

Fijian military junta faces economic and social turmoil

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The Fijian military junta's scrapping of the country's constitution last month has exacerbated the country's social, economic and political crisis. With Fiji on the verge of bankruptcy, Commodore Frank Bainimarama's regime has stepped up its attacks on the conditions of workers and small farmers by devaluing the currency, slashing thousands of public sector jobs and extending its strict media censorship.

The junta scrapped the constitution on April 10, sacked judges and imposed emergency rule after the Appeals Court declared illegal its December 2006 coup, which ousted the government of Prime Minister Laisenia Qarase.

These moves to consolidate Bainimarama's dictatorship have further destabilised the economy, which was already hard-hit by the 2006 coup and the global financial crisis. On April 14, the Fiji Reserve Bank tightened exchange controls to protect foreign reserves, saying that the country faced a serious liquidity crisis. At the end of February, currency reserves were \$FD674 million, equivalent to around 2.7 months of imports.

On April 22, the regime devalued the Fijian dollar by 20 percent. The newly-appointed Reserve Bank Governor Sada Reddy said the crisis was having a greater impact than previously thought. "There was also great speculation in the market place.... So when that happens the capital starts to move out of the country and we can't afford that and I had to act very swiftly," Reddy told the *Fiji Daily Post*.

The devaluation will have a devastating effect on ordinary Fijians, as staples such as tinned fish, tinned meat, powdered milk, rice and flour are all imported. Petrol for transportation and kerosene for cooking fuel

increased 20 percent in price overnight.

In a move estimated to cost 3,000 jobs, all civil servants above the age of 55 will be made redundant—except for police and military officers. Parmesh Chand, the Permanent Secretary to the Public Service Commission, declared that the public service was too large and consumed too much of the government's budget. The government is the country's biggest employer, with over 30,000 workers. The cuts are particularly severe in education, where 787 teachers have been forced into retirement.

The military takeover has exacerbated the systemic demise of Fijian industry. Sugar, previously the largest industry, has already been halved in size and is now on the verge of collapse. On May 18, the European Union (EU) announced it had cancelled subsidies to the sugar industry worth \$FD63 million in retaliation for the regime's failure to announce elections by May 1.

After the 2006 coup the EU had frozen the funds set aside to compensate Fiji for the end of sugar subsidies. In the last half of 2008, the industry lost more than \$FD14.5 million according to the Cane Growers Association. Sugar output fell by 7 percent, the worst result since 1962, partly due to flooding. Over 200,000 people depend on the sugar industry for their livelihood.

Another former major employer, the garment industry, has been almost eliminated, resulting in high female unemployment rates. Tourism, the biggest source of foreign exchange, is at 40 percent capacity. Remittances from Fijians working overseas, the next largest source of foreign exchange, declined to 3.3 percent of GDP in 2008 from a peak of 6.5 percent in 2005, and are expected to decline further in 2009, according to the Asian

Development Bank (ADB).

A government consultant, John Samy, has estimated that 40 percent of Fiji's population is now in poverty. According to 2007 figures, 12.5 percent of people or about 105,000 were already living in squatter camps around the major towns two years ago.

To suppress possible political opposition, the interim government last month imposed a 30-day Public Emergency Regulation (PER), allowing the police to "control the movement of people" and to stop any broadcast or publication deemed to "cause disorder, promote disaffection or public alarm or undermine the government or state of Fiji". The PER has recently been extended for another five weeks.

The junta has placed police checkpoints on the streets and sent police and "information officers" to censor all news agencies. In the latest attack on media freedom, on May 10, two *Fijilive* journalists, Dionisia Turagabeci and Shelvin Chand, were arrested and held for two nights for reporting that the government had released soldiers who had been detained for killing civilians.

The regime's nervousness was underscored by the arrest of Methodist Church president Reverend Manasa Lasaro on May 14 for voicing opposition to the government. The Permanent Secretary of the Ministry of Information, and the country's chief censor, Lieutenant-Colonel Neumi Leweni threatened to close down the church's annual conference in August. The regime would "not hesitate to defer the conference indefinitely if the security forces suspect any motive to cause instability," Leweni said.

Lasaro is a well-known ethnic Fijian nationalist who backed the 1987 and 2000 coups, both of which removed governments headed by the Fijian Labour Party, whose support base has included Indo-Fijian workers and farmers. Previously he has called for Fiji to be made a Christian state and for the expulsion of all Indo-Fijians.

Former Prime Minister Mahendra Chaudhry, who was ousted by the 2000 coup, has played a critical role in propping up Bainimarama's regime, which he joined after the 2006 coup. As finance minister, Chaudhry supervised the junta's first wave of austerity measures, which included across-the-board public sector pay and job cuts,

while the trade union movement ensured that any strike action was sabotaged and shut down.

Chaudhry quit the interim government last August in a bid to distance himself and the Labour Party from it, but he has continued to try to head off any movement against the military. Chaudhry, who is currently the general secretary of the National Farmers Union, responded to the EU sugar subsidy cut-off by appealing for all industry "stakeholders" to get together to "do something to save this industry from collapse".

The Labour Party leader has also called for the Pacific Islands Forum, which is dominated by Australia and New Zealand, to resume a "dialogue" with the government. Fiji was suspended from the Forum on May 2.

Bainimarama's austerity measures are ultimately aimed at attracting international investment, but this has failed to materialise. Instead, Australia and New Zealand, the regional powers, have expressed concerns about the regime's turn to China as an alternative source of financial support. On May 1, on the eve of the Forum's suspension, Bainimarama appealed for talks with Canberra and Wellington, while pointedly describing Fiji's relationship with China as "wonderful".

"Yes the Chinese are giving us money," Bainimarama told *Sky News*. "They're very sympathetic and understand what's happening here, that we need to do things our own way." Australian business remains the most substantial overseas source of investment in Fiji, with \$FD3.2 billion overall, but since the coup China has outstripped Australia in foreign aid, contributing an estimated \$A250 million annually, compared to Canberra's \$A37 million.



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