Fiji's Trade, Investment and Infrastructure Development

Bob Lyon

I want to start by sharing with you a vision for Fiji's future. That vision also involves Fiji's relationship with Australia and New Zealand, the major neighbourhood economies. I believe that for Fiji to achieve its true potential it must embrace the proximity of these economies.

My vision is that over the next 30 to 50 years Fiji will enter into a full economic partnership with Australia and New Zealand rather than the current relationship with seems to be more focussed on aid support and industry concessions rather than economic partnership. I see Fiji's potential being achieved through becoming part of a dynamic business triangle comprising itself, New Zealand and the east coast of Australia and leading eventually to a Pacific regional economic grouping.

I recall that ten years or so ago the then Fiji Prime Minister Rabuka made a proposal that Fiji should join the Australia New Zealand CER. At the time, nobody gave this idea much thought – indeed many laughed at the proposition which was seen as just aimed at creating a diversion from some other political or economic issue of the day. Nevertheless, I think this is an idea whose time might have come, or at least one which should now be put back on the table as a possible end goal for the development of a new relationship.

It is my view that the Australia Fiji relationship currently 'dances around the edge of its real potential', and I think the same can be said of Fiji itself. Fiji has enormous potential to become a type of Singapore of the Pacific given its central location within the region, the size and diversity of its economy which provides it with the critical mass for further development, and the undoubted skills and talents of its people who are fortunate to have in Fiji the region's pre-eminent educational institutions, which are capable of turning out highly skilled and qualified graduates.

A vision for the future of Fiji is one in which it is in a full economic partnership with its major nearby neighbours. By nearby neighbours I mean all of the Pacific Islands Forum countries. But the relationship with

Australia and New Zealand is for Fiji of overwhelming importance. This partnership would include the free movement of goods and services, harmonised tariff and quarantine regimes, and open and unregulated movement of people in both directions. Fiji can achieve its real potential if it embraces the economic opportunities which are available through a full partnership with the major nearby economies. It will not achieve its real potential if over the next 30 to 50 years it continues to try to keep these economies at arms length.

It is sometimes instructive to look at the experiences of other countries which have perhaps similar characteristics to Fiji and examine their economic performance and evaluate what lessons might be learned for Fiji. Let us take Ireland as the first example. Participants at the 18th Australia Fiji Business Forum held at Sigatoka in October last year had the opportunity to hear about the Irish experience directly from Mr David Dukes who was the Finance Minister of Ireland when a series of critical economic reforms were commenced in the early 1980s. Previously Ireland had been a small island country with a low-level agricultural economy and an immigration outflow which was depleting its human resources at an alarming rate. Is this a description which could be applied to Fiji today? Certainly, Fiji has some other economic characteristics, but equally some of the description of Ireland would be applied to Fiji.

In 1982, the then Irish government decided to initiate some reforms which would over the following 15 to 20 years transform the Irish economy from the characteristics described above to the fastest-growing economy in the European Union with a net inflow of human resources, as many of those Irish people who had previously left, and others attracted by the new opportunities, came to Ireland to take advantage of the employment growth taking place. In other words, in 15 years Ireland went from being a net exporter of labour to an importer of labour with huge additional economic benefits.

A critical part of the reform initiatives of the Irish government in 1982 was a decision to embrace the larger nearby economies of the United Kingdom and the European Union. This decision was an important element in the success that followed.

The *CIA World Fact Book* describes Ireland's economy as 'a small, modern, trade-dependent economy with growth averaging a robust 7% from 1995-2004. Agriculture, once the most important sector, is now dwarfed by industry and services. Industry accounts for 46% of GDP, about 80% of exports, and 29% of the labour force. Although exports remain the primary engine for Ireland's growth, the economy has also benefited from a rise in consumer spending, construction, and business investment. Per capita GDP is 10% above that of the four big European economies and the second highest in the EU behind Luxembourg. Over the past decade, the Irish Government has implemented a series of national economic programs designed to curb price and wage inflation, reduce government spending, increase labour force skills, and promote foreign investment'.

But the success did not come without pain. In 1987 the Irish government which had commenced the process of reform was rejected by the electorate at a general election and removed from office. The Irish people judged that the economic pain of the reforms was simply too much. But the new government of Ireland in 1987, once it assumed office and had the opportunity to examine the policies of the outgoing government and assess prospects for Ireland, decided that it must continue the reforms notwithstanding the economic and social pain of the Irish people. The results speak for themselves.

Let us look at another country which many believe has similar characteristics to Fiji. That is Mauritius. Mauritius is a small island country in the Indian Ocean. Again, the *CIA World Fact Book* which describes Mauritius as follows:

> Since independence in 1968, Mauritius has developed from a low-income, agriculturally based economy to a middle-income diversified economy with growing industrial, financial, and tourist sectors. For most of the period, annual growth has been in the order of 5% to 6%. This remarkable achievement has been reflected in more equitable income distribution, increased life expectancy, lowered infant mortality, and a much-improved infrastructure. Sugarcane is grown on about 90% of the cultivated land area and accounts for 25% of export earnings. The government's development strategy centres on expanding local financial institutions and building a domestic information telecommunications industry. Mauritius has attracted more than 9,000 offshore entities, many aimed at commerce in India and South Africa, and investment in the banking sector alone has reached over $1 billion.

While there are undoubtedly many differences between Fiji and Mauritius, one of the key differences is that Mauritius has not had to deal with complex land ownership and tenure issues as has been the case in Fiji. This has simplified the use of land for national economic development, and highlights how important it is for Fiji's further economic development that land issues are dealt with sensitively and creatively, while at the same time ensuring that land is made available for economic use.

One of the characteristics which Mauritius and Ireland have in common, apart from strong and visionary leadership, is that each of them has embraced the proximity of larger economies as a means of advancing their own economic interests. In the case of Mauritius this has been to leverage advantage from its proximity to India and Africa, especially South Africa from which it has attracted considerable investment. In the case of Ireland, it has benefited from embracing the United Kingdom and European economies.

I believe there are lessons which can be learnt by Fiji from these examples. In particular, Fiji's economic interests will be best served by embracing an economic relationship with Australia and New Zealand, and by leveraging benefit from their proximity.

The Pacific Plan aims for greater level of regional economic integration between the Pacific Islands Countries. The Pacific Island Countries Trade Agreement (PICTA) also has this effect for the Pacific Island Countries, and the Pacific Agreement on Closer Economic Relations (PACER) envisages closer regional economic integration between the Pacific Island Countries with Australia and New Zealand.

Some might say that the process of moving towards a full economic partnership between Australia and Fiji can be achieved through these two instruments.

But I suggest that Fiji's needs will be best met by moving forward at a faster pace than other Pacific island countries, while at the same time supporting the work being done regionally. Fiji's stage of economic development places it in a position where its further economic development will be held back if it simply relies on regional mechanisms. Indeed, by moving forward independently, Fiji will be undertaking some of the pioneering work which is likely to assist other Pacific Islands Countries in meeting their own goals in the longer term as their own economies develop and the benefits of regional integration start to have effect. Faster economic development in Fiji can create some gravitational pull for the other Pacific Island countries and accelerate the pace of their own reforms by following Fiji's example.

But if we are to create a long-term vision for Fiji we need to examine some of the measures, which need to be taken to turn this vision into a reality and to enable Fiji to achieve its true potential.

But just before I do, let me acknowledge that there may be some of you sitting here today who regard my vision as just a dream.

In response to any such doubters, I would suggest to you that it is highly unlikely that when the European Coal and Steel Community

(ECSC) was established by six European countries in 1951 that it was foreseen how a European economic community would evolve over fifty years.

While what happens in Fiji and the Pacific island region will clearly be markedly different from what has happened in Europe over the last 55 years, without a forward looking vision we can have no idea of where we are all heading. There is a real risk that in 30 to 50 years time we will look back and wonder where we have been and why we didn't have the courage to embrace a vision for the future.

Benefits of Trade

World Trade Organisation statistics show that world merchandise exports increased in nominal terms by 21 per cent to USD8.9 trillion in 2004. In real terms, merchandise exports rose by 9 per cent in 2004 compared with nearly 5 per cent in 2003. Trade in commercial services grew in nominal terms by 18 per cent to $2.1 trillion in 2004, which was also stronger than the 14 per cent growth recorded in the preceding year.

Fiji's share of this is, of course, miniscule. But it is from this international trade that the wealth of nations, and their citizens, grows. Without wishing to create a pun, nations cannot be islands. They must become a part of the global economic community otherwise they will be consigned to falling further behind in all the indicators of human development and in their economic development. Those who do not join the global trading economy will be forever mendicants.

Fiji's external trade in merchandise has to date been largely built around concessional access to markets. The same is the case with agriculture. I will deal more with these specific sectors shortly.

Fiji's trade future lies in building on its existing strengths, and diversifying its economy to develop new strengths.

Role of the Government

What is the role of government in trade, investment and infrastructure development?

At a recent meeting here in Fiji, the ADB representative said that 'governments have no business doing business'. I couldn't agree more.

I would suggest to you that the role of government is in creating the business enabling environment, including ensuring that the policy framework is business friendly and that there is appropriate infrastructure development.

Speaking to the United Nations in New York on 16 September 2005, the Prime Minister of Australia, Mr Howard, said: 'Genuine and sustained poverty alleviation will only occur in an environment of good governance, private sector growth and respect for private property ownership'.

Good governance and respect for private property ownership are issues with which Fiji is still grappling, and the Australia-Fiji Business Council (AFBC) regards them as very important issues for ensuring that Fiji's business enabling environment is positioned to facilitate economic growth.

It is critical for Fiji that growth of the private sector, including trade expansion, is not constrained by bureaucratic red tape, political lethargy and inaction and lack of access to land for economic purposes. All levels of government need to be energised to have a dynamic and facilitative relationship with the private sector.

While there are many areas in which government interacts with business which need attention, I would like to discuss just one at this point: the process by which goods move across Fiji's wharves.

A recent World Bank report which examined data from 126 countries has found that, on average, each additional day that a product is delayed prior to being shipped reduces trade by at least 1 percent. Put differently, each day is equivalent to a country distancing itself from its trade partners by 85 km on average.

Delays have an even greater impact on developing country exports and exports of time sensitive goods, such as perishable agricultural products. In particular, a day's delay reduces a country's relative exports of time-sensitive to time-insensitive agricultural goods by 7 percent.

Trade facilitation is not only about the physical infrastructure for trade. Indeed, only about a quarter of the delays are due to poor road or port infrastructure. Seventy five percent is due to administrative hurdles - numerous customs procedures, tax procedures, clearances and cargo inspections - often before the containers reach the port.

Fiji's performance in this area is poor, and it is important that the government address this important trade facilitation issue.

I want to turn now to the role of the Reserve Bank of Fiji as an independent agency of government.

The Reserve Bank of Fiji has twice in the last twenty years done a first class job in managing Fiji's monetary policy through the economic crises caused by the 1987 and 2000 coups.

But there is an argument that for business there is too much monetary regulation. I am aware that the Reserve Bank of Fiji has concerns about Fiji's foreign exchange position, but the processes, which it has in place, do impose costs and constraints on the operation of business. To facilitate Fiji's closer economic integration with its neighbouring economies it is necessary for there to be a greater degree of flexibility and innovation in the management of foreign exchange risk. Businesses must be able to transfer money without laborious documentary procedures which are completely out of step with the needs in a modern economy. I am not going to prescribe the solution, but merely wish to try to commence a discussion on the need for greater flexibility for business.

I also believe it is important for Fiji to examine its foreign exchange policy. The real issue there is with how closely Fiji has tied its dollar to the Australian dollar. Because the Australian dollar has been so strong, the Fiji dollar has lost competitiveness, but without the benefits of foreign currency revenues from hard commodity exports. I acknowledge that this is a fine balancing act for the Reserve Bank because some industries might be adversely affected by a change in relativity between the Fiji dollar and the Australian dollar particularly if done over a short period of time.

Role of the Private Sector

Fiji's business practices are floundering twenty or thirty years behind those of the major neighbourhood economies. For Fiji to achieve full economic partnership with these economies, and expand economic growth and employment, it is essential that business in Fiji adopt modern business practices.

For example, the uptake of technology in Fiji business has been appallingly slow. This has not been assisted by the telecommunications and IT environment in Fiji.

A customer accustomed to a modern economy will be startled on making a visit to one of Fiji's leading computer retailers to find that the business has no electronic accounting or inventory control at the point of sale. It is almost unbelievable that in 2006 when you make a purchase from a leading IT retailer that your purchase is recorded manually in a sales invoice book with carbon copies and your receipt is recorded manually.

Similarly, if you visit one of Fiji's leading duty free stores in Suva you will observe up to six or eight items of electronic equipment on the checkout counter. Each financial institution has installed its own equipment because the necessary interchange arrangements have not been put in place between institutions to make this process more efficient.

Customer service in business is almost non-existent, and there is no sense of urgency in dealing with customer issues. Since moving to Fiji, I have been continually frustrated at the pathetic level of service from nearly every retail or service firm that I have dealt with. This level of service would not be tolerated in most countries. It appears that there is little staff training; most companies do not have a customer service charter or credo.

It is an important part of the role of the private sector in making the investments and creating the jobs and economic growth that it implement corporate governance and business practices which are in line with modern global business practices. Much needs to be done to help Fiji achieve its potential through developing a stronger sense of corporate governance, innovation and customer service in business.

I can not let this opportunity pass without making reference to a matter which is of great concern to the Australia Fiji Business Council. Let me be blunt: Fiji businesses have a lousy reputation for paying their bills. The Council secretariat often receives complaints from Australian businesses which have supplied goods and services to Fiji companies and have not been paid. Mostly the effort of seeking recourse is too great, so the debt is written off. This practice of slow, or no, payment of supplier bills does not do any good to Fiji's reputation. If Fiji is to achieve its potential this standard of business practice needs to be addressed, and the means of redress facilitated by the government ensuring there is an efficient legal mechanism which plaintiffs can use.

Role of Multilateral and Regional Agencies and Aid Programs

It is important that aid donors recognise that, as Australia Prime Minister Howard has said 'that genuine and sustained poverty alleviation will only occur …(through)… private sector growth'. I suggest that the key role of aid donors is to support governments through education and training and health programs to ensure there is a ready availability of well trained, healthy people able to participate effectively in the workforce at an appropriate level.

I would also suggest that there is a role for aid donors to support private sector development. One of the projects that I have been working on for several years with the Commonwealth Secretariat and EIB and which looks like it is close to fruition, is a mechanism to share the risks with commercial banks to enable more start up private sector businesses.

There is also a role for aid donors in supporting governments in the development of appropriate infrastructure to support economic development.

Encouraging Foreign Investment

Fiji must create a business environment which is exceptionally business friendly. The world is an intensively competitive place, and while those of us who love Fiji and believe in it, would like to think that the natural attractions of Fiji which have helped to create a world renowned tourist industry can also be instrumental in taking the economy to the next level, the reality is otherwise. Business decisions about investment will be made principally on the basis of the business environment. If all business environment issues are equal between two competing locations for investment only then can we expect that Fiji's natural environmental attractions *might* be decisive.

Fiji suffers from an international perception of being politically unstable. Hopefully, the multi-party cabinet now in place will assist in addressing this issue but it will take time.

It is important, therefore, to ensure that the business enabling environment which Fiji offers to potential investors is of the highest quality. Sadly, this is not at present the case. Overseas investors wishing to commence business in Fiji must run a gauntlet of intimidating bureaucratic processes. Only the persistent will survive these processes and finally consummate their investment for Fiji's long-term benefit as well as their own of course.

The Fiji Islands Trade and Investment Board in 2004 introduced a reorganisation, which it said was aimed at the improving the investment approval process. Certainly, in terms of the internal processes of the FTIB it had the effect of significantly shortening the length of time in which an investment proposal was processed before the investment certificate was issued. But the reforms failed to address many issues which need to be addressed on a whole of government basis to make Fiji more investor friendly. Fiji's immigration and work permit processes, the companies' office, and other business and fiscal regulatory processes have not been amended and upgraded to make the overall process more facilitating for investors.

To seriously attract foreign investment Fiji needs to open its arms, its heart and its bureaucratic processes and embrace legitimate foreign investors without all the red tape which is currently bound around them. It needs to create an open economy with minimal government involvement.

For example, the FTIB should not require investors to go through probity and compliance checks after the investment proposal has been approved. It is of course important that foreign investors, like any business in Fiji, observe Fiji's laws. But this is a matter for the relevant law enforcement authority. For example, it is a matter for the Labour Ministry whether a business in Fiji, be it a foreign or domestic, is compliant with Fiji's labour laws. It is a matter for the Reserve Bank and taxation authorities whether a business in Fiji, be it a foreign or domestic business, is compliant with Fiji's fiscal laws. It is a matter for Fiji Police whether a business in Fiji, be it a foreign or domestic business, is observing Fiji's criminal laws. It is a matter for the market whether a business in Fiji, be it a foreign or domestic business, succeeds or fails.

In other words, it is not up to the FTIB to be picking winners and losers.

It is also important that the FTIB and the Fiji government and community recognise the economic value of intellectual property. Not only does this mean that Fiji's world class intellectual property laws must be enforced, but it also means that foreign investors whose capital might be intellectual property rather than cold hard cash would also be welcomed.

Certainly, Fiji must know who are the foreign investors coming into the market, but it needs to minimise red tape and bureaucratic processes and genuinely facilitate legitimate investors.

If Fiji is to achieve its real potential, and enter into a full economic partnership with its neighbours, it must streamline its investment and business approval processes, and create an open economy including withdrawing the restrictions on foreign investment in certain sectors of the economy and opening the Fiji economy to competition, where the best and most efficient businesses win out and the economy and consumers benefit.

Agriculture

Fiji's largest agricultural crop, sugar, has relied on concessional access arrangements. These arrangements have discouraged reform and efficiencies. By way of comparison, Australia has one of the most efficient sugar industries in the world, but it is constantly undergoing change and reform to enable it to continue to compete globally and even it, frankly, struggles.

Fiji has enormous potential for diversification in its agriculture sector. The sugar industry has for many years been facing a crisis. Clearly reform in this industry is desperately needed. Almost certainly, though, the industry is unlikely to, in the future, provide the backbone of Fiji's agricultural sector as it has done during the 20th century.

There are many opportunities for diversification of Fiji's agricultural sector, both by large scale capital investment and also by increasing commercialisation of the village agricultural sector.

I was struck a year or so ago by the success of the village of Lutu in Naitasiri in turning their village agricultural activity into an export business. In Lutu, the village formed a business co-operative with a business structure. It produces dalo, and in 2004 was exporting about FJD12,000 per month (that is almost FJD150,000 per annum) of product. By their own assessment, this has led to improved nutrition, education opportunities and other important benefits for the people. More could be done to encourage other villages to do the same.

There are numerous good news stories emanating from the ANZ Bank's Rural Banking program which was established less than 2 years ago. My favourite is about the village women making paper from natural resources to supply *Pure Fiji*, one of the real success stories in Fiji. These women used to be paid in kind with a sack of flour or such. Now *Pure Fiji* gave ANZ a computer tape and the money is paid into the womens' accounts. Thus, now they have a choice whether to spend or save and they are accumulating capital to grow their business.

There are other examples of innovative agricultural activity. Goodman-Fielder (operating in Fiji as Crest Chicken) has developed an innovative village based chicken production process which has spread economic activity through a number of villages in the area around Suva. Through strategic foreign investment the moribund Viti Corp property at Navua is starting to look like a proper dairy farm.

Fiji should work energetically and urgently, including through developing land access arrangements which will facilitate larger scale foreign and domestic investment in agriculture, towards becoming more self-sufficient in supplying the fresh produce needs of the tourism sector to substitute for the supply of fresh produce which is currently supplied from overseas. Once agricultural producers become attuned to the needs of commercial production through expanded domestic supply they would then turn their attention to further growing business into export markets.

The 19th Australia Fiji Business Forum, held on the Sunshine Coast from 8 to 10 October, explored agricultural themes for Fiji.

Manufacturing

It is now almost two decades since Fiji's textile clothing and footwear industry started to develop. This industry has seen many ups and downs. The industry's weakness has been that it developed on the back of a structure of industry concessions based around SPARTECA, Fiji's own tax free factory scheme, and Australia's import credit scheme which was aimed at supporting Australian industry development but which some

clever entrepreneurs were able to use to develop significant businesses in Fiji. But like any business which relies on artificial support structures, it has limited life for only as long as the artificial support structures remain in place. And nothing is forever except diamonds! Fiji has been fortunate to have had from the late 1980s until 2000 considerable growth in this industry as it has grown its export business, especially to Australia and United States of America. But over the last few years the value of Fiji's textile clothing and footwear exports, and the level of employment in the industry, has declined markedly. Contributing factors to this decline have been the cessation of the general system of preferences in United States and the declining value of the benefits of duty-free access to the Australian market as Australia's own tariffs have progressively been reduced. Fiji's industry has struggled to compete on a cost basis with other manufacturing countries, especially in Asia. Fiji needs to face the reality that its TCF industry will never again reach the employment levels which it did a few years ago. Continued pleadings for the continuation of those artificial support structures only delay the inevitable. Fiji can have a viable TCF industry in the future, but it will be a lean, efficient and relatively niche industry compared to the larger scale industry Fiji has known.

Indeed, it is difficult to see a manufacturing sector where Fiji can develop a world class competitive industry. Logistics and economics will prevent that. I heard one of the political parties in the recent election campaign proposing the development of an international automotive parts manufacturing industry based in Vanua Levu. Perhaps this policy proposal was developed around Samoa's success in attracting such an industry fifteen or so years ago. I hate to sound like a wet blanket, but the idea of a globally efficient, competitive automotive parts industry in Fiji, let alone in Vanua Levu, is just fanciful. And what's more, the reason that this business exists in Samoa, is because 15 years ago, Fiji rejected it.

Certainly, there will be niche opportunities for manufacturing in Fiji for domestic consumption and export, but not on a significant scale.

Services

I believe Fiji's future economic growth lies in developing new service industries consistent with global business requirements for the 21st century. Countries like Ireland and Mauritius have had success in transforming their economies into modern service based economies. Fiji, too, has that opportunity if it acts positively and decisively to take advantage of a window of opportunity which is now open. Fiji already has taken some measures to create the basis for such an economy. It has created the world's most progressive taxation legislation for the establishment of audiovisual industries in Fiji, which by the definitions in the Act include IT and e-commerce. It has a natural advantage of sitting on the International Date Line which provides a time advantage for some back-office functions. In addition, serendipitously Fiji is the only Pacific Island country which has direct access to the high-capacity fibre optic Southern Cross Cable, which provides Fiji with the technology to communicate with the world at the same standard as any technologically advanced developed country. Already we have seen a number of companies establish some back-office functions in Fiji. But the growth in this sector has been slower than its real potential. Fiji needs to more aggressively sell to global industry the opportunities it offers for these functions. But there are some issues, notably infrastructure, to be addressed before the global industry will take Fiji seriously as a location for these industries despite its many advantages.

Infrastructure Development

This is a huge issue for trade and investment development.

Let me start with telecommunications. A characteristic of successful modern economies has been the presence of an efficient and competitive telecommunications sector. Communications stands at the heart of modern business functioning. The current telecommunications structure in Fiji has been an ongoing issue for several years as successive Fiji government have grappled with the legacy left by earlier governments of monopoly contracts provided to telecommunications service providers. There is, however, a harsh reality to be addressed here. Failure to address the desperate need for telecommunications sector reform is a serious and overwhelming constraint on developing Fiji's economy. This constraint can only be removed by opening the sector for competition. There is ample global evidence of how telecommunications sector reform plays a significant role in economic growth. In the case of Fiji, the natural advantages of time zone and access to state of the art international telecommunications technology are outweighed by the penalties the economy must carry through having an inefficient and uncompetitive telecommunications sector. Uncompetitive pricing, unreliable infrastructure, and low service standards are all a result of the lack of competition. Failure to urgently implement telecommunications sector reform and introduce competition is costing the Fiji economy much more than it would to address the problem, whatever it takes. Efficient, competitive telecommunications services, is critical to the establishment and success of the back-office industry which Fiji is trying to attract. Yet it is trying to attract it into an environment of second-rate telecommunications. Already I understand one back-office start-up operation has closed due to the uncompetitive nature of Fiji's telecommunications environment. The Fiji government must address this issue before the window of opportunity closes. Despite these huge challenges, it seems the best that Telecom can offer is a new logo. It is reminiscent of shuffling the deck chairs on the Titanic!

Other infrastructure challenges include power, water, roads and ports. It's a long list!

But if Fiji is to achieve its real potential it is important that these challenges are addressed. Efficient, competitive business needs to have reliable and competitively priced access to power and water, it needs roads which do not destroy the vehicles which drive over them (and which contribute significantly to the road accidents which have such heavy emotional, social and economic costs) nor which delay the passage of commerce because of their inadequate design. It needs ports which are efficient and allow for fast loading and unloading of vessels and the rapid transfer of goods across the wharves and their distribution beyond the port. It is a responsibility of government, possibly in partnership with bilateral or multilateral aid donors and perhaps with private sector participation, to ensure that these infrastructure requirements are met and are available for business

Mobility of labour

My vision is that in time to come as part of closer bilateral economic engagement there will be a free labour market between Australia and Fiji just as there is currently between Australia and New Zealand. The achievement of this will clearly need to be done in stages.

The advantage of free labour movement is that it changes the end sum nature of immigration. It enables people to move between countries to work for periods with the possibility that they will spend periods back in their own economies from time to time.

For Fiji, this means that people could work in Australia for a period, send money back to Fiji, and in time return home with some capital to spend or invest and some additionally acquired skills to invest in the labour market. And maybe return for another stint in Australia at a later stage of their life.

For Australia, it would mean easier access to working in Fiji either for short or longer term purposes with consequent benefits to the Fiji economy.

According to international studies, each foreign employee in an economy will create eleven local jobs. Because of the cost differential, no properly managed business will in any case engage an expatriate when a suitable local person can be employed

The Pacific Plan calls for free movement of labour between the Pacific island economies. This is a welcome policy initiative, and one which I support.

But there is a bigger labour mobility issue at large. It is for the Australian government a gorilla, which will not go away. And it is not going to go away.

There has been a strong push by some Pacific island governments and other sectors of the Pacific community for Pacific island nationals to have access to the Australian unskilled seasonal labour market. The Australia Fiji Business Council and its sister Councils have been actively supporting this issue for the last four or five years.

The Australian government has so far, illogically in my view, rejected these approaches. A Senate References Committee is currently examining the issue, and is expected to report to the Australian parliament in August.

It is important to make the point that the employment in Australia of several thousand, or even several tens of thousands, of Pacific islands country nationals will provide only some pressure relief for Pacific islands governments struggling to manage the youth bulge in their countries.

A work placement program will not obviate the need for Pacific island country governments to work to undertake in their economies the reforms necessary to attract domestic and foreign investment for long term sustainable economic development and growth, and to improve the current overall poor standard of corporate governance across all sectors.

It is also essential that any scheme put in place does not have the effect of stripping from the Pacific, talented members of the workforce, whose presence in the Pacific island country economies is needed to provide the basis for the new generation of business and political leadership.

I would at this point note that the Australian Prime Minister's initiative at the Port Moresby Pacific Islands Forum in 2005 to establish a Pacific Technical College while welcome at one level is not an appropriate response to this particular issue. We welcome the proposal to improve technical education in the region, but fear there is a real risk that the College will be used to train and then strip the Pacific island economies of trained tradespeople. We would be disappointed if the Pacific Technical College concept was to be developed in such a manner that it led to further depletion of skills from Pacific economies. Such an outcome will neither meet the proposals currently being debated about seasonal labour market access, nor benefit the Pacific island countries in their quest to develop their skills and economies. Nor will it meet the needs of Australian business in the region who suffer from the depletion of skills in the markets.

The Council takes the view that the introduction of any scheme should be seen as part of a desirable wider and longer term objective of drawing closer together the Australian and Pacific islands countries' economies.

To the Australian Parliamentary Secretary for Trade I say the Australian government needs to embrace the gorilla. Indeed, I believe if it does it will find it's a pussy cat. If there is one message you should take back to the rarefied atmosphere in Canberra it is this: the question of access to the Australian labour market is arguably the single most important issue between Australia and the Pacific island countries in the view of the Pacific island countries, and Australia's management of its relations with the region over the next several years is likely to come to be judged by how it handles this issue. So far, the Australian government is not getting a pass mark in this subject. We encourage the government to listen with an open mind to the growing groundswell of support which is developing for this issue both in Australia and the region.

Conclusion

Fiji has almost unlimited potential. What holds it back is its own lack of confidence of its own place in the world, and perhaps a limited knowledge of how it can achieve its potential. It is also hampered by external perceptions of Fiji which match neither its current reality nor its potential. I invite you all to share the vision and embark on an exciting ride over the next 30 to 50 years and help Fiji achieve its real potential.

Bob Lyon is the President of Australia-Fiji Business Council (2005-6) and Chairman of the ANZ Pacific.