

Need for decisive action on Fiji

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The recent alarming events in Fiji, a country best known to thousands of Australians as a friendly tropical holiday destination, have destroyed hopes of a return to democracy and effectively abolished the rule of law in Fiji. The abrogation of the constitution, dismissal of the judiciary and Commodore Frank Bainimarama's moves to censor the media, establish emergency rule, and sack the Governor of the Reserve Bank of Fiji have now triggered a full-blown economic crisis.

The country was already suffering from the effects of the global financial crisis, a decline in business confidence following the December 2006 coup and the devastating impact of flash flooding in January. The Reserve Bank of Fiji, which had warned of an impending liquidity crisis in mid-February, has now enforced strict exchange controls and announced a 20 per cent devaluation of the Fiji dollar. The population faces unprecedented hardship as jobs are lost, incomes slashed and the cost of living rises.

The collapse of its economy not only hurts Fiji but poses a very serious threat to the whole Pacific Islands region, dependent on Fiji as a hub for trade, transport, trade and education services, and to Australia's interests in the region. The crisis poses the most significant foreign policy challenge the Rudd Government has faced in the region, in the same year that Australia will host the Pacific Islands Forum Leaders' Summit and needs to demonstrate effective and inclusive leadership.

The Pacific Islands region and the international community look to Australia to exploit its deep and broad-ranging connections with Fiji and exert influence for change. A failure to act now will damage Australia's reputation and also increases the probability that much more substantial actions to assist Fiji and the region will be needed later. Previous delays in addressing crises in the region have come at a significant cost. Australia could have intervened in Solomon Islands to help police control ethnic conflict and isolated law and order problems in 1999. But the delay in developing an appropriate response while the situation deteriorated meant the policy response needed and eventually implemented became more complex and expensive.

The impact of the global financial crisis has created a new imperative for regional and global economic cooperation. Australia's response to the Fiji crisis needs to differentiate between a political response a strong and unambiguous condemnation of Bainimarama's actions and an economic response that takes into account the impact of the economic crisis in Fiji and the global financial crisis on the whole region.

Australia needs to move quickly to assist countries in the region but also to stabilise Fiji's economy, to help the innocent population of Fiji and safeguard Australia's economic interests in Fiji and the neighbourhood. Australia could fund the international financial institutions the International Monetary Fund, World Bank and Asian Development Bank to assist countries in the region suffering from the global financial crisis and the fallout from the crisis in Fiji.

A coordinated package of assistance from these institutions should also be offered to an increasingly desperate Fiji. A package with the right conditionality will put pressure on the interim government to introduce reforms. Fiji's military Government will turn to China rather than Australia for help to respond to the economic crisis, continuing its look-north policy.

As Chinese assistance would undermine international condemnation of Bainimarama's actions, Australia should seek to persuade China to direct any further financial assistance through the international financial institutions. This would be consistent with the commitments made at the recent G20 meeting in London on delivering resources to developing countries.

Importantly, it would send a strong signal to Bainimarama that his only option was to deal with the international financial institutions and adopt the disciplines they recommend.

How Australia reacts to Fiji's economic crisis will be remembered by the people of Fiji and the region and watched by the international community. If Australia stands aside, no matter how rightly principled its political approach to illegal developments in Fiji, it will be sending an important and enduring signal about the limits of its interests in its neighbourhood. Much including much beyond Fiji now rests on the strength, creativity and wisdom of Australia's response.

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