



**TRADE POLICY REVIEW**

REPORT BY

FIJI

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Fiji is attached.

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## 1 INTRODUCTION

1.1. Fiji is pleased to submit its third Trade Policy Review (TPR) report. Since the last TPR, Fiji has undertaken major structural and economic reforms to promote trade and economic growth. As a result, since the last review in 2009 the Fijian economy is experiencing one of the best growth cycles since its independence and recorded its fifth year of consecutive growth from 2010 to 2015. Fiji is on course to recording third year positive consecutive growth above 4%. The growth of 5.3% in 2014, was the highest experienced by the Fijian economy since 2001. The major fundamental factors, which contributed to the sustained increase in growth of the economy is clearly derived from creating a business friendly environment for doing business and private sector growth. In particular, initiatives by the Government (including tax breaks and incentives) and accommodative policies have also played a part in higher levels of investment.

1.2. As part of the reform package, Fiji now has a dedicated Trade Policy Framework which will guide Fiji's trade, industry, investment and economic agenda for the period 2015 to 2025. The Fijian Trade Policy Framework is an ambitious guiding policy document outlining policy measures and strategies and seeks to position Fiji as an internationally competitive, dynamic and vibrant economy serving as the hub of the Pacific.

1.3. The Framework further facilitates the engagement of Fiji in bilateral, regional and multilateral trade frameworks, with a view to expanding and securing meaningful market access for Fiji's growing industrial base and integrate the Fijian economy into the global trading environment.

1.4. The Fijian Government through the Framework recognizes the private sector as the engine for economic growth and strongly believes that a robust and healthy economy can be built through coordination and collaboration between and among all the players in the economy. In the same vein, the Framework seeks to facilitate the growth of the micro, small and medium enterprises development as the backbone of the Fijian economy.

1.5. On the fiscal front, since 2009, Fiji has undertaken initiatives to improve financial accountability, good governance and public expenditure management. Financial Management Reform initiatives will continue to be implemented by the Government to strengthen accountability and transparency, as well as prudent management of public resources in the civil service.

1.6. In this connection, the Government has developed a draft Financial Management Bill, which covers the accountability of financial management in the public sector, and also takes into account the requirements of the 2013 Fijian Constitution. The review of Finance Instructions 2010 and Procurement Regulations 2010 will continue in 2016.

1.7. Fiji has continued to work towards the wider integration agenda by participating actively in the Melanesian Spearhead Group (MSG), Pacific Island Countries Trade Agreement (PICTA), Pacific Agreement on Closer Economic Relations Plus (PACER Plus), African and Caribbean Group of States (ACP) activities, and the World Trade Organization (WTO).

1.8. Fiji's third TPR is taking place at the time of great uncertainty about the overall effects of the global slowdown on developing countries, including reduction in commodity prices. The current global crisis began at a time when the country was becoming increasingly optimistic about the prospect of sustained real growth and poverty reduction. If the crisis is severe and its resolution longer, this will negatively impact on Fiji's overall trade performance, as a small island developing state. In this regard, Fiji underscores the urgent resolution of the Doha Development Agenda (DDA) negotiations to address developmental concerns of the developing countries, so as to avoid further marginalisation of the small and vulnerable economies (SVEs).

1.9. As a member of the small and vulnerable economy (SVE) group, trade remains an integral part of the Fijian economy, which cannot produce all the goods and services required by its consumers. Fiji remains committed to pursuing policies aimed at promoting the expansion of markets at bilateral, regional and multilateral levels, as well as, the diversification of Fiji's export product base.

1.10. In Fiji's view, the maintenance of the integrity and credibility of the WTO is a key component in the mix of global policy approaches needed to ensure sustained global economic growth. The continued failure to conclude the Doha Round risks undermining the WTO's ability to perform effectively. This is of particular concern to a small trade dependent country, such as Fiji, which relies on the protections offered by the rules of the multilateral trading system, even if such rules are burdensome on Fiji itself. Fiji remains fully committed to the DDA and has been disappointed at the inability of the WTO Membership at arriving at concrete developmental outcomes for the DDA since 2001. Fiji continues to participate constructively to achieve such developmental outcomes, including at but also beyond the 10<sup>th</sup> Ministerial Conference meeting in December 2015, and to ensure that MC10 is successful in delivering the outcomes of the WTO's Doha Round agenda.

## **2 ECONOMIC DEVELOPMENT**

### **2.1 Macroeconomic Developments**

2.1. The Fijian economy is predominantly made up of services (70%), followed by the industry sector constituting 15% and the primary sectors (including agriculture, forestry and fisheries) representing 14%. Fiji has achieved positive GDP growth during 2009-2014. The GDP growth has been positive and increasing. It increased from a negative growth of 1.4 in 2009 to a positive of 5.3% in 2014. This performance is an improvement compared to the one achieved during the last review period.

2.2. Inflation declined from 6.8% in 2009 to 0.1% in 2014. Fiji continued maintaining a single digit inflation rate during the review period. This was as a result of sound monetary and fiscal policies, resilient external sector performance and the stable performance of the Fijian Dollar against major trading currencies.

2.3. In the period under review, Fiji continued to pursue prudent fiscal policy with an objective of consolidating fiscal discipline, reducing non-priority expenditures so as to direct more resources to priority areas and prudent budget execution.

2.4. Fiji's external position improved tremendously during the review period. Total foreign exchange reserves increased from F\$1.1 billion in 2009 to almost F\$ 2.0 billion in 2014, sufficient to cover 5 months of imports. Fiji's foreign reserve position is very strong. The 2015 year-end forecast for foreign reserves is expected to be above F\$2 billion equivalent to 6.1 months of retained imports of goods and non-factor services.

2.5. From 2007 the Government embarked on ambitious economic reforms to create conditions necessary for economic, business and social prosperity. The impact of these reforms started taking shape during the review period of the Third Trade Policy Review and resulted in the Fijian economy recovering strongly from the economic glooms of the past decade (2001 to 2009), including impact of the global financial crisis and external factors such as reduction in sugar preferential prices and the erosion of tariff margins for textiles and clothing exports. The medium term outlook looks very promising and the economy has remained resilient due to Government sound macro-economic policies coupled with improvement in the general business environment for private sector growth.

2.6. As at 2014, the Fijian economy is experiencing one of the best growth cycles since independence and recorded its fifth year of consecutive growth from 2010 to 2014. The economy grew by 4.7% in 2013 and 5.3% in 2014. Furthermore, the growth forecast for 2015 stands at 4.0%, making it the first time in the Fijian history for the growth to be above 4% for three consecutive years.

2.7. With respect to investments, in 2013 and 2014, the country has been recording investment levels of 29 and 26% of the GDP, respectively. The forecasted Investment in 2015 is also above 25% of the GDP. In this regard, Fiji is on track to maintain the investment target of above 25% of GDP for the third consecutive year.

2.8. The key indicators supporting growth for 2014 include; Government capital expenditure (43.5%), investment lending (11.3%), imports of investment goods (45.6%), new jobs advertised (12.8%), personal remittances (13.0%), visitor arrivals (5.6%) and domestic cement sales (17.6%). Other contributors to the growth for 2014 include increase in new commercial bank lending (43.8%), sugar production (25.8%), new vehicle sales (12.3%), new consumption lending (72.8%) and electricity consumption (1.9%). The other major fundamental factor, which will also contribute to the sustained increase in growth, is derived from business friendly initiatives by the Government (including tax breaks and incentives) and accommodative policies playing a part in higher investment levels. Government's commitment to democratic tenets and commitment to fostering investor confidence are also critical ingredients.

## **2.2 Performance of Major Sectors**

### **2.2.1 Agriculture (Non-sugar)**

2.9. The non-sugar agriculture sector is emerging from predominantly subsistence base and on average contributes 8% to the GDP, and accounting for around 3.8% of domestic exports.

2.10. Enhanced agriculture productivity is the focus of Government policy in promoting growth, food security and poverty reduction. Main commodities in this sector include root crops (taro, cassava, yams, sweet potato and kava), tropical fruits (pineapple, pawpaw and mango), vegetables, pulses, ginger, tobacco, rice, spices, cocoa, and coconut products. The livestock industry includes beef, dairy, pork, poultry meat, eggs, sheep, goat and bee products. Major contributors to exports are fruits (pawpaw) and vegetables, including taro. A small but growing volume of certified organic products, including coconut and fruit products and nutraceuticals are exported.

2.11. The performance of the sector continues to be challenged by a combination of factors such as, vulnerability to natural disasters, inadequate infrastructure, and restrictive bio-security measures by trading partners, high production and transportation costs, poor husbandry practices, market deficiencies and limited access to finance by farmers.

2.12. In order to increase production and productivity in the sector, revitalization of the domestic agricultural sector is at the heart of the Fijian Government's strategy especially for the rural sector focusing on growth and poverty alleviation. The Government has taken steps to create an enabling environment for the growth of the agriculture sector, such as provision of adequate infrastructure. In addition, the Government's focus has extended to modernization of the agriculture sector through the adoption of the 'Fiji 2020 Agriculture Sector Policy Agenda' and has continued to rehabilitate dams and weirs, and aims to create and maintain livestock disease free zones.

### **2.2.2 Agriculture (Sugar)**

2.13. The sugar sector, which was traditionally Fiji's largest foreign exchange earner, remains a critical component of the export portfolio and livelihoods. The sector supports both directly and indirectly approximately 200,000 Fijians, which is around 25% of Fiji's population. Contribution from the sector over the years has been weakening and this is largely attributed to a range of internal and external factors including; movement from sugarcane belts to urban centres, non-renewal of land leases; reduction in export price to the European Union and the rising level of inefficiency in sugar production, milling and transportation.

2.14. However, current Government-led reforms towards the revitalization of the sugar industry remain priority for Fiji in the medium to long term. A major reform by the Government has been the restructuring of the Fiji Sugar Corporation (FSC) under the Sugar Industry Reform Framework (SIRF) from 2010 to 2012. As at 31 December, 2012, the Government had provided F\$153.7 million to the FSC for mill rehabilitation, improving sugarcane production and restructuring debt. With the reform, the FSC recorded a positive financial turnaround in 2013. As of 2012 the Government's guarantees and contingent liabilities to the FSC was worth F\$111.8 million. In addition, the Government in 2013 contributed its share of F\$6 million towards the Crop Development Revolving Fund.

2.15. To revitalize the industry, the Government together with other industry stakeholders adopted a restructuring plan, the 'Sugar Cane Industry Strategic Action Plan (2013-2022)'. It is worth noting, that the successful implementation of the above initiatives has led to improvement in the total cane to total sugar (TCTS) ratio from 13.5 in 2010 to 8.1 in 2014 and farmers received one of the highest cane payments in the history.

### 2.2.3 Manufacturing

2.16. The manufacturing sector continues to be another key sector in the Fijian economy. The Fijian Trade Policy Framework (FTPF) aims to improve and facilitate investment in the manufacturing sector that will lead to increased value addition and increased exports. To foster investment and participation of small-scale and medium scale enterprises, Fiji has placed the development of Micro, Small and Medium Enterprises (MSMEs) as vital to the Fijian industrialization process. This is due to its potential to generate economic activities along the manufacturing and service provision value chains. The Government positions the MSME as an essential component of the Fijian economy given its important contribution to employment creation, income generation and poverty alleviation for both rural and urban population.

2.17. In this regard, the Government will continue working towards supporting mechanisms to strengthen linkages between the MSMEs supplying raw and intermediate materials and large manufacturing firms in order to ensure sustained domestic value chains.

2.18. Overall, Government as part of its strategy to diversify the country's exports and improve earnings will encourage value addition processes in the manufacturing sector. The manufacturing sector forms an important component of the total contribution to GDP of the Fijian economy and in 2013 contributed about 14.7% to Real Gross Domestic Product (RGDP).

### 2.2.4 Textile, Clothing and Footwear

2.19. Textiles, Clothing and Footwear (TCF) exports is one of Fiji's largest manufactured export despite a downsizing of the industry, which has seen the number of factories fall from a peak of 130 in 1999 to between 35-40 (in 2014) factories producing for the export and local markets. The TCF Council estimates indicated that the largest 6-8 firms in the industry account for 85% of the industry's exports and around 80% of total employment in the industry. A downturn in 2009 in the wake of the global financial crisis saw the number of workers in the industry shrink from the 2008 level of 5,500 to a low of 4,000-4,500. The industry started bouncing back in 2011 and as at 2014, the employment levels increased to over 6,000.

2.20. The Fijian garment industries underwent restructuring and the future lies rather in niche markets for premium products where the customer requires quick deliveries, small production runs and specialised technical requirements.

2.21. With the shift in the industry toward production of upmarket higher quality lines, the United States (US) is emerging again as a promising market, and the Pacific Islands is seen as a market with unexploited potential.

2.22. To ensure survival of the sector, the Fijian Government has since 2010 supported the TCF sectors' bid to explore new markets, through the provision of an annual marketing grant of F\$100,000. This has enabled the sector to undertake tradeshows in countries, such as, the US, Australia and New Zealand and has led to the increased exports.

### 2.2.5 Mining

2.23. The mining sector is an emerging important economic sector and there is great potential to become one of the key sectors for growth in future. Current mining activities are focused on gold, bauxite and iron sand. It is also potentially one of the main sources of government revenue in future. In addition, prospective mining licenses (PML) and special mining licenses (SPL) for other minerals such as copper, silver, manganese, molybdenum, limestone/marble, petroleum, gas, and geothermal heat have also been granted. Investors are also intensifying exploration interests in deep-sea mining.

2.24. The Fijian Government's emphasis on exploration will ensure rapid discoveries of new prospects and encourage advancement of existing projects towards mining. The Government is also exploring the possibility of extending the mining life of currently operating mines, such as the case in discovery of new gold deposits in Vatukoula.

2.25. The Government will continue to uphold the importance of sound regulatory environment to support the development of the mining industry. The Government continues to ensure that environmental and social impact assessment, occupational health and safety standards and stakeholder engagements are undertaken prior to commencement of mining projects.

### 2.2.6 Forestry

2.26. Fiji has a standing forest cover of 1,045,419 hectares (representing 58% of the total land mass) which includes:

- 899,229 hectares of native forest (86% of the total);
- 52,419 hectares of hardwood plantations (5% of the total), the majority of which consists of mahogany;
- 50,000 hectares of softwood plantations mainly Caribbean pine (4.8% of the total), and
- 38,742 hectares of mangrove forests (3.7% of the total).

2.27. Fiji has the world's largest sustainable mahogany forest. Mahogany and wood chips are Fiji's principal wood export products. The principal market for mahogany in 2014 was the United States, accounting for 54% of the total, while Caribbean and Asian markets accounted for another 46% of the total. Woodchips are exported almost exclusively to Japan (69%) and China (31%).

2.28. The Fijian Government focus is ensuring that utilization of forestry resource reflects the best economic use of these resources. To achieve its economic aims, the Government will continue encouraging more value addition and targeting higher end markets as export destinations for Fiji's mahogany. Apart from mahogany, the Fijian Government is progressing towards increasing the development of other wood products such as wood chips, making available raw materials for furniture manufacturers and identifying niche high-end market for premium furniture.

### 2.2.7 Fisheries

2.29. The fisheries sector continues to be one of the strongest sources of export growth in recent years, with exports increasing from F\$57.8 million in 2012 to F\$108.7 million in 2014, an increase of 88%. Tuna is the principal resource exploited by the industry accounting for 67% of total production in the industrial fisheries sector. The species composition of the tuna catch is primarily made up of Albacore (typically more than 60%), followed by Yellow-fin and Big-eye. Artisanal fisheries and aquaculture accounted for 28% and 5% of production respectively.

2.30. Apart from tuna, other smaller exports from the industry include beche-de-mer, aquarium fish, reef fish, seaweed and black pearls. There is potential to develop exports of other species of oceanic fish besides tuna. Aquaculture also offers potential for development. The certification of Fiji's Albacore long-line fishery by the Marine Stewardship Council (MSC) in 2012 and the establishment of a Competent Authority ensure that no illegally caught fish enters the supply chain. At the same time, Fiji continues to undertake proactive domestic, sub-regional and regional measures to combat illegal, unreported and unregulated (IUU) fishing and to ensure sustainability of limited fisheries resources.

2.31. Fiji's focus is to utilize its advantageous location, infrastructure and international transport links to establish itself as a regional hub for processing and export of fish caught not only in its own waters but also in waters of its neighbouring states. In addition to the tuna fishery, the Government will focus attention on expanding inshore fisheries and aquaculture. Inshore fisheries in more remote areas have greater potential for expansion and attention will be on infrastructure, logistics and business capacity requirements for developing and marketing products from these more remote regions.

## 2.2.8 Services

### 2.2.8.1 Tourism

2.32. Tourism is by far the most significant service sector in terms of size and value in Fiji's international trade. Tourism is Fiji's largest earner of foreign exchange. Growth in tourism earnings coupled with the manufacturing sector will continue to be a critical factor in achieving sustainable economic growth.

2.33. Earnings from tourism in 2013 and 2014 stood at F\$1.318 billion and F\$1.405 billion, respectively. The sector also contributes (directly and indirectly) close to one third of Fiji's total labour force.

2.34. To maintain the growth of the industry, the Fijian Government is working towards finalizing the Fijian Tourism Development Plan (FTDP). The Plan clearly outlines the roadmap towards achieving the vision of a F\$2 billion industry by 2020. This will be achieved by focusing on quality and high yielding tourist markets.

### 2.2.8.2 Audio Visual

2.35. The audio-visual sector plays a vital role in the sustainable growth of the economy. The Fijian Government in 2010 put in place a lucrative 47% tax rebate scheme for film production in Fiji. This incentive has led to a boost in productions. In 2013 a total of 27 productions were shot in Fiji and generated new economic activity of F\$9.3 million and 322 new employments during the productions. In 2014, the number of productions increased to 53 and the total income increased to F\$45.6million and created over 700 jobs during the productions.

2.36. Another significant change was the level of production spending within Fiji which increased from 44% in 2013 to 79% of total production costs in 2014. Despite offering one of the most comparable competitive tax rebate schemes coupled with scenic beauty, the sector still faces challenges in attracting bigger budget film productions. This has been compounded by the lack of necessary infrastructure such as film studios, large water tank (for underwater filming), adequately trained and skilled crew support and support actors.

2.37. In order to facilitate the growth of the sector, the Fijian Government will continue to support the promotion of film and show productions as it increases Fiji's visibility on the international stage, which promotes and boosts the tourism sector in terms of higher visitor arrivals.

## 3 TRADE DEVELOPMENTS AND INVESTMENT POLICY

3.1. Fiji remained committed to pursuing liberal policies aimed at promoting the expansion of markets at bilateral, regional and multilateral levels as well as the diversification of Fiji's export products and markets. The Government under the review period continued to engage with partners within the region under the existing frameworks of the MSG, Pacific-African Caribbean Pacific (PACP) States, as well as PICTA.

3.2. From 2013 to 2015, Fiji was involved in the negotiations on the revised Melanesian Spearhead Group Trade Agreement (MSGTA) also known as MSGTA3, which also includes Papua New Guinea (PNG), Solomon Islands and Vanuatu. The textual negotiations were concluded and built upon trade in goods aspects and included services, investments and labour mobility. This was aimed at improving the trade in goods provisions of the MSGTA2 as well as expanding and broadening the scope of the agreement to include services and investments as well as making labour mobility an integral part of the revised MSGTA3 in order to enhance, deepen and accelerate economic integration and provide greater opportunities for member states. The MSGTA3 is expected to be signed in the second quarter of 2016 by the MSG Leaders after negotiations on the services and investment schedule of commitments are finalised. The ratification process in the respective national governments will take place from the second quarter to the fourth quarter of 2016. The MSGTA3 is expected to come into force on 1 January 2017.



3.3. Further, Fiji is currently in the process of negotiating a Comprehensive Economic Partnership Agreement with the European Union under the framework of the PACP configuration and Pacific Closer Economic Relations Plus (PACER Plus) Agreement, and continues to actively participate in the African Caribbean Pacific States integration and in the multilateral trading system and ongoing negotiations under the Doha Development Agenda.

3.4. The Fijian Government continues to embrace international trade in fostering bilateral, regional and multilateral integration with like-minded countries. The Fijian Government recognises the importance of international trade as a vehicle to achieve sustainable economic growth, diversifying exports, generating employment, achieving international competitiveness and establishing Fiji as the hub of the Pacific. Fiji continues to promote international trade and maintain market access to its traditional markets and create pathways in emerging markets.

3.5. Between 2009 and 2014, Fiji continued to pursue trade policy aimed at diversifying into non-traditional exports. Fiji's export markets evidently continued to diversify but still was highly concentrated, with the largest three export markets (Australia, the United States and the United Kingdom) accounting for 52% of the export total in 2012, and the largest five export markets (the top three plus New Zealand and Japan) accounting for almost 70% of the total. Furthermore, three of the top four export markets were dominated by a single commodity: sugar in the case of the United Kingdom, mineral water in the case of the United States, and fish in the case of Japan.

3.6. The performance of exports in 2013 saw a slight shift in the export destinations rankings, with the largest three export markets (Australia, United States of America and New Zealand) accounting for 32% of the export total. The largest five export markets for 2013 (Australia, United States of America, New Zealand, United Kingdom and Tonga) accounted for 42% of the total exports.

3.7. Customs duties continued to be implemented in line with Fiji's commitments within both the MSG and PICTA. High transport and communications costs continue to be the most pressing barrier to deepening integration within regional and global markets. This is mainly due to inadequate infrastructure in Fiji and the region. Coupled with this, the combination of non-tariff barriers in regional and international markets, institutional capacity limitations to effectively deal with sanitary, phytosanitary and other technical regulations and standards, inhibit Fiji's ability to fully exploit the opportunities in the export markets.

### **3.1 Trade Policy Objectives**

3.8. The Ministry of Industry, Trade and Tourism, which is the principal arm of the Government for industry and trade is responsible for trade policy formulation and implementation and collaborates with other authorities responsible for implementation of other aspects of trade policy.

3.9. Fiji has institutionalised the role of the private sector through consultative forums and committees, which meet regularly to discuss trade and related issues of relevant to Fiji. The main institutional framework to implement trade policies is the National Trade and Development Council (NTDC) and comprises the public and private sector, civil society and various executive institutions and organs of government that administer other trade policy measures.

3.10. The primary objectives of Fiji's trade policy are as follows:

- To transform Fiji into a vibrant, diversified and internationally competitive export-led growth oriented economy, by enhancing the performance of the manufacturing and services sectors contribution to economic growth, as well as, focusing on other growth areas in the priority sectors;
- To facilitate the engagement of Fiji in bilateral, regional and multilateral trade frameworks with a view to expanding and securing meaningful market access for Fiji's growing industrial base and integrate the Fijian economy into the global trading environment;
- To use trade policy to contribute to creating the conditions for the sustained increase in the contribution of investment and the increase in total factor productivity (i.e. the

efficiency with which the economy utilizes its available resources), that will be required in order for Fiji to realize its long term growth aspirations;

- To stimulate and encourage value-addition activities through research and development with a view to increasing national export earnings, improve current account position and creating employment opportunities;
- To assist domestic firms to increase their levels of efficiency and competitiveness, and therefore withstand increasing competition in domestic and international markets;
- To facilitate the growth of the micro, small and medium enterprises development as the backbone of the Fijian economy;
- To support the improvement of trade related infrastructure aimed at facilitating the smooth flow of trade thereby reducing the cost of doing business, positioning Fiji as a strategic location for global value chains and Hub of the Pacific;
- To support investment promotion and facilitation aspects to attract both domestic and foreign direct investments with a view to stimulate investment flows into export-oriented areas in which Fiji has comparative advantages and use this as a strategy for inducing innovation and technology transfer in the national economy;
- To facilitate capacity building development in human capital in all the priority sectors to ensure high level productivity; and
- To facilitate the mainstreaming of gender, environmental protection and other related policies to ensure coordination and policy coherence.

### **3.2 Domestic Laws and Regulations Governing Trade**

3.11. Fiji has continued to pursue structural reforms designed to improve and promote economic development by reducing the cost of doing business. The Fijian Government has implemented various reform programmes aimed at improving and enhancing the investment climate in Fiji. Going forward, the Government has implemented the online-business registration system and is currently reviewing the Foreign Investment Act aimed at attracting investments in key and potential sectors of the economy to boost production and exports. Fiji among others has also implemented the ASYCUDA World and online payment systems.

3.12. The Government of Fiji has continued to streamline the automation of customs systems and customs clearing procedures in order to facilitate the importation of machinery and other primary inputs for the expansion of the industrial sector as well as to make it easier to export.

### **3.3 Regional Trade Arrangements**

3.13. Fiji has continued to pursue regional integration under the Melanesian Spearhead Group Trade Agreement, Pacific Islands Countries Trade Agreement and the Interim Economic Partnership Agreement (EPA) with the EU. Fiji is also engaged in negotiating a Comprehensive PACP EPA with the EU and PACER Plus with Australia and New Zealand, together with Pacific Island Countries. The Fijian Government remains committed to the success of regional integration and will seek avenues to protect and broaden its guaranteed market access base with like-minded reform oriented countries.

#### **3.3.1 Melanesian Spearhead Group (MSG)**

3.14. The MSG was conceived in 1986 between the three Melanesian Pacific Island Countries (PICs) namely Papua New Guinea, Vanuatu and the Solomon Islands. The Melanesian Spearhead Group Trade Agreement (MSGTA) was agreed in 1993 by these countries. Noting MSG's cultural, historical, political and trade importance, Fiji acceded to the group in 1996 and the MSGTA in 1998. New Caledonia is represented by the Front de Liberation National Kanak Socialist (FLNKS) as an observer to the group. Fiji has fully liberalised its trade with the MSG partners.

3.15. Trade amongst the MSG parties under the MSGTA was limited. However, under Fiji's leadership in 2012, trade became the key agenda for the MSG. This led to MSG members making commitments to the regional trade agenda and subsequent removal of duty by PNG and Vanuatu, which led to trade under the agreement to boom. The Solomon Islands is expected to fully liberalise by 2017. The MSG region provides a combined market of approximately 8.2 million people (excluding New Caledonia). Fiji remains committed to the MSG processes and will encourage New Caledonia's full participation in the MSGTA.

3.16. It is worth recalling that the MSGTA has been revised twice since its inception and the recently revised and negotiated MSGTA3 is expected to come into force on 1 January 2017.

### **3.3.2 Pacific Island Countries Trade Agreement (PICTA)**

3.17. PICTA is an essential instrument agreed to by Forum Island Countries (FICs) to promote regional cooperation and integration via trade. The membership of PICTA comprises the Cook Islands, Federated States of Micronesia (FSM), Fiji, Kiribati, Nauru, Niue, Republic of Marshall Islands (RMI), Palau, PNG, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

3.18. PICTA was signed in 2001 and the implementation of the agreement commenced in 2007. However, only seven countries namely the Cook Islands, Fiji, Niue, Samoa, the Solomon Islands, Tuvalu and Vanuatu have announced their readiness to trade under PICTA and are currently implementing the Agreement. The FICs combined population is approximately 9 million people and is a very important market for Fijian products. In the true Pacific spirit, Fiji will remain committed to assisting other FICs to implement PICTA Trade in Goods. Following the successful implementation of PICTA Trade in Goods, Fiji will shift its focus and resources to the implementation of PICTA Trade in Services.

### **3.3.3 Pacific Agreement on Closer Economic Relations (PACER) Plus**

3.19. PACER Plus negotiations commenced in early 2010. It is worth noting that Fiji was not part of early rounds of negotiations. In order to strengthen and consolidate regional integration, Fiji joined the PACER Plus negotiations in September 2014 as part of its effort to secure a guaranteed preferential market. Apart from guaranteeing long term market access, Fiji would like to see that a truly development friendly PACER Plus is realised. In addition, Fiji envisages easing mobility of Fijian labour into PACER Plus member countries, increase Foreign Direct Investment (FDI) and improved trade facilitation and market access arrangements that act as barriers to Fijian exporters. The membership of the PACER Plus includes Australia, New Zealand and the fourteen Forum Island Countries (FICs) with a combined market of approximately 36.5 million people to Fijian exporters.

3.20. Fiji remains committed to a successfully negotiated development friendly PACER Plus aimed at securing long-term improved market access, preserving policy space, especially the right to regulate for development, creating employment, uplifting the livelihoods of Fijians and achieving sustainable development.

### **3.3.4 Interim Economic Partnership Agreement**

3.21. In 2009, Fiji signed the Interim EPA to avoid market disruptions of its exports and continued in the regional effort to conclude a development friendly and mutually beneficial Comprehensive EPA negotiation which has since stalled due to contentious issues which still remain unresolved between the PACP and the EU. As commitment to the process, Fiji in 2014 provisionally applied the Interim EPA to avoid trade disruptions. Fiji remains committed to the regional efforts to quickly conclude a development friendly Comprehensive EPA benefitting both the PACPs and EU.

## **4 FIJI AND THE GLOBAL TRADING SYSTEM**

### **4.1 Implementation of WTO Agreements**

4.1. Fiji is committed to the WTO framework and has continued during the period under review to implement and domesticate the WTO agreements. To ensure full participation and enhancement of its representation at the multilateral level, Fiji established a diplomatic mission in Geneva,

Switzerland in 2014. Fiji participates in the Doha Development Agenda negotiations as a member of Small and Vulnerable Economies Group and is also a member of the ACP, and G-90 Groups.

4.2. Fiji will continue advancing its areas of interest in ensuring that meaningful market access is achieved and the outcome of the negotiations support the development aspirations of Fiji and ultimately facilitate the smooth integration of the country into a rules-based global trading system.

4.3. However, it is worth noting that challenges remain in Fiji's ability in the short to medium term to implement the agreements. Limited financial and human resources, institutional and technical capacity, and high turnover within the civil service remain problematic in implementing the agreements.

4.4. Fiji's private sector also faces supply side constraints, with limited hard infrastructure and low productive capacity in some instance. The high costs of transportation logistics and the remoteness of the country to major markets make it difficult for Fiji's private sector to effectively and competitively participate in the regional and global economy to take full advantage of the benefits of integration.

4.5. Notwithstanding these challenges, through the Fijian Trade Policy Framework, a NTDC consultative framework is in place and institutionalised to provide a platform for dialogue on all trade related issues between the private sector, government and cooperating partners.

4.6. During the period under review, Fiji continuously benefited from support provided through the WTO implemented internship programme as well as workshops and training led by the WTO Secretariat.

4.7. Moving forward, Fiji is in need of support to implement the trade facilitation agreement and address capacity issues related to institutional, Informational Technology, testing equipment and laboratories and infrastructure issues such as major transport and border infrastructure programmes which will increase the competitiveness of Fiji's productive sectors and drastically reduce the cost of utilizing the region's transport corridors.

## **4.2 The Doha Development Agenda**

4.8. Fiji continues to actively participate in the ongoing Doha round of trade negotiations and to ensure attainment of full and effective integration in the global trading system.

4.9. As a small and vulnerable economy, Fiji looks forward to a conclusion of the Doha Development Agenda whose final outcome embraces the developmental dimension in all areas of the negotiations and preserves the flexibilities accorded to developing countries particularly to the small vulnerable economies and least developed countries (LDCs). While Fiji is deeply disappointed that the full DDA mandate has not yet resulted in outcomes, key areas of interest to Fiji as outcomes for the 10<sup>th</sup> Ministerial Conference include the following:

- Stabilisation of flexibilities in both the 2008 text on agriculture and NAMA in favour of developing countries, LDCs and SVEs and that any agreement on new approaches shall not result in a disproportionate or prejudicial position compared to those Members that apply the formula;
- Reaffirmation and operationalisation of the flexibilities for developing countries, LDCs and SVEs contained in GATS Article IV and XIX, the Services Negotiating Guidelines and Procedures, and the Hong Kong Ministerial Declaration paragraph and its Annex C, including reaffirmation of the request/offer modality and agreement that developing countries, SVEs and LDCs shall not be required to increase their offers or to expand the number of offers on the table from them;
- Agreement on the Special and Differential treatment proposals;

- Agreement on the developmental and food security aspects of fisheries subsidies including minimum disciplines on the most egregious forms of subsidies; and
- Agreement on the establishment of a working group to examine and address all NTBs that affect export trade of developing countries, in particular, LDCs and SVE.

### **4.3 Preferential Trading Arrangements (PTA)**

4.10. Fiji currently benefits from PTAs such as the Generalised System of Preferences (GSP) offered by all Developed and some large Developing Countries as well as the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) offered by Australia and New Zealand.

#### **4.3.1 South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)**

4.11. SPARTECA is a non–reciprocal and non–discriminatory trade agreement where Australia and New Zealand provides duty free access to all products originating in the Forum Island Countries (except sugar in the case of Australia). SPARTECA has played an integral part in Fiji's development and achievement of sustainable economic growth. The Agreement was signed in 1980 and implemented in 1981. Fiji continues to export under SPARTECA and has led to the growth of various sectors. From 2009 to 2014, the Fijian Textile, Clothing and Footwear (TCF) sector had benefitted under SPARTECA–TCF scheme which has since been replaced by the Developing Country Preference Scheme (DCPS) in 2015 in the case of Australia.

#### **4.3.2 Generalised System of Preferences (GSP)**

4.12. Fiji currently benefits from GSP accorded by countries such as Australia, Canada, Japan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey and the United States of America to name a few. The Fijian Government will continue to encourage its exporters to take full advantage of the GSP schemes and improve their competitiveness in those respective markets and increase Fiji's export earnings.

## **5 CONCLUSION**

5.1. Fiji remains committed to maintaining an open economy and continues to value the importance of maintaining the WTO rules-based multilateral trading system. Fiji recognises the critical importance of achieving success at the 10<sup>th</sup> WTO Ministerial Conference in December 2015 on a limited set of developmental outcomes, and recognises that much work will remain to be done to reach conclusion on the DDA. As a small and vulnerable economy, Fiji will continue to work with other WTO Members to ensure that its vulnerabilities are accounted for in future work of the WTO.

5.2. However, as a small and vulnerable economy, geographically and logistically located far from major markets and trading routes, facing supply-side infrastructure and productivity constraints and highly susceptible to natural disasters and climate change challenges, the country is at risk of further being marginalised if the multilateral trading system does not take into account such realities.

5.3. Fiji underscores the importance of Members and cooperating partners to assist Fiji in mitigating some of the challenges in order to take full advantage of market opportunities created at the multilateral level, and to ensure that the multilateral trading system continues to work for the most disadvantaged of its Members.

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