Fiji government imposes “belt-tightening” austerity budget

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Fiji’s parliament signed off on the Pacific country’s 2023-24 budget on July 13 after four days of debate. The bill to appropriate $FJ4.3 billion ($US1.94 billion), the largest ever, against projected revenues of $FJ3.7billion, was supported by all 29 government MPs while 24 opposition MPs voted against it.

It was the first budget of the coalition led by the People’s Alliance Party (PAP) of prime minister and former coup leader Sitiveni Rabuka. The PAP, National Federation Party (NFP) and Social Democratic Liberal Party (SODELPA) took office after last December’s election. They narrowly defeated the FijiFirst Party of former Prime Minister Frank Bainimarama who had wielded power since his 2006 military coup.

NFP leader and Finance Minister Biman Prasad boasted the budget had “fundamentally put the country back on track.” Prasad claimed that it would look after the Fijian people and ensure spending on health, education, infrastructure and social welfare was “adequate.”

The opposite is the case. In a televised state of the nation address at the end of June, Rabuka warned the already impoverished population faced a “belt-tightening” budget. After three years of economic contraction, Rabuka said, “To rebuild; it will not be business as usual... some sacrifices and collective commitment will be needed to address the troubled economy.” The prime minister admitted: “We expect that it will not be a popular budget.”

Fiji is experiencing an unprecedented economic crisis with the World Bank reporting debt levels reached nearly 90 percent of GDP last year. Inflation hit 4.3 percent in 2022, with negative economic growth due to the COVID pandemic and multiple severe tropical cyclones. As elsewhere around the globe, the economy has been further impacted by the US-NATO proxy war in Ukraine.

Like capitalist governments around the world, the seven-month-old government is moving to impose the dictates of international finance capital for greater austerity measures against the working class. Over the past three years, Fiji’s workers have suffered skyrocketing cost of living, thousands of lost jobs, and fractured supply chains for food, energy and basic goods. The poverty rate was nearly 30 percent in 2020, but half the population is struggling to put food on the table.

Finance Ministry secretary Shiri Gounder said Fiji has suffered “massive losses” in national income and jobs. He told a post-budget forum in Suva that half the country’s revenue had “evaporated.” Speaking in Samoa in June, Rabuka remarked that remittances from Fijians living abroad were the largest foreign exchange earner keeping the economy afloat.

The government’s pre-budget fiscal preview was dire. It described a “triple threat:” a “very limited” capacity to borrow for essential public services, limited capacity to deal with a future economic shock and the need to “urgently find billions of dollars” for critical infrastructure “that cannot wait.” The deficit is forecast to hit 4.8 percent of GDP in the coming year, while nearly 25 percent of the budget will go to servicing debt.

A sweeping attack on the living standards of the population of 936,000 is under way. The budget imposes a raft of tax increases aimed at working people: the Value Added Tax will rise from 9 to 15 percent on food (except for 21 items that are zero rated) to raise $446 million.

There is a 5 percent increase to excise tax on alcohol and tobacco. An import excise of 15 percent will apply to carbonated drinks, ice cream, sweet biscuits, snacks, and confectionery. Motor vehicle import excise duty will increase on all new and used passenger vehicles by 5 percent.

Departure tax will increase from the current $100 to $125 effective from August and will increase again to $140 effective from January 2024.

Business responded positively to the drastic measures.

Executive director of Dialogue Fiji, Nilesh Lal, said years of rhetoric about private sector-led economic growth "may never be fully realised" and government needed to take the lead role. He noted that the budget is the largest ever for collecting revenue, only warning that "any measures that take money out of the pockets of people and put that into the pockets of government can be risky."

Corporate tax meanwhile increases from the current low level of 20 percent to 25 percent. New companies eligible for reduced corporate tax for listing on the South Pacific Stock Exchange have their tax rate increased from the current 10 percent to 15 percent. These increases will add only about $73.5 million in revenue.

Education gets the highest spend at $845 million while health is allocated $453.8 million, an increase of $58.7 million. Tertiary Scholarship and Loans Service debt—$650 million owed by more than 50,000 students—is written off, but it comes with the caveat that these students will have to save money for a bond. To defuse tensions involving other Pacific governments, a lapsed grant for the regional University of the South Pacific is restored and outstanding debts cleared.

Only $200 million of the "billions" required has been allocated for maintenance of hospitals, health centres, schools, public buildings, government quarters, roads and bridges and water infrastructure. Some 90,000 people on social welfare will receive increased monthly allowances of 15 and 25 percent, but these are from an extremely low base.

None of the expenditure in education, health and welfare will do anything to address the chronic and deepening social crisis. According to the government's own admissions, the country's "human capital investment needs" are staggering.

Fiji's ranking on the United Nations Human Development Index has fallen from 78 to 99 in 20 years. Fiji significantly under-invests in health, even as it confronts major poverty-related diseases such as diabetes. The loss of skilled workers overseas has accelerated since COVID, contributing to an eroding skills base.

The government admits that this combination of threats "will continue for the foreseeable future." Anticipating the emergence of social unrest, the police force has been allocated $183.7 million, including to recruit 100 more constables and strengthen patrols in urban and rural areas. The military gets $103.1 million compared to $94.1 million in the 2022–23 budget. Fiji's defence budget has grown substantially over recent years despite the economic downturn, increasing from $80 million in 2018.

Amid the unrelenting attacks on ordinary people, there are growing signs of social tensions.

Most significantly, sections of the working class are seeking to fight back after a long period of quiescence imposed by the unions during the height of the COVID pandemic. Last week, 355 workers at Energy Fiji Ltd (EFL) voted in a secret ballot to take strike action. The Energy and Timber Workers Union (CETWU) confirmed the total votes cast reached 99 percent and passed the 50 percent threshold.

EFL has more than 800 workers, most of whom are covered by two unions, the Fiji Electricity Workers Association and CETWU. The workers say their demands for higher pay, retirement benefits, long service leave and other working conditions are not being met. They are also demanding long-term work contracts. All are on a three-year individual contract, and many have not had a pay raise for some years. The union is yet to announce a strike date.

Rabuka has already taken steps to boost the role of the trade unions in policing the working class. In April the government held a two-day national economic summit to create a "collective national vision." In discussion, General Secretary of the Union of Factory and Commercial Workers Latileta Gaga highlighted ILO Convention 144 requiring corporatist "spaces at the decision-making table for trade unions, for employers and as well as for government" to work together on anything dealing with economic interests concerning workers.