

Savenaca Narube: Following in the wake of Asia's progress – are we being left behind?

Summary of a speech by Mr Savenaca Narube, Governor of the Reserve Bank of Fiji, at the Pacific Economic Governance Agencies' Seminar "Following in the Wake of Asia's Progress – Are We Being Left Behind?", at the Forum Secretariat, Suva, 1 June 2006.

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1. Presentation outline

- The presentation covers the economic performances of the Fiji and selected South Pacific island states and selected Asian economies.
- The major challenges for Pacific Island countries are presented with the recommended solutions.

2. Economic performances

- Several factors affect the economic performance of small island states in the Pacific. These include smallness and isolation of the islands, globalisation and the gradual loss of preferential markets, weather and environmental factors, lack of capacity and political instability.
- Two fundamental concerns are that economic growth is both volatile and low in Fiji and across other Pacific island countries.
- Recently, some countries like Samoa have been raising their economic growth rates successfully, while others are still struggling. Compared to other Pacific Island economies, Fiji's economic growth performance stands in the middle ground, not as high as Samoa's and not as low as the Solomon Islands. When Fiji is benchmarked against selected Asian countries, it shows how far we have to go in order to catch up with these economies.
- Using the UNDP's Human Development Index (HDI) as a measure of the quality of life, Fiji ranks lower than both Tonga and Samoa.

3. Asia has its own challenges

- Asia comprises around one third of the world's population.
- Poverty is a result of such large populations which require sizeable economic development in order to create ample employment opportunities for the people.
- Corruption is endemic and almost acceptable in Asia. Civil unrest can sometimes be the result of such an environment.
- Pollution is a problem in Asia. Rising industries and technologies are having a detrimental effect on the environment. Natural disasters, while unavoidable, are a possible result of the degradation of the environment.
- Close proximities to other Asian nations and the rest of the world has resulted in geopolitical problems.
- Terrorism is a growing problem affecting both locals and visitors to the region.

4. Factors affecting economic growth in the Pacific Islands

- The smallness and isolation of the Pacific Islands are a challenge on its own.
- Globalisation has opened up trading barriers and forced small nations to compete for a market for their goods and services internationally.

- Weather and environment problems, beyond our control, hinder economic performances as disaster recoveries are costly. Rising sea levels, a result of global pollution, is a major issue that are already forcing islanders from their homes.
- Capacity constraints in Pacific Islands include a lack of skills and resources, necessary for economic development. The migration of skilled workers, exacerbate these problems.
- Political stability is required to ensure an environment conducive for investment.

5. What is the single major challenge for Pacific Islands?

- Pacific Islands need to lift their economic growth levels.
- Growth must be sustainable and inclusive driven by private sector investment.
- Long-term sustainable growth is the only way to create jobs, improve living standards and reduce poverty.
- Millennium Developments Goals must be pursued actively.

6. How can we raise growth sustainably?

- Private sector development is needed to become the engine for growth. There is currently too much reliance on Governments for direct investment and employment creation.
- Private sector development can give our small island economies the sustainable platform that we need.
- Such development can also in the long term ease the burden on governments.
- Private sector development continues to be a challenge because of good governance issues, uncertainty of policy consistency by the government, poor infrastructure and the need for law and order.

7. Role of the state

- The role of state is to create an environment that encourages private sector development through appropriate policies, services and infrastructure.
- They are responsible for the provision of public goods and social services.
- “The best government is the least government”. It is ideal when employment is created by the private sector, not governments.

8. Lesson from Asia – what else is needed?

- Investment is the greatest hurdle. Raising investment by seeking out its impediments and removing them. To reach the average level of investment of developing countries, that is, 25 percent of GDP, Fiji needs an additional \$400m in investment.
- Economic growth cannot be lifted sustainably without reforms. The benefits of reforms include improved delivery of service, better allocation of resources and reduced tax payers’ burden.
- A few challenges remain for Fiji given its smallness and vulnerability.
 - a. Improving our exports level and base through diversification
 - b. Improve our competitiveness through greater capacity utilisation and resource allocation
 - c. Raising our productivity in order to improve our competitiveness
 - d. Political stability has to be secured for a conducive investment climate.

- e. Promoting micro, small and medium enterprises (SMEs) so that economic growth is more balanced and broad based.

9. Summary

- Pacific Island Countries continue to grow, but we need to lift growth into the future.
- Private sector development will be key to raising our growth.
- We also need to raise investment and productivity.
- Macroeconomic stability has to be maintained in order for growth to be sustainable.

There is room for micro, small and medium enterprise development.