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McNamara Papers

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Contacts with member countries: Fiji - Correspondence 01

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FIJI

1. 2/7/74 RMcN Notes
(Fiji)
2. " Meeting with Cabinet Members and Financial Leaders
Rt. Hon. Ratu Sir Kamisese Mara - The Prime Minister
Ratu Penaia Ganilau, Deputy Prime Minister
Douglas Brown, Minister of Agriculture
Charles Stinson, Minister of Finance
Mr. Savenaca Siwatibau, Permanent Secy for Finance
Major Rakala, Commissioner, Western Division

NOTES ON VISIT TO FIJI

February 7, 1974

1. A population of 535,000, inhabiting two large and some 800 small islands, 7,000 square miles (approximately the size of Massachusetts). Half of the population is Fijian (Melanesian and Polynesian from Southeast Asia) and half Indian. Literacy is 85% and income per capita \$507 per year.
2. Captain Cook visited the Islands in 1774; the native chiefs ceded the land to the UK in 1874; the country became independent in 1970 (Dominion status).
3. A major problem is the labor unrest exemplified by strikes and pressures for wage increases despite low productivity.
4. The outlook is for a period of relatively slow growth, perhaps 3 to 4% per annum; rising unemployment and under-employment in a labor force growing at about 3 1/2% per annum; rapid inflation, perhaps 10% per annum for the next three years; and a large balance of payments deficit reflecting in part the explosion in oil prices. Fortunately, their government leaders (particularly the Prime Minister and the Finance Minister) and other leaders of their society, both public and private, appear far more competent than the average of those I meet in developing countries.

PERSONALITIES

Fiji

Ratu Sir Mara

Finance Minister Charles Stinson

OFFICE MEMORANDUM

TO: Files

DATE: March 5, 1974

FROM: R.J. Cheetham SUBJECT: Mr. McNamara's Visit to Fiji

Mr. and Mrs. McNamara and Anders Ljungh visited Fiji on February 7 for one day. A copy of their itinerary is attached. This note is a brief record of Mr. McNamara's meeting with members of the Cabinet and with financial leaders in Fiji.

Meeting with Cabinet Members

Mr. McNamara began by saying that he was interested in hearing about the problems of rural-urban development in Fiji, about the effects of the energy crisis on the economy, and about the role the Bank could play in the development of Fiji.

A discussion of the appropriate development strategy for Fiji followed, with Mr. McNamara stressing the need to maintain sufficient growth to create more jobs and absorb the rapidly growing labor force. He said that the Government would have to ensure that priority industries received sufficient energy to maintain growth and that energy conservation measures should be concentrated on low priority uses. The Prime Minister and Ministers of Finance and Agriculture agreed with the need for more emphasis on agricultural development, and indicated that additional foreign aid would be needed to accomplish this. The Ministers thought that past aid projects were too large for Fiji's needs (an implied reference to our road project). Livestock was mentioned as having considerable potential both to meet domestic demand and for export. Mr. McNamara indicated that the Bank would be interested in supporting agricultural development even if the foreign exchange content of projects was low. He suggested that in order to obtain a project large enough (he mentioned \$3 - 5 million as an illustration) to interest the Bank a package of small projects could be put together.

Mr. McNamara indicated that Fiji was not eligible for IDA because there were only limited funds available and these were channelled to the poorest member countries.

Meeting with Financial Leaders

In response to a question about the Bank's agricultural lending strategy, Mr. McNamara said he hopes that the Bank can lend less developed countries a total of \$4 - 5 billion in this field in the next five years. He said the Bank is prepared to help with agricultural development in Fiji. A discussion about the problems of lending to small farmers then followed. The problem of land tenure, lack of collateral for conventional

President has seen

bank loans, and the high administrative costs of agricultural loans were covered. In response to a question about the security required by the World Bank, Mr. McNamara said we require a government guarantee. He pointed out that we are concerned to see that a project is economically viable and typically expect to see economic rates of return of 17 - 19 percent, although the returns on agricultural projects are sometimes a bit less.

In response to a question about the oil crisis Mr. McNamara said that the current market price of \$8 a barrel for crude oil, which was four times the price prevailing in 1972, would add \$10 billion to the import bill of less developed countries. It was unlikely that they could obtain this amount of additional finance however. He strongly urged conservation of fuel in low priority areas and allocation of sufficient fuel to priority sectors. He said that countries would have to rely on reserves to maintain the flow of essential imports until additional financing facilities like recycling of funds through the IMF can be worked out. He could not say how much additional capital would be channelled through the World Bank, but he indicated that the Bank is in contact with Arab oil producing countries. He said that incurring additional external debt was a preferable alternative to economic stagnation. In response to a question about whether the energy crisis would result in a major shift in the Bank's lending strategy he said we would have to wait and see whether conflicts emerged. In any case he would be very reluctant to give up lending to raise productivity in agriculture.

Mr. McNamara asked about other investment prospects in Fiji, particularly in tourism. The Minister of Finance indicated that the industry faced a period of slower growth, and with the very high debt-equity ratios, there would be a sharp increase in foreign capital outflows in the next few years. He said that the Central Monetary Authority is now insisting on debt-equity ratios of not more than 3:1 in approving new foreign borrowing. The Government was now about to decide on its longer-term growth strategy for tourism, and it seems likely that an expansion of about 12 percent a year would be planned for.

In response to a question about whether Fiji should join IFC, Mr. McNamara said that although the costs to Fiji were small there were no obvious advantages at this stage.

Attachment.

RJCheetham:mb

Cleared with & cc: Mr. Ljungh

cc:

Messrs. Knapp
Weiner
Street
Baneth
Hawkins
Hasan
K. Young

Messrs. Picciotto
van der Meer
Arnold
Vasudevan
Dickenson
J. Simmons
H. Young

Messrs. Goodman
William Clark
Kongsiri
Humphrey

Itinerary

February 7, 1974

<u>Time</u>	<u>Event</u>
0625	Arrival at Nadi Airport, met by Deputy Prime Minister Ratu Penaia Ganilau and Finance Minister Charles Stinson.
0900	Departure for Suva by chartered plane flying over Nadi-Suva Road
1130	Meet Prime Minister Ratu Kamisese Mara in Suva
1200	Meet Ministers in Operations Room
1330	Lunch with Prime Minister, the leader of the opposition party, and some ministers and representatives of the banking sector.
1530	Meeting with Finance Minister and officials
1600	Radio and press interview
1615	Depart Suva for Nadi
1945	Depart Nadi

Mr. R. Cheetham

ITINERARY FOR THE VISIT OF
MR. ROBERT S. MCNAMARA, PRESIDENT OF
THE WORLD BANK - 7TH FEBRUARY

Thursday 7th Feb.

6.10 a.m. Arrive Nadi (from Los Angeles)
Met by Hon. Ratu Sir Penaia Ganilau,
Deputy Prime Minister; Hon. Charles A.
Stinson, Minister of Finance;
Mr. Savenaca Siwatibau, Permanent
Secretary for Finance; Major Takala,
Commissioner Western Division
(Accommodation: Nadi Travelodge)

9.00 a.m. Nadi/Suva (Charter flight over Suva/
Nadi Road)

10.45 a.m. Arrive Nausori
(Accommodation: Grand Pacific Hotel)

11.30 a.m. Meet Rt. Hon. Ratu Sir Kamisese Mara
Prime Minister

12 Noon Meet Ministers, Operations Room

12.30 p.m. Buffet Lunch with P.M. - P.M.'s Bure.

2.45 p.m. Meeting with Ministry of Finance
Central Monetary Authority
Fiji Development Bank
Trading Banks
(F.D.B. Board Room)

3.45 p.m. Leave Suva for Nausori

4.10 p.m. Leave Nausori for Nadi

(President and his Party leave Nadi for Auckland at 7.45 p.m.)

President's Party:

President Robert S. McNamara (accompanied by Mrs. McNamara)
Mr. Anders Ljungh, Personal Assistant to President
Mr. Russel Cheetham, Asian Division, I.B.R.D.

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