

Securing a Peaceful Pacific

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49. Under-development and Conflict

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The South Pacific was long a region perceived to be relatively peaceful and stable,¹ but the past two decades have seen it become manifestly more prone to overt and violent conflict. Many of the larger island states have undergone periods of intense political instability. Often, peace, political stability and prosperity are associated with economic development. Expressions of overt, violent conflict are usually closely linked to increasing poverty and the decline or destruction of productive endeavours. However, depending on the context, 'development' itself has sometimes been the trigger for conflicts, creating socially harmful economic and political structures, processes and problems.

Development and state capacity

A caveat should be entered here. Not all conflict is necessarily bad. Indeed without conflict, constructive structural transformations in societal relationships and culture would not have been feasible. All contemporary national states face numerous challenges and in many ways are an amalgam of competing interests. The potential for destructive conflict between these is inherent.

However, it is the capacity of the state to peacefully mediate these interests that is critical. This capacity differentiates states into two categories. First, those that are institutionally able to accommodate divergent interests in a peaceful, productive and even-handed way; and second, those that are not. In other words, there are states that have found the right balance, bringing coherence to the sum total of their constituent parts, and there are other states that have not, becoming victims of their constituent parts. Like other developing regions of the world, the Pacific has its share of both.

Although uneven development, social exclusion and unequal access to resources and opportunities have been the root causes of conflict, violent conflict has been more closely correlated with ethnicity and religious affiliation. Around 98 per cent of the world's nation states are multi-ethnic. Virtually all industrialised liberal democracies are multicultural. Most of these countries are relatively stable, although forms

of 'structural violence' persist, especially against minorities.² However, there are tensions and open violent conflicts between ethnic communities in a number of other countries. Intra-state conflicts have been especially rampant in post-colonial states.³ Virtually no geographical region of the world is entirely free of inter-group conflict. The capacity of a state to effectively manage mutually opposing interests between groups of its own people is pivotal for peace, stability and economic development.

The Pacific Islands region

The failure of the post-colonial state in Fiji in this regard provides a persuasive explanation for its relative stagnation when compared to the tremendous economic growth and much-improved social indicators of two similar countries, Mauritius and Singapore. All three enjoyed similar levels of per capita income in the late 1960s, but today Fiji's GDP hovers around US\$5,800 – half that of Mauritius (US\$11,400), and only a quarter of Singapore's (US\$23,700).⁴

This paper discusses the impact of overt and violent conflict on societies in the Pacific by considering the experience of Fiji, Papua New Guinea and Solomon Islands. It differentiates *direct* consequences from *indirect* and longer-term consequences. The direct impacts on all these countries are outlined, but a discussion of the longer-term consequences is limited to Fiji's experience. The root causes of conflict in these countries will not be discussed.⁵ The chapter will conclude, perhaps unsurprisingly, that overt violent conflict needs to be avoided if sustained economic growth and long-term development are to be achieved. Secure livelihoods and human security, systems of governance, robust institutions and checks on abuse of authority are the best safeguards against a descent into violent conflict.⁶

Economic consequences of violent conflict

The ramifications of overt violent conflict are manifold. Direct consequences primarily involve the loss of human life, property and stock of capital. Buildings, factories, wholesale and retail outlets, farms and other productive assets such as farm implements, crops and livestock are destroyed or stolen. Infrastructure including roads, bridges, airports, ports and water and electricity utilities may be rendered unusable or made inaccessible during the conflict, and sometimes for long after.

Direct impacts

In Fiji, Solomon Islands and Papua New Guinea there have been immediate and direct economic costs of conflict. The loss of life and limb – productive labour – has been more widespread in the Solomons (around 200 deaths) and in Bougainville (15,000–20,000 deaths). Physical injuries to people in the most productive age groups mean that hitherto economically active individuals can no longer earn a livelihood. It is likely that they have become dependent on others (most often immediate kin) for their survival. Family members of the injured may find themselves more vulnerable too, since meagre resources must be stretched even further.

The deaths of able-bodied and productive individuals have even more serious ramifications. While each death has severe consequences for immediate family and kin, large-scale killings are costly to the nation as a whole.

Fiji

Papua New Guinea-Bougainville

Violent conflict disrupts normal daily patterns of livelihood. In all these states there has been widespread displacement of people. For almost a decade, settled productive life in many areas of Bougainville was severely disturbed and production for basic survival was barely feasible for those hiding in the mountainous, forested interior. In Solomon Islands 35,000 people – 9 per cent of the population – were displaced. In some localities the proportion of the population displaced was far higher – 58 to 67 per cent in some wards on the Guadalcanal Plains.⁷

Injuries, deaths and displacement of people in addition to the destruction of property immediately disrupt and curtail economic activities. The closure of the Conzinc Rio Tinto copper mine had a huge impact on the national economy of Papua New Guinea:

In the decade after independence, approximately one quarter of internally generated revenue came from the Panguna mine on Bougainville. By 1989, this single mine accounted for nearly 10 per cent of the country's gross domestic product. The repercussions for the national economy of its closure in the same year in the face of armed rebellion by local landowners were massive. Among the adjustment measures adopted by the government were a net reduction of around K75 million for a budget of K1,000 million; tight monetary policies, including lower lending targets and higher interest rates; wage restraint; and a 10 per cent devaluation of the national currency, the kina.⁸

During the conflict commercial activities in Bougainville were brought to a standstill. The blockade by the PNG government exacerbated this situation.⁹

Solomon Islands-Guadalcanal

The conflict in Guadalcanal affected all productive activities on the island as well as commerce in Honiara. Large-scale industries such as oil palm, cocoa, gold and fish production were disrupted:

Village production was disturbed, including the production of subsistence crops and cash crops for sale in the Honiara market. After the coup of June 2000, this trade halted completely, although it did not take long after the [Townsville Peace Agreement] for some Guadalcanal sellers to return to the Honiara market.¹⁰

Until the intervention of the Regional Assistance Mission to Solomon Islands (RAMSI), most elements of the Solomon Islands' ability to generate foreign revenue were severely curtailed. The national economy was in tatters.

Fiji, 1987 and 2000

Fiji's economy has been disrupted by three military coups: two in 1987 and the more recent one in 2000, following the putsch by George Speight and his armed group of Counter Revolutionary Warfare unit (CRWU) soldiers. During each of these events the city of Suva was brought to standstill as shops, public transport and factories ceased operation. In May 2000 several supermarkets, shops and restaurants were looted and burnt. Estimates of damage to businesses in the city range from F\$10 million to three times this amount. Attacks on small-holder Indo-Fijian farmers saw

hundreds of people uprooted from some rural areas, resulting in a flood of 'internally displaced people' to the stressed and ill-prepared towns.¹¹

In 1987 sugar production, the mainstay of Fiji's agricultural economy, was disrupted when farmers boycotted harvesting. Tourism dropped by 36 per cent. Concessionary credit stopped and foreign direct investment fell sharply. Trade sanctions were instituted by the labour movement in Australia and New Zealand after a request by the Fiji Trade Union Congress, whose leaders were being detained and harassed:

Given that some 40 per cent of budget revenues came from custom and excise, the impact of the coups was quickly experienced by government: between 1986 and 1987 the budget deficit increased by over 12.5 per cent, to stand at almost 8 per cent of GDP.¹²

In response, the government imposed a 15 per cent wage cut on civil servants, slashed public investment in real terms by a third, and restricted private credit and outflows of foreign exchange. It instituted a two-stage, 33 per cent devaluation of the Fiji dollar in June and October 1987.

The putsch, civil unrest and military coup of 2000 caused economic disruption of a similar magnitude to that experienced 13 years previously. At the national level, the economy contracted by 8 per cent. Tourism, Fiji's primary foreign revenue earner, suffered an enormous decline. With trade sanctions in place, Fiji's export industries also experienced hardships. Several garment factories closed. Job losses in tourism, the garment industry, building and construction and the transport and communications sectors resulted in large numbers of people becoming unemployed or making job-sharing arrangements. Muaniweni, Viria and Baulevu in the south-eastern part of Fiji's main island, Viti Levu, experienced stagnation due to the absence of Indo-Fijian farmers and their families. They latter were housed in a 'tent city' for displaced persons near Lautoka, 150 kilometres from their usual place of residence. The number of people below the poverty line increased to between a third and one half of the population.

Indirect impacts

Indirect consequences of overt violent conflict include falling investment, capital flight, loss of human capital through emigration of skilled individuals, and lack of investor confidence. These all work to exacerbate the woes of a stagnant or declining national economy. In Fiji, investment levels have declined from around 25 per cent of GDP in the 1970s, to 12 per cent in the current period.¹³ Private-sector investment has not returned to two-digit figures since 1987.¹⁴ Sepehri and Akram-Lodhi estimated that there was a F\$120 million (US\$83 million) flight of capital from Fiji in 1987 and 1988. Many small businesses have closed their doors, with their owners sending their savings abroad, seeking security in neighbouring countries.

In the past 17 years some 100,000 Fiji citizens have emigrated. Although the rate of emigration appeared to have peaked in the late 1990s, it increased again as a consequence of the political instability and violence of 2000. Anecdotal evidence suggests that the loss of thousands of skilled and professional citizens has severely weakened Fiji's administrative, financial, social, political and economic institutions, though it is difficult to quantify its actual cost. Reddy, Mohanty and Naidu (2002) have calculated

the value of this human capital loss, including the cost of education and health provision, annual income forgone and savings per migrant, as F\$44.5-million per annum. This is equivalent to 4.7 per cent of the Fiji government's overall revenue.

The capacity of a country to engage in meaningful development depends on educated and trained people. Their loss through migration has significant impacts on development. The loss of doctors, nurses, teachers, engineers has severely affected health services, public utilities and educational standards. The doctor-to-population ratio has decreased from 1:1,929 in 1997, to 1:2,978 in 1999.¹⁵

Deadlock and instability

Fiji's current government has estimated that the country needs an investment rate of 20 per cent of GDP to achieve 5 per cent annual growth rate in the short to medium term. With the ongoing disagreement over power-sharing, possible review of the 1997 constitution and the uncertainty over agricultural land leases, there is little scope for building the necessary investor confidence needed to underpin sustained economic growth and development.¹⁶

The political impasse has seriously affected the ability of the parties concerned to resolve land-lease issues for farmers. This is especially the case for sugar cane farmers and the sugar industry as a whole. The sugar industry remains the most important component of Fiji's agricultural and manufacturing sector. Some 21,000 farmers and a further 30,000 cane cutters, mill workers, truck drivers and other service providers depend directly on this industry for their livelihood. Sugar cane production has declined by a third since 1997, when agricultural leases for the farms began to expire. Ineffectual management and under-capitalisation of the four sugar mills are among the other major problems faced by the industry. The impending loss of preferential access to the EU market under the Cotonou Agreement means the agricultural sector and the country as a whole face an imminent crisis. Preferential access to the EU has allowed Fiji sugar to sell for up to three times the average world market price.

Conclusion

Overt and violent conflicts in Fiji and the Pacific have put a block on sustainable economic development. Conflicts and political instability have had direct and indirect economic consequences. In turn, these have social and political effects. Fiji has become stuck in a downward cycle documented by a raft of worsening social indicators, including rising levels of poverty, declining life expectancies and fewer children attending school. Fiji has slipped down in the UNDP Human Development Index from 47 in 1993 to 67 in 1999, and 69 in 2004.

It is noteworthy that violent conflict also has longer-term inter-generational consequences. It makes a country more prone to violent uprisings. Each episode of overt inter-group violence heightens ethnic or religious awareness, reinforcing hostility, distrust and even hatred of 'the other'. One violent incident may result in further resort to violence for dealing with other inter-group issues. If a conflict results in bloodshed, it often become part of the 'group memory' and is invoked in the next crisis. Notions of 'payback' are likely to aggravate matters. Overt violent conflict can therefore become institutionalised, almost a way of life. This, of course, is a significant hurdle for long-term development.

Notes

1. J. Galtung (1969), 'Violence, Peace and Peace Research', *Journal of Peace Research*, Vol. 6, pp. 167-91. The idea of a peaceful and stable Oceania is appealing but this has not been the case for the region as a whole over the past 200 years. There have been numerous incidents of open violent conflict as a result of endogenous and exogenous factors. These include the Second World War and anti-colonial struggles.
2. Riots by native Australians in Sydney in April 2004 and periodic riots in major metropolitan cities manifest the explosive anger against the systemic violence against minorities.
3. Rupesinghe (1992), *Internal Conflicts and Their Resolution*, Vol. 3, Internal Conflict and Governance Project, Oslo International Peace Research Institute, Norway.
4. Figures from CIA Fact Files for each country. The Fiji figure appears to be an over-estimate.
5. John Henderson provides a useful overview of conflicts in the Pacific and their causes in 'The Future of Democracy in Melanesia: What role for outside powers?', *Asia Pacific Viewpoint*, Vol. 44 No. 3, December 2003, pp. 225-42.
6. Tony Addison and S. Mansoob Murshed (eds) (2003), 'Explaining Violent Conflict: Going beyond greed versus grievance', *International Development Journal*, Vol. 15 No. 4.
7. Wardlow Friesen (2003), 'Economic Impacts of the "Ethnic Tensions" in the Solomon Islands', in Donovan Storey, John Overton and Barbara S. Nowak (eds), *Contesting Development: Pathways to better practice*, proceedings of third DEVNET conference, Institute of Development Studies, Massey University, Palmerston North pp. 256-61. Paper also accessible on webpage: http://www.devnet.org.nz/conf2002/papers/Friesen_Wardlow.pdf
8. S. Dinnen (2001), *Law and Order in a Weak State*, University of Hawai'i Press, Honolulu.
9. Positive consequences of the blockade comprised efforts at self-reliance including the manufacture of coconut oil as fuel for diesel vehicles, mini hydro-electricity generation and a reversion to 'bush' medicine.
10. Friesen (2003), pp. 256-57.
11. Only displaced people who cross the border of their country are regarded as refugees. Interestingly enough, West Papuans who have fled their country are not regarded as refugees by Papua New Guinea and UNHCR. During the conflict in Honiara, as many as 12,000 displaced Malaitans were in camps organised by the Red Cross.
12. Haroon Akram-Lodhi and Ardeshir Sepehri (2001), 'Trouble in Paradise?: Savings and growth in Fiji, 1970-2001', *Journal of the Asia Pacific Economy*, Vol. 6 No. 3, pp. 360-85.
13. S. Kumar and B. C. Prasad (2002), 'Fiji's Economic Woes: A nation in search of development progress', *Pacific Economic Bulletin*, Vol. 17 No. 1, pp. 1-23.
14. P. Narayan (2004), *The Economic Impact of the Coups in Fiji: Evidence from a computable general equilibrium model*, Mimeo, New York.
15. M. Reddy, M. Mohanty and V. Naidu (2002), 'Economic Cost of Human Capital Loss from Fiji: Implications for sustainable development', paper presented at the 5th International Conference of the Asia Pacific Migration Research Network, Fiji; M. Mohanty, 'Human Capital Resource Outflow and Development in Fiji Islands', in S. M. Lee and S. Chongsithiphol (eds), *E-globalisation in the Pacific Age*, proceedings of Pan-Pacific Conference XIX, Bangkok, 29-31 May 2002, p. 365.
16. Henderson (2003) has observed that an unpalatable aspect of the Fiji case is that if an Indo-Fijian were to be elected prime minister, there would be another coup. This has been echoed in Sitiveni Rabuka's recent assertion that a Fiji Labour Party victory in the 2006 polls will lead to a military coup.