



# SPEECHES

## Opening Address

### 40TH CONFERENCE OF THE SEACEN GOVERNORS AND 24TH MEETING OF THE SEACEN BOARD OF GOVERNORS

#### OPENING ADDRESS BY THE PRIME MINISTER OF FIJI, HONOURABLE LAISENIA QARASE, AT THE OPENING CEREMONY ON TUESDAY 31 MAY 2005, NADI, FIJI

- Honourable Minister
- The Chairman of the SEACEN Board of Governors and Governor of the Central Bank of Sri Lanka, Mr. Sunil Mendis and Mrs. Mendis
- Governors of SEACEN central banks and observers
- Your Excellencies
- Governor of the Reserve Bank of Fiji, its Board of Directors, Management and staff; Ladies and Gentlemen

Bula vinaka and a very cordial welcome to Fiji.

I am honoured to be with such an influential group of Central Bankers for the opening of this 40th Conference of the SEACEN Governors.

The journey here for most of you has been a long one, and for some it will be your first visit. Well, I can assure you that you've made the right decision in coming to Fiji for this gathering. Our Reserve Bank will do its best to make your stay happy and enjoyable, and so will all the other local people you meet.

Friendliness and hospitality are part of our national character.

I'm sure you will understand when I say I would like to encourage you to spend as much of your conference allowances as you can while you're here. In that way you will be able to make the maximum contribution to our financial welfare!

Of course I don't have to tell you that you'll need to do this in line with your own exchange control regulations!

While Fiji has only recently become a member of SEACEN, we have actually been involved with the organisation since its establishment. Fiji decided to join the South East Asia Voting Group when we became members of the International Monetary Fund and the World Bank following our independence in 1970. We have hosted two meetings of this Voting Group.

Historically, Fiji has very close ties with several SEACEN countries, originating with the service of Fijian troops in the region during the Second World War. Our links with them have also broadened through trading relations we would like to further strengthen.

Alignment of our interests, as far as possible, with South East Asia, is right for Fiji. This area has some of the world's most dynamic economies. Its strategic importance will continue to grow. Our level of development is similar to some of the SEACEN nations. So we have much to learn from our affiliation with them, and organisations such as this.

There is great value also in exchanging ideas and sharing experiences. And there'll be plenty of that happening here.

Fiji, to date, is the only South Pacific member of SEACEN. We therefore bring a special island flavour to the SEACEN family.

Although some months have passed since the Asian tsunami catastrophe, I nevertheless take this opportunity of again extending our deepest sympathies to the families who lost loved ones at the time. The repercussions of that terrible natural disaster will be felt for many years.

Countries that suffered the most are represented here. They should know that we did what we could to help. We fully support the regional and international assistance mobilised for relief efforts and we wish you well as rehabilitation and reconstruction go forward.

I can think of no more relevant theme for bankers like you than the conference topic – Toward Achieving Financial Stability. That's what it's all about, ladies and gentlemen. Maintenance of stability is at the heart of your profession; it is the Central Banker's prayer.

We look to our Central Banks to keep a steady hand on our financial systems to ensure they are sound and strong. This supervisory aspect is critical for maintaining the public confidence upon which any banking and finance system is built. It has been under scrutiny for some time, leading to the establishment of universal guidelines.

The last decade saw a number of financial crises, including one in the Asian region. This, of course, created a lot of pain and suffering. Some nations were able to cope better than others because their economies were more resilient.

The major lesson from what happened is that protection is always better than cure. Economic stability must be safeguarded always. Early warning signals are needed. Vigilant Central Banks with adequate resources and skills must effectively monitor and read these signals, and be proactive about solutions.

I think we can say that the region is better equipped now, than it was several years ago, to avoid financial turbulence.

In Fiji, we had our own calamity, with the collapse of our former National Bank in the early 90s. Since then, the Reserve Bank

of Fiji has made great advances with its supervisory regime.

I believe our monitoring and regulation of commercial banks is well in place. I can tell you, as a former commercial banker, I have some experience in the compliance department. It was not always easy!

Our oversight of insurance companies is more effectively focused. Fiji's critically important superannuation fund has been brought under the supervision of the Reserve Bank. I am sure we can acquire new knowledge from SEACEN Central Banks with their own responsibility for oversight of superannuation and insurance companies.

The promotion of financial markets is an added and crucial responsibility of Central Banks in developing countries. This process is making progress in Fiji.

Although our Stock Exchange is small, it is offering a new avenue of investment and there is good potential for its growth.

The Reserve Bank of Fiji is presently modernising the country's financial system. International analysts have described it as being relatively advanced, with almost all facilities normally available elsewhere. It provides a sound underpinning for the economy and, in comparison to our neighbours, is relatively diverse and competitive.

I am pleased to learn that the RBF is planning to introduce a Real Time Gross Settlement System this year.

Ladies and gentlemen, there is a clear and present threat from money laundering, and its associated activities. After we considered several international assessments of our ability to deal with this, the Government introduced an Act last year for the reporting of suspicious transactions. It compliments several other pieces of legislation. A Financial Intelligence Unit is now established at the Reserve Bank.

Fiji has agreed to take parting in a joint International Monetary Fund and World Bank Financial Sector Assessment Programme. This will provide a very comprehensive evaluation of our financial system, with particular emphasis on its ability to absorb the shock of the unexpected. The recommendations that come from this assessment are likely to be central to the framework for its future development.

Let me dwell for a moment on the matter of macroeconomic stability, and its relationship to sustained growth.

Our Reserve Bank Governor Narube regularly reminds the nation that we must not allow domestic demand to surge too far, without exports providing the necessary support, if this does not happen, we will face pressure on our balance of payments.

I fully endorse what he says and have myself taken on the task of promoting this message whenever I can. We are pursuing new strategies for export growth.

I do not want to sound too negative here, but the reality is that small island economies must contend with distinct disadvantages in the business of building exports.

Our preferential access to developed country markets is being taken away, with little regard for the consequences of this for countries like ours.

I go further and say that the effects of globalisation have dealt us a body blow. We are being hit where it hurts the most – in the loss of jobs and incomes.

The unrealistic policies of the World Trade Organisation have virtually blocked our former access to the US market for Fiji-made garments.

Our trade agreement with Australia and New Zealand, both of whom enjoy large trade surpluses with us, is fast losing its value as those countries bring their tariffs down. Again, we are losing precious jobs as our advantage in Australia for garments is eroded. Thousands of employees are on a reduced week.

It is clear that in the age of globalisation, changes in international trade are being applied with broad and brutal force. They are unrelenting in creating a new economic landscape which imposes extra burdens on the weak and disadvantaged.

Where is the justice for countries like ours when markets in the developed world are closed to us?

The inescapable fact is that we need the help of the industrialised, developed states, and the entire international community, to secure our place in the new order.

Those who hold the real power have a responsibility to ensure that for both developed and developing states, and for big and small countries alike, globalisation means a fair and equitable spread of opportunities. These must be manifested in new investments, more jobs, decent work, and improvements in education, health and other social amenities.

I feel passionately about this. I will raise my voice wherever and whenever I can against the inequities of global rules which ignore the plight of the vulnerable.

Let me clarify what I mean by vulnerability, in the context of our own country.

We have less than one million people. Our GDP is about \$3 billion US dollars. We have to rely, for the moment, on just a few major export earners, mainly tourism, sugar and garments. Most of what we require, including essential food and fuel, has to be imported. Freight costs are high because of our location. We are familiar with droughts and hurricanes. Just one severe tropical storm can obliterate a large chunk of our economy overnight.

In common with many island nations in our Ocean, we face significant challenges in constructing infrastructure.

You will see then why we need our overseas friends and the international agencies to work with us in a spirit of partnership as we seek a better life for our citizens.

We need market access and trade support. We need aid for infrastructure and rapid access to financial grants for disaster

rehabilitation. And, of course, we need assistance in improving our skills, our knowledge, and our framework of governance.

Ladies and gentlemen, I am glad to tell you that despite the odds against us, the Fiji economy has done well in the last four years. This consistent growth has been the best we've had in a long time. International analysts, including representatives from the IMF, have praised our performance. We are proud of what we have done, especially in the light of internal difficulties of our own. Our record of growth is the product of much effort by many people, and I thank them.

It is for us now to keep moving ahead. We must do all we can to deal with the threats I've mentioned, and use everything we have to the best advantage. We must not lose our nerve, or our confidence.

The Reserve Bank is presently forecasting lower growth. With respect to the RBF, the Government would like to prove that they've got it wrong! We'll have to wait and see.

We are much encouraged by a significant rise in investment, that vital ingredient of expansion. It had gone through a period of decline. But from 2001, the graph started to move steadily upwards.

We are experiencing a building and construction boom to match the peak we reached in the late 1970s.

Here on Denarau Island, for instance, there is a hive of investment activity. Just down the road, the Sofitel and the Hilton are rising. A short drive away, a Marriot hotel is underway.

Further along on the Coral Coast, an Intercontinental will soon take shape.

Only yesterday, I was honoured to do the groundbreaking for a new island resort not far from here, and to open another resort that has just been completed. And that is not the end of our story of new investment in tourism; not by a long way.

We have proved, then, that we can draw the investors, and we are confident that more will follow.

Fiji tourism is our most successful sector with growth higher than the world average. Australia and New Zealand are our traditional markets, but we are also seeing a climb in arrivals from Asia. We want to encourage a continuation of that.

In addition to our direct flights to Narita and Seoul, it would be excellent if we could also open direct routes through to Singapore or Bangkok. For many of you, this would halve your travel time to Nadi.

There is another example of how we have been able to capitalise on the resources we do possess, in the emergence of Fiji as an attractive location for film and television making. We think we have introduced the best tax incentives in the world for this.

Conferences like yours are important for a number of reasons. One of these is to widen professional networking and relationships which work to the advantage of all involved. I am sure this will be one of the results of your meeting.

Ladies and gentlemen, as your hosts we sincerely want you to enjoy your stay in our multi-cultural nation, with its many distinctive traditions. The Fijian ceremony of welcome you witnessed is reserved for very special guests. That is what you are to us.

I hear that some of you are keen golfers, who may have played a few holes this morning. I thought you'd be interested to know that I met recently with the world's top golfer, Vijay Singh, in this very ballroom. Vijay happens to be one of our local boys and I was very happy to announce here his appointment as our first sporting ambassador. He was in Fiji to design a golf course for a new resort on the Coral Coast.

So I can see a future SEACEN Governor's conference perhaps taking place there! Then you can experience what Vijay Singh believes will be an outstanding attraction, and you may even improve your game!

Thank you for listening to me, and enjoy your conference.

Thank you.