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*Full Length Research Paper*

# **As History Beckons: Expectations from Fiji's upcoming Budget and Election- 2022**

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**The research paper aims to share information about the upcoming budget address and elections. Fiji has become one of the first Pacific Island nations to do a budget review. Moreover, the government has been continuously changing their budget reforms, policy and reporting over the years. As the elections loom, the government changes their budget address to benefit the public. The changes are certain to benefit the public; but in return, the government aims to have the public pledge to vote them back. The paper explains the changes the government will incur during the new budget address and what benefits the public may rip. Furthermore, the paper's final section will explain the economic damages Fiji is expected to have based on the international conflict.**

**Key words:** Budget, Debt, Inflation, Election, Political Instability.

## **INTRODUCTION**

### **Fiji's political history**

Fiji is a quintessential nation known as the paradise in the South Pacific and a country that has been a tourist destination to many travellers around the world. Tourism has become the highest contributor to Gross Domestic Product, Overtaking the Agriculture, Mining, and Manufacturing industries. Since 1970, after Fiji gained independence, the agriculture industry was the highest labour market and contributed significantly to economic progress. However, since the first political coup in 1987, a battle between different ethnicities caused problems for Fiji in Commonwealth. Since then, Fiji has seen rapid migration, especially Fiji-born Indians that fled Fiji after the military takeover. The same problems continued whenever Fiji had political instability. Coup d'état has become a culture in Fiji, and the coupists believe they are doing right by changing the government (Gosai, 2022). A

similar situation occurred in December 2006, a bloodless coup that was instigated by military leader Frank Bainimarama. After the political chaos, Commonwealth suspended Fiji on December 8, 2006. Fiji failed to restore democracy till September 22, 2014. Then on September 24, 2014, Fiji was given full privilege to participate in Commonwealth events. Since then, Fiji has been led by the coup plotters of 2006, Frank Bainimarama (Namusoke, 2015). Fiji became the first nation to be suspended from Pacific Islands Forum (PIF) since it was founded in 1971. Due to numerous political disequilibria faced in Fiji, the Commonwealth, EU and the UN further isolated Fiji from their union. Fiji faced multiple pressures from international organisations to restore democracy, including immense pressure from the UN Security Council. The country was led by an interim government headed by military commander Frank Bainimarama. Using

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his military powers, he stormed and overtook the elected government. The interim/provisional government lasted for eight years. The interim government promised to hold the election in 2012 to the international community and the Fiji people. However, later on, they deferred it for another two years (Hayward-Jones, 2014). The interim/provisional government lasted for eight years. The country went into a further political crisis, as news reported by Aljazeera in 2009 filtered in that the president at that time, Ratu Josefa Iloilo had been reappointed the interim prime minister, Frank Bainimarama. This happened less than two days after the nation's highest court ruled that the subsequent government and the 2006 coup were illegal. Later, the president sacked the judge and suspended the national constitution (Aljazeera, 2009). The interim prime minister stated that he wanted to reform the electoral system before the election. He believed that it was not an overnight thing. Therefore, he called on Australia and New Zealand to stop pressuring Fiji and resolve tougher international sanctions and democratic threats. During that period, the independence of the judiciary system in Fiji was compromised. This includes the constraints on media freedom, civil society and human rights. However, the opposition political parties still believe that there is no freedom regardless of whether the country is democratic. It has been proved that elections don't resolve issues and don't mean democracy. Every time coup is conducted in Fiji, the nation losses its trade, currency value, current account balance, Gross Domestic Product, international relations, and human rights. During the coup, the elected government is removed forcefully. Throughout history, Fiji has seen three coups altogether. Two of them (1987 and 2006) came through military takeover. The 2000 coup was a military, and ethnic (native Fijian) motivated coup to remove the Indian-led prime minister. In the long run, the coup has an adverse impact on the Fiji economy. Political disequilibrium causes damage to international relations, uncontrollable crime within the nation, unstoppable migration, and racism disputes (Gong and Rao 2016). Furthermore, the nation losses its currency value and skilled workers. After every coup, the nation faces a lack of support (foreign aid) from international communities, which results in the government imposing a heavy tax to generate revenue. A high rate of tax affects consumer behaviour (Narayan and Prasad, 2007: Narayan, 2005). To deliberate the information, the researcher will use the previous national budget of Fiji to analyse and forecast the potential formulation of new policies and budget allocation. The research is pure analysis of budgets, recent budget revisions, fiscal frameworks, and parliamentary debate sessions.

### **Expectations from the 2022 to 2023 National Budgets**

The new budget is expected to be more practical. A budget before general elections will portray an image of

“a budget for the public”. A tax cut will provide an incentive and an opportunity to engage workers to save and invest. Moreover, not all tax changes will impact growth (Gale and Samwick, 2014). However, the nation is not prepared for a tax cut. After COVID-19, Fiji was shattered. The primary focus of the budget was to support the health sector. Regardless of the support given by the neighbouring nations to boost budget allocations, Fiji continues to be in deficit. Further increase in the deficit will reduce Fiji's national savings. It is expected that Fiji will increase its debt liquidity and borrow more to finance its new and upcoming budget. During the global pandemic, most of the sectors have reduced their operation by half. Industries such as tourism and the airline industry were impacted the most as they were out of operation during the crisis of COVID-19. Fiji's airline industry, “Fiji Airways”, has been in a pile of debt, and the pandemic made it worse for the industry. The government had to provide financial support to the industry to make repayments of their debts. An increase in governments borrowing from international countries increased overall debt for the nation. As of now, the economy is preparing to re-establish itself after the third wave of COVID-19. Finally, the airline and tourism industry get a chance to operate its services resumed upon border opening. However, there has been a consensus of debates regarding airlines and their financial performance as it has not been publicly available for scrutiny. The government's fiscal framework compared to the 2021 to 2022 and 2022 to 2023 targets. The government sets expectations. Through the expectation, the desire is to meet their targets and generate enough revenues to finance their petty desires before the election (Table 1). Table 2 highlights the grant expected to increase and further increase government spending. The extra spending will push the budget to a higher deficit and increase the national debt. It is sanguine to escalating debt. It leads to economic progress. The burgeoning debt for Fiji did not show any remarkable signs of such investment (Gosai and Kumar, 2022). Gosai and Kumar (2022) further argued that the results would be limited regardless of government spending on allocated policies and new projects especially when the government has not gone through proper consultations with relevant authorities deliberating the importance of schemes that needs acute attention (Gosai and Kumar, 2022). It is expected that the government will spend this year to impress the public. During the COVID-19 pandemic in Fiji, the economy ended in recession. Most businesses closed down, causing high unemployment. The government allocated \$200 million to support unemployed workers. However, the support had controversial conditions; conditions that indicated “no jab”, “no job” policy, and also “no jab” and “no unemployment benefit”. Moreover, many Fijians are still unemployed as the economy is recovering from the impact of the pandemic. The expectation of the public

**Table 1.** Government debt level and targets (\$M).

Budget of Fiji	2021-2022 Budget	2022-2023 Target	Expectation
Revenue:	2,253.1	2,939.9	The government is set to target an increased revenue collection through taxation. However, soon after the reopening of the international border, it is expected that revenue will increase.
Tax Revenue	1,710.5	2,322.1	An increase in tourism arrival and international inflow and out from Fiji will bring more revenue. The accommodation sector that contributes tax revenue, such as ECAL and service tax, will increase due to services opening.
Non-Tax Revenue	542.6	617.8	The non-tax revenue growth will remain within the boundary of the targeted revenue.
Expenditure:	3,715.1	3,812.1	It is estimated that the expenditure will also increase during the upcoming budget allocation. More allocation will be provided for subsidies, grants and ministries. Ministries such as Health will have an increase to combat COVID-19. Moreover, it is also noted that 2022 is an election year. The government will aim to increase budget allocation in areas that benefit the public. This is possibly a technique of vote-buying. Using this technique, the current government has been successful twice in 2014 and 2018. A budget branded as "Budget for the Fijians."
Net Deficit	(1,462.0)	(872.2)	However, the targeted deficit set by the government will change due to the increased estimated spending in 2022. The net debt will most probably be higher than 2021-22.
Debt	9,125.7	9,976.7	The national debt is set to increase further in 2022 due to heavy borrowing that happened in the past to finance economic operations. The impact of COVID-19 has put extra pressure on the government to borrow and invest in their unstable economy. The new loan signing with JICA in three different tranches proved that Fiji would borrow more in the coming years. The first tranche includes \$187.2 million, the second is \$92.8 million, and the third is \$185.7 million (Narayan and Deo, 2022). The heavy borrowing that caused ballooning deficits was mainly due to the government's inflating the revenue from 2014 to 2018, causing high fiscal deficits (Singh, 2022). This would burden the public in paying debts that are highly driven by inflating debts by the government. It has been clear that Fiji borrowed significantly before COVID-19. Political oppositions believe that the government wasted around \$3 billion from 2015 to 2020 (Narayan, 2022b). Moreover, the government believes there was a need to borrow to avoid devaluation in 2021. To prevent heavy borrowing from financing government expenditure, the government needs to focus on areas where ample funding to ministries is wasted. This would save Fiji from paying large interest payments of \$400 million annually. The government has stated that some long-term loans will become grants for the country (Deo, 2022b).

Source: The Fijian Government and fiscal updates.

remains the same. They hope to receive the government's benefits for those who are unemployed, part-timers, short hours or those who have been recently affected by continuous rain and flooding. It is also expected that the new budget will increase poverty benefit schemes, social pension schemes, and existing water and electricity subsidies. Furthermore, the government would seek budgetary cash aid from the neighbouring countries. For example, in 2020 to 2021, Fiji received budget aid support in cash from Australia, New Zealand, and other development partners for around \$250 million. The aid

supported the government in reducing the net deficit (Gounder, 2021). The government will launch a mini budget on March 17, 2022 (Narayan and Deo, 2022).

### **New promises in 2022 general election**

The year 2022 brings a lot of political debates. The year is critical for the current regime that is leading the country. A new budget scheduled to be out mid-year will support the public. This is a crucial factor in the current is



**Table 2.** Government Grant and proposed spending (\$M).

Grant	18-19	19-20	20-21	21-22	Expectations
Walesi	19	10.3	11.9	15.5	Walesi is known to provide different free air channels to the public of Fiji. The channels include a separate channel for parliament sessions. The government fully funds it to air eight different channels altogether. In 2018, Walesi was funded the highest. A year of election. The expectation is set to be the same. There is going to be an increase in funding. The ongoing parliamentary debate relating to Walesi funding has increased in the past few months. However, there has been no final solution regarding whether the funds have been used and why the government is spending.
TELS	205.6	176.8	113.6	113.7	Since it has been noted that in an election year, the primary target for the government was to support students to enter tertiary education. Since the eligible voting for Fiji is set at 18 years and above. The chances of having increased votes are via increased spending on student education loan schemes. The expectation is to increase TELS funding allowing more students to enter universities. However, in the current situation, the government of Fiji has stopped supporting USP with the grant. A total of accumulated more than \$100 million has not been released. Due to the withholding of grants, the university halts many infrastructures and projects that could have benefitted the new generation of scholars (Narayan and Deo, 2022d). However, the student association believes that the stern action taken by the government is affecting and creating insecurities among current and new students. Due to stalling of the grant by the Fijian government, many students' futures will be affected. The university has been cutting its operational cost, which means it might lack teaching staff. Therefore, the quality and support of the pedagogy staff will be affected; hence, students will feel its impact. A serious concern by the student association of USP is shown towards the negligence towards education by the government (Turaga, 2022).
Housing & Community Development	11.0	11.5	12.8	9.5	The people of Fiji have continuously faced problems in attaining affordable housing for many years. It has become an exciting topic for politicians to ponder when pulling voters' attention. An average person's primary social security is not having affordable housing in Fiji. The government has allocated funds to the first home or land buyers. However, many are left out or unable to receive the grant due to inner corruption. Every budget has an allocation for revitalising informal settlements and their environment. However, through the experience and findings, there have not been sufficient improvements as many still live in an informal settlement with limited access to electricity and water.
Fiji Recovery Rebate Package - Fiji Airways	-	-	48.8	40.0	The ongoing debate regarding the heavy funding for the local airline – Fiji Airways, has concerned many politicians. The government-guaranteed borrowing for Fiji airways in 2020 was set at a limit of \$455 million. Later in 2021, the ceiling for lending was increased to \$561.4 million, which is valid until the guaranteed facilities are fully discharged or fully settled. The government further approved that Fiji Airways be exempted from paying a guarantee fee. However, the opposition and academics believe that the further boost for guarantee funding to Fiji Airways pushes the nation into financial miseries. However, in December 2021, Fiji Airways only started operating to significant destinations with half loads. Therefore, it can be expected that the government will further boost the ceiling of guarantee borrowing.

Source: The Fijian Government – budget estimates and fiscal updates.

government to gain political mileage. Political coercion becoming an everyday norm for Fiji's politicians. There have been numerous ongoing issues in Fiji that are

debated daily. The current government, which has been in power from December 2006 (elected in 2014 till now), has been the longest-serving government in Fiji. Many

**Table 3.** Poverty Indices

<b>Distribution</b>	<b>2002-2003</b>	<b>2008-2009</b>	<b>2013-2014</b>	<b>2019-2020[p]</b>
Population in Poverty %	35	31	28	30
Household in Poverty %	30	26	22	23

Source: Fiji Bureau of Statistics.

**Table 4.** Poverty schemes above one million (FJD).

<b>Budget Details</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>
<b>Total</b>	<b>\$140.5</b>	<b>\$142.1</b>	<b>\$156.1</b>	<b>\$145.5</b>
Poverty Benefit Scheme	\$38.0	\$36	\$38.3	\$36.0
Social pension scheme for elderly	\$47.4	\$46	\$55.3	\$55.3
Child Protection Allowance	\$9.3	\$8.0	\$12.4	\$11.3
Allowance for persons with disability	\$6.8	-	\$9.4	\$10.8
Food vouchers for rural pregnant mothers	\$1.7	-	\$1.2	\$1.0
Child Protection Programme	\$1.3	-	-	-
Bus fare assistance	-	\$10	\$6.5	\$5.0
Upgrading State Homes for Older Persons	-	\$1.0	-	-
Social welfare top-up (DFAT)	-	-	\$7.8	-
Social welfare management information system (DFAT)	-	-	\$2.2	\$2.2

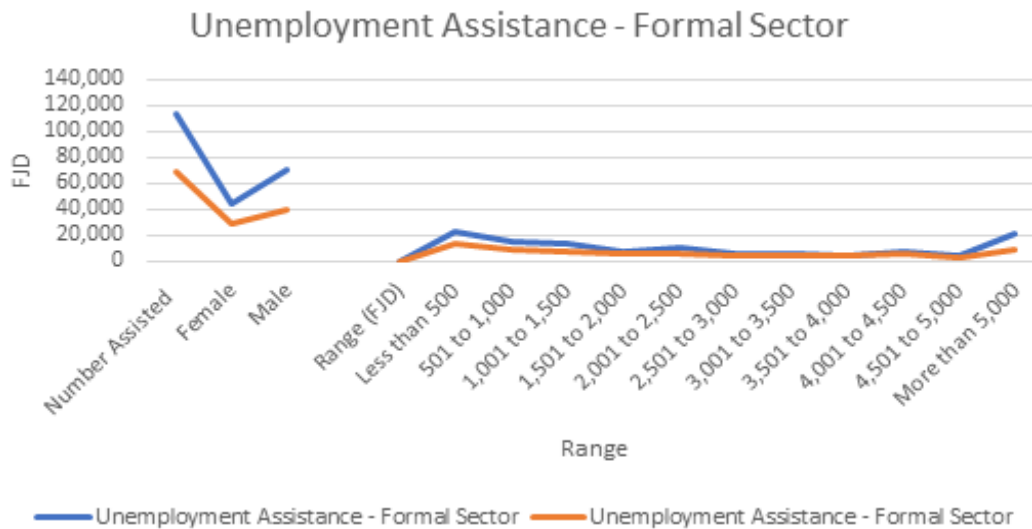
Source: The Fijian Government.

believe that the government has been doing an excellent job since no other government were helping them. They have invested most of their resources in rural development, creating employment, providing sustainable and affordable housing, an increased social pension scheme for the elderly, education scholarship for everyone, a free bus fare scheme, and providing free education. The government will continue providing these if they remain in power, as this will be a prominent promise to the people of Fiji.

A new promise arose as the government declared that the people from Levuka would enjoy the newly built market on a free-of-cost basis. The market costs around \$2.6 million; the government has promised that the vendors will not pay market fees. However, the market infrastructure was built from the contributions made by New Zealand, Canadian, and Australian Governments and UN Women Market for Change Project (Kumar, 2022 a). Moreover, the Australian Government has further promised to support Fiji with another \$5 million for the second phase of the Market for Change Project. The government's promise to reduce poverty will be a significant focal point of discussion. The Asian Development Bank stated that Fiji had faced a continuous rise in poverty from 2015 to 2019. The current poverty rate is around 30 percent as per the survey done by the household income and expenditure survey by the Fiji Bureau of Statistics 2019 to 2020. Fiji has faced numerous challenges in sustaining poverty issues.

Therefore, the ADB has now reclassified Fiji from Group C to Group B. This means Fiji can access concessional finances from ADB (Narayan, 2022c). However, Fiji's poverty rates rose well before Fiji felt the impact of COVID-19. The recent political statement by the opposition stated that the Fijian Government are power drunk as they are abusing the funds while half of the population is still struggling to survive. Primary emphasis shall be given to improving the health sector since the ministry lacks medication, proper and dysfunctional hospital equipment, and poor health facilities (Danford, 2022). It is believed that 50 percent of the population is still living in poverty since the impact of COVID-19. Table 3 shows the poverty by population and household since 2002. The continuous increase in poverty clearly states that Fiji has struggled to reduce poverty regardless of heavy borrowing. Since the impact of the pandemic, poverty has escalated by more than 50 percent, reflecting the household percentage of being poor rising between 30 to 35 percent. This would become a hot notch of discussion for the government to target in the upcoming budget and election. The government will target increasing social pension schemes, poverty benefit schemes, and other areas. Table 4 highlights the poverty scheme the government has provided since elected in 2018.

After the border re-opening, the economy is expected to go with its normal operations. Fiji became the first nation in the Pacific and also in the world to revise their



**Figure 1.** Unemployment Assistance – Formal Sector.

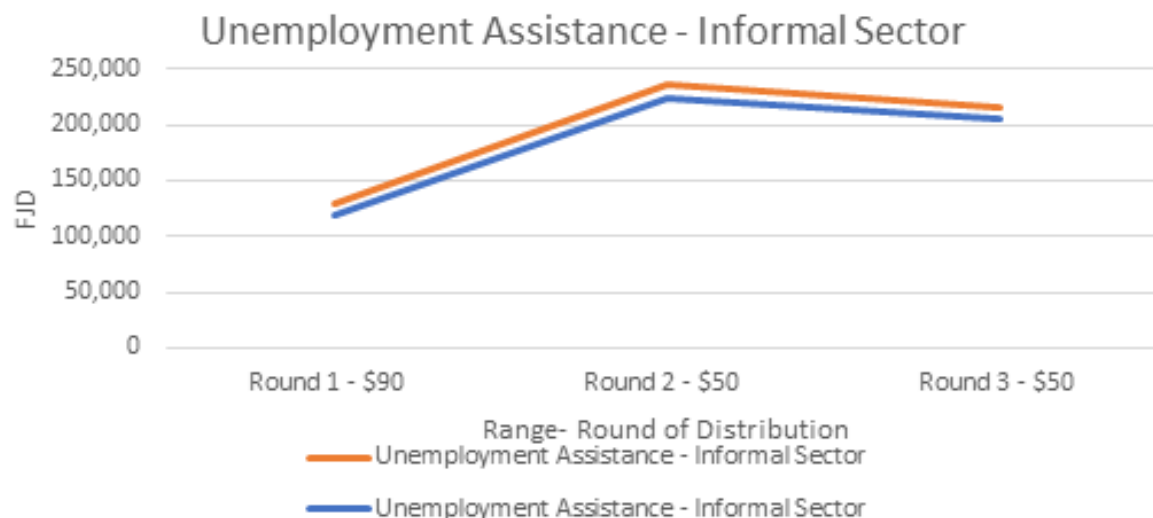
Source: Gosai, 2022; Ministry of Economy and Fiji National Provident Fund, 2020; 2021.

national budget. In March 2022, the economy minister revised the budget to meet the ongoing saga of COVID-19. However, the revision had no impact on the selected policies from table 4. It is expected that the government will increase if poverty alleviation scheme in 2022 to 2023 budget. After an unsuccessful project to establish Micro and Small Business Grant, the government is eminent that the new boost in schemes will support poor households. Regardless of the failed policies, the government kept on reiterating that the poverty for Fiji is not more than 30 percent. Since the impact of COVID-19 has resulted in more Fijians being in poverty, the new budget is expected to increase budget allocation to the different categories highlighted above. The government would have saved money from the bus fare scheme since the schools have been closed almost 85 percent of the time. Since the economy is opening to its full potential, around 92 percent of the Fijian population are now fully vaccinated. The bus fare assistance is expected to be more than \$10 million in the upcoming budget. However, the ADB has clearly stated Fiji's stance on poverty alleviation and allowed Fiji to borrow further and finance poverty. It is generally expected that Fiji will further borrow to finance their increase in budget allocation for poverty alleviation schemes. The government will be desperate for a win during the upcoming national polling. The government will constantly use areas to debate and gain public attention in areas where they have supported the public during hard times. Figures 1 and 2 detail the employment assistance the government has given out during COVID-19. Figure 1 highlights the assistance in the formal sector, and figure 2 details assistance given in the informal sector. The assistance is set to revoke once the economy goes into normal operations. However, the

government is set to bring new schemes to the 2022 to 2023 budget that will support the public.

The government allocated FJD 200 million to support unemployed individuals. To make this scheme work, the government went on to borrow more funds from ADB and IMF (Gosai and Kumar, 2022). The assistance was mainly for those who lost their jobs during COVID. After the first round of distribution, the government set some parameters. The new restrictions will disallow individuals to access unemployment benefits if they are not vaccinated. A “no jab”, “no job”, and “no employment benefits” rule is placed by the government. Gounder (2021) and Gosai and Kumar (2022) revealed via their research that the government were running low on funds to finance such schemes. In the 2020-2021 budget, the government of Fiji received cash aid from Australia, New Zealand and other developing partners amounting to around F\$250 million. Regardless of the support, the government went on borrowing more money from the international organisation and even from Fiji National Provident Funds (FNPF looks after the superannuation funds of all workers) aid in cash towards budget support from Australia, New Zealand and other development partners. This accounted for almost 12% of total government revenue and played an important part in reducing the net deficit for 2020 to 2021.

Moreover, the government has been further engaged in reviewing the national minimum wage rate since the last review that happened in 2018. However, the minimum wage rate review is supposed to be done every two years (Narayan and Deo, 2022a; Narayan, 2022a). This can become a good chance for the current government to impress the people who would benefit from increasing the minimum wage rate. The consultations have begun to



**Figure 2.** Unemployment Assistance – Informal Sector.  
Source: Gosai, 2022; Ministry of Economy and Fiji National Provident Fund, 2020; 2021.

increase the rate from \$2.68 to \$3.45 to \$3.65. The government believes it's the right time to review the wage rate due to the increase in the cost of living after the global pandemic. Furthermore, the increased freight cost of supplying raw materials and the current European dispute between Russia and Ukraine are causing dramatic changes in fuel prices (Narayan, 2022b). Nadroga/Navosa Chamber of Commerce's opinion highlighted that the minimum wage should increase from \$2.68 to \$3, as it will be fair for many workers and businesses (Kumar, 2022b). In reviewing the minimum wage rate, the current consultant for Fiji believes that if the wage rate doesn't increase, Fiji will face more severe cases of poverty. It is recommended that the minimum wage rate be between \$3.45 to \$3.65 to give more purchasing power to consumers considering the increase in prices of goods and services (Naivalurua, 2022). The increase in the minimum wage rate will benefit many workers, especially individuals that have been earning minimum wage. This endeavour favours the government initiative, and the public will undoubtedly favour the current government.

### Impact on Fiji from international conflict

The national conflict between Russia and Ukraine has caused many international relations to be disrupted. The current economic slowdown of Fiji is expected due to the inflationary pressure after the upcoming external shocks and affects the current economic operations. The crude oil price changes rose just after the conflict between the two nations began. The crude oil prices internationally have changed dramatically, causing a push impact on the fuel demand of Fiji. Fiji's trading partners are in direct

relations with Singapore. The Singapore crude oil market will and has been facing rapid price changes. Therefore, the changes in prices were already affected by COVID-19, and now the war between the two nations will put inflationary pressure resulting in a price increase. However, the Ukraine and Russia dispute is unclear as to how long it will last, so it is hard to say how long the increase in crude prices will affect Fiji (Deo, 2022a; Chand, 2022; and Klebnikov, 2022b). Klebnikov 2022a highlighted that crude oil has risen above USD 100 (per barrel) since 2014. The economic experts believe there could be further price changes, which could go to more than USD 130 per barrel. Prices will further increase if the conflict is persistent, impacting many international crude users. Strong economies like the United States have already felt the pressure of global conflict between the two nations. The change in fuel price will increase further, causing fuel price inflation (Whalen and Bogage, 2022). The US has been a significant re-exporter of fuels to many countries. Moreover, the conflict will also affect the influential European buyers, which will impact the supply of crude oil to Pacific Island nations. In recent months, Fiji has seen an adverse change in fuel prices. The changes have impacted many users. The price changes have been rapid since 2021. In January 2021, the motor spirit in Fiji changed from FJD 1.91 to FJD 1.94 and diesel from FJD 1.52 to FJD 1.61 per litre. At the end of 2021, the price for motor spirit stood at FJD 2.75 and FJD 2.31 for diesel per litre. In 2022, prices changed drastically. For September, the new price for motor spirits is FJD 3.12, and for diesel to FJD 3.09 per litre. Global changes in fuel prices have impacted the global market for fuel demands. The essential factor to consider is when fuel prices rise globally due to steep demand increases. The higher demanders (or buyers by country) benefit most by

receiving the supply. The others get at a different price due to less quantity demanded than larger buyers. It is noted that changes in fuel prices are constantly under public scrutiny. Fuel has been an important component that influences economic expansion and growth. It is evident that changes in fuel prices in Fiji have been used by an oligopolistic market that engages in imperative power to change prices and earn super-profits. The high increase in price was mainly due to changes in international freight, exchange rate and supplier's cost of selling. The Fijian Competition and Consumer Commission stated that the decrease in exports by Russia would put upward pressure on international oil prices. When determining fuel prices, Fiji has always been a price taker (Narayan and Singh, 2022).

## CONCLUSION

Many contentions have shown that Fiji isn't politically stable despite having a democratic government. Throughout history, Fiji has faced three political conflicts which resulted in a coup d'état. The first was in 1987, which led the Indo-Fijians to become a minority after holding most of the population in Fiji. The government has been very demanding when determining which policy will support the people, especially during the election year. As highlighted in the poverty alleviation scheme, there are possible chances of increasing support to people in 2022. The debt for Fiji is guaranteed to increase in 2022 due to the government's heavy borrowing. The borrowing by the government was labelled as to "avoid devaluation". Therefore, the nation had to borrow to avoid such a tremendous loss. The expectation is high for the government for the upcoming national elections. It seems they have made all the right moves to support the people of Fiji. In total, 693,915 has registered to vote and are eligible to cast their votes in the upcoming 2022 elections. It is a good start for the current regime to target if they wish to continue their winning rhythm. However, the opposition parties also stand a good chance of providing sound and healthy competition. It entirely depends on the voters as to whom they would choose. The 2018 statistics indicate that the government won the election by 59.17 percent (27/51 seats), while the opposition leader won by 28.18 percent (21/51 seats), and another party that held (3/51 seats) won 5.46 percent of the vote. Since 2014, the winning party lost five seats, and the opposition gained six seats. The expectations remain optimistic for other parties to increase their winning chances and bring in the new government.

## CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

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