Kiribati Trade Brief

Trade Policy

Kiribati is a small island nation with an economy that is extremely dependent on global employment and demand. Import tariffs remain an important source of fiscal revenues as Kiribati's domestic revenue base is unpredictable and narrow. Other domestic tax sources are limited and underdeveloped, partly due to the absence of any significant private sector activity on the islands. As a result, the simple average of the MFN applied tariff rate remains significantly higher than the average for both the East Asia and Pacific region and lower-middle-income countries, standing at 17.3 percent in the most recent year (2006) compared with 10.5 and 11.9 percent, respectively that same year. Based on the MFN applied tariff, Kiribati ranked 161st out of 181 countries (where 1st is least restrictive). Most people in the country are engaged in subsistence fishing or farming and the top exports are fishing and agricultural goods. As a result, the government has placed a relatively high tariff of 23.8 percent on agricultural goods, compared with 16.3 percent for non-agricultural goods. Kiribati's maximum tariff on all goods (excluding alcohol and tobacco) was 100 percent in 2006.

External Environment

The simple average of the rest of the world tariff faced by Kiribati's exports is 10.2 percent. When taking into account the volume of exports it is 1.2 percent, with only a slight difference between agricultural and non-agricultural goods. Over the course of 2008, the real effective exchange rate of Kiribati's currency, the Australian dollar, appreciated by 3.6 percent, making exports less competitive. Considered a least developed country (LDC) by the UN, Kiribati benefits from preferential tariff rates from a number of trading partners, including its largest, Japan. The country was up for review to determine whether it should graduate from its LDC status in 2009 (to be implemented in 2012), after which an estimated 37 percent of its merchandise exports would be subject to low tariffs. In March 2009 the country was found not eligible for graduation.[1]

Kiribati 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.[2] 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.[3] In August 2009, leaders of the Pacific Island Forum agreed to start negotiating PACER plus, a free trade agreement that would include Australia and New Zealand as well as the Forum Island Countries and that would cover goods, services, and investment.[4] The EU is currently negotiating a comprehensive regional Economic Partnership Agreement (EPA) with all 14 signatories of PICTA. In the meantime, Kiribati continues to benefit from the "Everything But Arms" initiative under which its exports have duty-free and quota-free access to the EU market.

Behind the Border Constraints

Kiribati remained in the top half of international business environments in 2009, being ranked 79th out of 183 countries in the Ease of Doing Business index. Limited transportation services present a considerable barrier to Kiribati's trade activities, as most internal transport is by boat. Kiribati ranked 77th in the Trading Across Borders subcategory of the index, which is a measure of the procedural steps necessary as well as the amount of time and money required to import or export goods.

Trade Outcomes

Almost half of Kiribati's GDP in 2008 came from external sources, including fishing licenses and

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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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remittances. Kiribati's main exports are copra (which accounts for two thirds of exports), pet fish, shark fins, and seaweed. In 2008, copra exports declined by 21.3 percent in nominal U.S. dollar terms.[5] Kiribati is highly dependent on imports of food and fuel and as a result, higher commodity prices, especially for food imports, led to a significant increase in the value of imports during 2008. Although potential exists for Kiribati to develop its marine and tourism industries, the remoteness of the country and lack of infrastructure make this a challenging task.[6] The majority of tourists come from Australia, Fiji, New Zealand, and Germany, economies that began experiencing slowdowns in growth in 2008. However, tourist arrivals from these countries actually rose in 2008 over their 2007 values. As a result of the fall in the number of tourists arriving from the United States, Japan, and other countries, however, total tourist arrivals decreased by 40.6 percent in 2008.[7]

Notes

1. Department of Economic and Social Affairs, 2008, pp. 8, 30, iv.
2. Bilaterals.org, April 2009.
3. Pacific Islands Forum Secretariat and Jane Kelsey, April 2004, p. 18.
4. Pacific Islands Forum Secretariat, August 2009.
5. Kiribati National Statistics Office, 2009a.
6. IMF, May 2009.
7. Kiribati National Statistics Office, 2009b.

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