrepreneurs and encouraging private profit-making, and the relative silence in the good governance literature in the region on this.

The thesis has answered the four basic questions it set for itself. Its contribution to the literature lies in its close examination and critique of both the ideas of economic restructuring, and the political processes involved in their implementation in the region. No other researcher has examined these dimensions of economic restructuring in the region. In this respect the thesis makes an original contribution to the literature and places in the public domain evidence and arguments relating to the regional reform programme that are important for citizens of the region to have access to. An obvious weakness in the thesis is that it provides a critique, but offers no specific alternatives. What the thesis does show is that a system of public policy-making has been at work in the region for almost a decade in which Finance, Economic and Trade Ministers in Pacific Island governments have been making far-reaching policy commitments which they have subsequently been obliged to follow, without public consultation or the approval of national parliaments. Not only have donor-funded public sector reforms, as part of economic restructuring programmes, entailed passing national legislation to `lock-in' `reforms' long-term, but international trade treaties entered into by Pacific governments as a consequence of regional processes of consensus-building and agreement, will also lock-in states. For this reason, critiques of both the rationale for and processes of economic restructuring are important in themselves, not least because they give rise to debates on alternatives. Such debates are long overdue.

The political process that this thesis focuses on has been in train for almost ten years, and derives its momentum and force from the global processes to which it is linked. These processes are neither autonomous nor spontaneous but are the product of human agency. Those who advocate restructuring do so because they subscribe to the theory and values that inform it. And the advocates come from both outside and within the region. The so-called `champions of reform' within governments enjoy praise and recognition from donor agencies that advocate and finance reform, but what they are championing may have dire future consequences.

There are alternatives to the 'one-size-fits-all' economic model that is being replicated, cookie-cutter-like, across widely differing economic, social and political contexts as a consequence of policy convergence among the international financial and trade institutions and donor agencies. Deciding public policy through public consultation and debate, and envisioning the kind of society and economy a nation wants to build, are surely the prerogatives of a democracy and its citizens.

This thesis has raised questions which may trigger future research into issues such as the workings of democracy in the Pacific region, particularly in relation to mechanisms for public consultation on matters of public policy, requirements for parliamentary approval of international treaties and agreements, and the role of the public media in analysing policy and encouraging public debate. There is also a need to investigate both the economic, social and political implications of the commodification of all factors of production including land; and the class, ethnic and gender dimensions of economic reform.

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