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Fiji: Trade Brief*

Trade Policy

Since 1989, Fiji's trade regime has been liberalized and simplified through reductions of tariffs, removal of licensing requirements for imports, and withdrawal of subsidies on several primary commodities. Tariffs now represent the main instrument for trade policy. Its MFN tariff structure is in line with East Asia and Pacific (EAP) regional and lower-middle-income group comparators' means. However, only 11.4 percent of imports qualified for MFN zero-duty status, far below the EAP region average of 37.8 percent or the lower-middle-income group average of 31 percent. Fiji's GATS commitments do not extend to the telecommunications sector and its poor score on the GATS commitment index indicates ample room for greater multilateral commitments to services trade liberalization.

Market Access

Fiji's exports face a rest-of-the-world weighted average applied tariff of 2.4 percent, which is in line with its comparators, but its MFN duty-free exports account for a low 19.1 percent of the country's exports, far below the averages of the EAP (39.0 percent) or lower-middle-income group (35.3 percent). It is a Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries. A new interim Economic Partnership Agreement (EPA) replaced the trade portion of the Cotonou Agreement that expired at the end of 2007. Fiji has one of the highest utilization rates (99.9 percent) of U.S. and EU preferences, and their value is also among the highest (31.1 percent of bilateral exports). Regionally, it is a party to the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) and is a member of the Melanesian Spearhead Group (MSG). Also, Fiji is a signatory of the Pacific Agreement on Closer Economic Relations (PACER) and the Pacific Island Countries Trade Agreement (PICTA). After an average appreciation of 1.4 percent in 2000–04, the national currency—the Fiji dollar—appreciated 2.7 percent in 2007 on an annual, average, real trade-weighted basis.

Behind the Border Constraints

Fiji's Doing Business rank is 36th (out of 178), in spite of its relatively low rank in the subcategory Closing a Business (114th). With particularly low per container export (but not import) costs, it also ranked 111th on the Trading Across Borders subcategory. Fiji's per capita rates for telephones and mobile phones (38 percent during 2005–06) and Internet usage (9.6 percent) are higher than in an average EAP country but are below the lower-middle-income country group means. Its performance on the human capital indicators is mixed: the country's 2005 secondary school enrollment rate (85.9 percent) is noticeably above the comparators', while the 2005 tertiary enrollment rate (15.3 percent) is below both. Price control measures in Fiji are governed by the Counter Inflation Act and implemented by the Prices and Incomes Board (PIB). Although the number of goods and services under the jurisdiction of the PIB has decreased since 1992, approximately 35 percent of products are still subject to price controls.

*As of April 2008. See the World Trade Indicators 2008 database at http://www.worldbank.org/wti2008.

Trade Outcomes

Fiji's real growth in total trade of goods and services was 2.6 percent in 2007, up from 1.3 percent in the early 2000s but still modest, resulting in a rank of 145th out of 160 countries. Its trade share in GDP is 121.1 percent, above both the average EAP trade integration ratio and the lower-middle-income country group average. However, the relatively low real growth in trade left Fiji losing world market share by 5.5 percent. Fiji's main commodity exports are raw sugar (26 percent of total merchandise exports in 2005), prepared fish (12 percent), beverages (9 percent), gold (8 percent), and trousers (4 percent). As of 2005, its main destination markets are the United States, Australia, and the United Kingdom. Imports, which consist primarily of manufactured goods, machinery and transport equipment, and petroleum products, are mostly obtained from other economies in the Pacific region such as Singapore, Australia, and New Zealand. Tourism is a key service industry. Fiji also scored relatively low on both the export and the product market concentration indices. The increases in food prices worldwide have sparked rises in inflation in Fiji recently.

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