

Fiji Trade Brief

Trade Policy

According to the World Trade Organization, Fiji has been steadily increasing its applied tariffs for the past several years. Further increases are expected in 2009, due to the tariff increases proposed in the 2009 Budget.¹ Tariffs remain Fiji's main trade policy instrument and are a considerable portion of government revenue. The simple average of the MFN applied tariff rate in 2008 was 12.1 percent, slightly higher than the average of 9.3 percent for the East Asia and Pacific (EAP) region. Based on the MFN applied tariff, Fiji ranks 134th out of 181 countries (where 1st is least restrictive). Fiji's trade policy is designed to protect its domestic agriculture and fisheries producers by placing a high tariff on agricultural goods of 27.2 percent, compared with 9.9 percent for non-agricultural goods. Fiji's maximum tariff on all goods (excluding alcohol and tobacco) is 507.5 percent. In 2008 this top tariff was levied on imports of motor vehicle parts. The trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), has shrunk slightly since 2006, now standing at 24.2 percent. Regarding the extent of its commitment to trade liberalization in services, Fiji ranked 144th out of 148 countries according to the GATS Commitment Index.

In response to rising food prices, the government removed import tariffs on basic food items such as rice, edible oil, and tinned fish in June of 2008. These reductions are expected to be extended through 2009. A number of measures were also undertaken to ease the burden on the fishing industry, including an elimination of tariffs on fuel.² In 2009, the government plans to raise the duty on all items under

the 27 percent duty band to 32 percent to stimulate domestic industries.³

External Environment

The simple average of the rest of the world tariff faced by Fiji's exports is 10.2 percent. When taking into account the volume of exports it is 23.1 percent. The rates for agricultural goods and non-agricultural goods are very different, at 38.6 and 6.9 percent, respectively. In 2008, the real effective exchange rate of the Fiji dollar appreciated by 3 percent, making exports less competitive. But, in the wake of the financial crisis, the currency was devalued by 20 percent (the approximate amount of the total appreciation since 2008) in April 2009.⁴

In July 2009, an interim Economic Partnership Agreement with the European Community went into effect, which opened up the European market to many goods from Fiji, most notably fishery products.⁵ In May 2009, the leading sugar company established a preferential import status for all sugar exports to the EU.⁶ Fiji has ratified the Pacific Island Countries Trade Agreements (PICTA), together with 10 other countries out of 14 members of the Pacific Islands Forum (the Forum Island Countries) that signed it in 2001.⁷ PICTA, an agreement for free trade in goods, and, in future, services, falls under the broader Pacific Agreement on Closer Economic Relations (PACER) that in addition to the Pacific Island Countries also includes Australia and New Zealand.⁸ In August 2009, leaders of the Pacific Island Forum agreed to start negotiating PACER plus, an FTA that would include Australia and New Zealand as well as the Forum Island Countries and that would cover goods, services, and investment.⁹

Behind the Border Constraints

Fiji remained in the top 30 percent of international business environments in 2009, being ranked 54th out of 183 countries, in the Ease of Doing Business index. With a relatively high number of required documents and long times to export and import, the country does not rank highly (116th out of 183) in the Trading Across Borders subcategory of the index, which looks at the extent of trade facilitation in the country.

Unless otherwise indicated, all data are as of August 2009 and are drawn from the World Trade Indicators 2009/10 Database. The database, Country Trade Briefs and Trade-at-a-Glance Tables, are available at <http://www.worldbank.org/wti>.

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However, the cost to export and import per container is lower than the regional average.

Trade Outcomes

Fiji's very low growth rate of total trade in goods and services during the 2005–07 period of 0.9 percent rose in 2008, when total trade grew by an estimated 9.8 percent in real (constant 2000 U.S. dollars) terms. Real export growth was 7.5 percent, after having fallen in 2007. Real imports grew by an estimated 12 percent, after a fall of 5.6 percent in 2007. Expectations are that exports and imports will fall in 2009 by an estimated 4.2 and 3.5 percent, respectively. The total trade share for Fiji rose in 2008 to 177 percent, although it is expected to drop by 43 percentage points in 2009.

In nominal U.S. dollar terms, total trade grew by an estimated 13.8 percent in 2008, which was less than half of the rate for 2007. The global economic slowdown has decreased demand for Fiji's main exports, including the top two exports of sugar and fish, which accounted for 25.3 and 13.7 percent, respectively, of total exports in 2008.¹⁰ Other top exports include mineral water and garments, which accounted for 11.2 and 10.2 percent of exports, respectively. Despite the decline in the top two exports, total exports increased by an estimated 14.3 percent in 2008. This was driven by increases in services exports, which grew by an estimated 15.7 percent. However, tourism, which accounts for 24 percent of GDP,¹¹ has slowed as the result of the global recession and is expected to fall further, leading to decreases in service exports. In 2009, exports are expected to decline by 6.6 percent. In the first five months of 2009, total exports fell by 33.8 percent in nominal U.S. dollar terms over the same period in 2008. Exports of sugar and fish were down 65.4 and 3.9 percent, respectively, over the same period.¹²

Increased commodity prices during 2008 led to increases in the prices of imports, which caused domestic inflation and dampened growth. Total imports grew by an estimated 13.6 percent, which is reflected in the increase in imports of goods of an estimated 12.8 percent, while services increased by an estimated 15.7 percent. In 2009, imports are expected to fall by 14.6 percent.

Notes

1. World Trade Organization, 2009.

2. Ministry of Finance and National Planning, November 21, 2008, pp. 23–24.
3. Ministry of Finance and National Planning, 2008, p. 53.
4. *Fiji Times*, 2009.
5. Bilaterals.org, December 2008.
6. Bilaterals.org, May 2009.
7. Bilaterals.org, April 2009.
8. Pacific Islands Forum Secretariat and Jane Kelsey. April 2004, p. 18.
9. Pacific Islands Forum Secretariat. August 2009.
10. Fiji Islands Bureau of Statistics. 2009.
11. Sada Reedy. August 14, 2009.
12. Fiji Islands Bureau of Statistics, 2009.

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[20Reddy%202009%20Tourism%20Forum%20slides%20140809.pdf](http://www.reservebank.gov.fj/docs/Governor%20Reddy%202009%20Tourism%20Forum%20slides%20140809.pdf)>.

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