



TRADE POLICY REVIEW

REPORT BY

FJI

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 fourth Trade Policy Review (TPR) report. Since the last Review in 2016, the Fijian economy has faced many challenges emanating from international as well as domestic events. The Fijian economy experienced nine consecutive years of growth from 2010 to 2018 followed by a small contraction of 0.6% in 2019. In 2020 and 2021, however, the economy was severely impacted by the COVID-19 pandemic because of the need to halt international travel and tourism, which is the engine of the Fijian economy, in order to curb the spread of the disease. During the pandemic, Fiji also experienced three devastating cyclones. As a result, the Fijian economy suffered its largest ever annual drop in output of 17.0% in 2020, which was followed by a further contraction of 5.1% in 2021.

1.2. While the economic consequences of the pandemic still linger, the Fijian economy is on its path to recovery. After vaccination targets were met and the international borders were reopened in December 2021 and tourism resumed, the economy is estimated to have grown by 15.6% in 2022, recovering much but not all ground lost during the pandemic.

1.3. The tourism-led economic turnaround is accompanied by a significant increase in activity in several major service sectors including the accommodation and food services; transportation and storage; wholesale and retail trade; and business service sectors (primarily the finance and insurance sector).

1.4. In terms of merchandise trade, between 2016 and 2022, total annual exports rose by 20.3% to FJD 2,323 million, while total annual imports increased by 36.9% to FJD 6,599 million.

1.5. Since the last TPR, Fiji has undertaken reforms to promote investment, trade and economic growth. As part of the reform package, Fiji now has an Investment Policy Statement that sets the vision, objectives and principles of the Fiji Government for investment growth. The Investment Policy Statement identified the policy and strategic changes required to further improve the investment environment in Fiji. The Statement set out a pathway for legislative review and reform. To make Fiji a competitive and dynamic investment destination, the Investment Reform Map identified the need to attract "efficiency-seeking" investments, that is, investments that are targeting exports. These strategies reinforced the overall vision of the "Trade Policy Framework 2015-2025" to "Position Fiji as an internationally competitive, dynamic and vibrant economy serving as the hub of the Pacific".

1.6. To enhance the opportunities for micro, small and medium enterprises (MSMEs), with the growing manufacturing base and integration of the Fiji economy into the global economy, significant policy and structural reforms were undertaken. In 2017, over 20,850 MSMEs were registered in Fiji, which meant 97% of all businesses established were MSMEs. MSMEs contribute 18% to the GDP and employ 37% of Fijians who are in formal employment. However, these figures did not fully capture the MSME contribution to Fiji's economic growth. Reforms initiated in 2017 were intended to formalise the informal MSME sector.

1.7. In 2018, a central coordinating agency for MSMEs was established, called MSME Fiji. This saw the repeal of the Small and Micro Enterprise Development Act 2002 in 2019, and the role of the National Centre of Small and Micro Enterprise Development absorbed by the Ministry of Trade, Cooperatives and Small and Medium Enterprises. In 2020, Fiji's first MSME Policy Framework was launched.

1.8. The Fiji Government recognizes MSMEs as a critical component for sustainable 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. Since 2016, a number of policy initiatives and programmes have been announced to assist MSME growth. These initiatives provided targeted support to MSMEs through grants, micro-loans, business-related training and mentoring. In 2018, the Young Entrepreneur Scheme was launched to provide support for people between 18 to 40 years, who want to start a business, by providing grant funding for start-ups.

1.9. The MSME Policy Framework also seeks to facilitate the growth of the MSMEs through streamlining business approval processes.

1.10. In 2018, the Fiji Government initiated legislative and process reforms to facilitate doing business in Fiji. The reforms focused on policy, legislation and procedures to increase efficiency and improve productivity. The reforms also laid the foundation for the harnessing of technology and the digitalisation of the processes. This first required a business process review and the identification of any redundancies and process overlaps. The reforms established an online platform that for the first time provided investors with relevant information on a single online platform. The repeal of unnecessary legislation and processes has led to improvement in business processes and savings in compliance costs for businesses. A risk-based process for starting a business was adopted in 2020.

1.11. On the fiscal front, 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.

1.12. Fiji has continued to work towards international economic integration by participating actively in the Melanesian Spearhead Group (MSG), the Pacific Island Countries Trade Agreement (PICTA), the African and Caribbean Group of States (ACP), and the World Trade Organization (WTO).

1.13. As a small island developing states (SIDs) trade remains an integral part of the Fijian economy. Fiji remains committed to pursuing policies aimed at enhancing international market opportunities for Fijian goods and services, as well as the diversification of Fiji's export product base.

1.14. Following Fiji's General Election on 14 December 2022, a new Coalition Government was formed. The previous Government had been in power for 16 years. The Fiji Government hosted a National Economic Summit on 20–21 April 2023. A wide cross-section of the community and stakeholders from the private sector, civil society, academia, union representatives and industry leaders were invited to participate and contribute towards this important national policy dialogue and consultation process. These discussions will help inform the Government's short, medium, and long term economic policies and strategies. The twelve thematic areas of Macroeconomic Management, Key Growth Sectors, Governance and Reforms, Human Development, Rural and Outer Island Development, Land Based Activities, Marine, Indigenous Participation, Water Resource Management, Transport and Energy were identified to structure the work towards the Government's overarching objectives of inclusive economic security, social justice, conscientious governance, political stability, indigenous participation in development and environmental sustainability.

2 ECONOMIC DEVELOPMENT

2.1 Macroeconomic developments

2.1. The Fiji economy has changed over the last few decades and is now predominantly made up of services (70.6%) followed by manufacturing (19.1%) and the primary sector, including agriculture, forestry and fisheries, production (10.3%) in terms of composition. The domestic economy grew by an average 4.0 % from 2015-2018 and rebounded strongly by growing 15.6% in 2022 after recording three consecutive years (2019-2021) of decline.

2.2. Inflation rate stood at 1.4% in 2015 and 4.3% in 2022. The spike in inflation in 2022 was largely due to supply side shocks caused by the Russian Federation – Ukraine war and the spillover of higher prices (particularly on food and energy) in Fiji's major trading partners.

2.3. In the period under review, Fiji continued to pursue prudent fiscal policies with the 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 significantly during the review period. Total foreign exchange reserves increased from FJD 1.9 billion in 2016 to around FJD 3.4 billion in 2022, which is sufficient to cover 6.9 months of retained imports of goods and non-factor services. As at March 2023, foreign reserves stand at FJD 3.3 billion, equivalent to 6.1 months of retained imports of goods and non-factor services.

2.5. Generally, the Fiji economy during the end of last review recorded economic decline. The economic growth decline was partly caused by the spill-over effects of the global slowdown, impacts

of natural disasters, pandemic and other structural impediments. Growth in the past review period was also constrained by external factors such as reduction in sugar preferential prices and the erosion of tariff margins for textiles and clothing exports.

2.6. In 2019, Fiji's recorded level of investment was 19.4% of GDP. Because of the impact of the COVID-19 pandemic, the level of investment in Fiji declined to 16.2 % of GDP in 2020. The forecasted level of investment in 2021 is above 18% of GDP.

2.7. The key indicators supporting growth for 2022 include investment lending (25.0%), imports of investment goods (13.6%), new jobs advertised (140.1%), personal remittances (23.1%), visitor arrivals (1,912.5%) and domestic cement sales (20.3%). Other contributors to the growth for 2022 include increase in new commercial bank lending (5.2%), sugar production (17.0%), new vehicle sales (30.4%), new consumption lending (32.1%) and electricity consumption (15.8%). Another major factor contributing to a sustained increase in growth is the business-friendly initiatives of the Government (including tax breaks and incentives) and implantation of policies to facilitate investment.

3 PERFORMANCE OF MAJOR SECTORS

3.1 Micro, small and medium enterprises (MSMEs)

3.1. The Fiji Government has a dedicated department for MSMEs called MSME Fiji under the Ministry of Trade, Co-operatives and Small and Medium Enterprises. This was established following the repeal of the Small and Micro Enterprises Development Act in 2019.

3.2. MSME Fiji is responsible for formulating, implementing and enhancing policies and strategies for the development of MSMEs. In particular, MSME Fiji facilitates business training, business advisory and access to finance. MSME Fiji is also responsible for monitoring and evaluating the implementation of MSME-related projects.

3.3. MSME Fiji currently administers five grant funding programmes for MSMEs. These are the Young Entrepreneurs Scheme, the National Export Strategy, the Trade Enhancement Programme, the Northern Development Programme and the Integrated Human Resources Development Programme.

3.4. The Fiji Government continues to work with stakeholders, including the Reserve Bank of Fiji, Fiji Revenue Customs Services, Fiji Commerce and Employers Federation and Business Assistance Fiji, to accelerate development within the sector. This includes the drafting of legislation, the collection of MSME data and coordinating with financial institutions to enhance access to affordable finance.

3.5. Improving MSMEs access to finance forms one of the four core pillars under the National Financial Inclusion Strategy 2022-2030 and remains a key focus of Government efforts post-pandemic to help MSMEs recover.

3.2 Agriculture (non-sugar)

3.6. The non-sugar agriculture sector is an important part of Fiji's economy and on average contributes 8% of the GDP, and accounts for around 3.8% of domestic exports.

3.7. Food and nutrition security, and income and employment generation through a resilient agriculture sector is the primary focus of Government policy in this sector. The main commodities in this sector include root crops (dalo, cassava, yams, sweet potato and yaqona), tropical fruits (pineapple, pawpaw and mango), vegetables, pulses, ginger, tobacco, rice, turmeric, spices, cocoa, and coconut products. The livestock industry produces beef, dairy, pork, poultry meat, eggs, sheep, goat and bee products. Major agricultural exports are kava, taro, turmeric, cassava and ginger and other fruits and vegetables.

3.8. Crop imports make up an average of 90% of the total volume of agriculture imports. The main crops imported are wheat, vegetables, rice, potatoes and fruit. Livestock products make up an

average of 10% of the total volume of agriculture imports. The majority of which is fresh and chilled lamb, beef and chicken products that are imported from New Zealand and Australia.

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

3.10. The Fiji Government has developed a strategy to increase production and productivity in the rural areas with a focus on poverty alleviation. The Government has initiated, implemented and managed a number of initiatives that supports the revitalisation of the sector. These initiatives include the Food Security Expansion Growth and Strategy. It covers the distribution of home gardening seed packages, securing household and village rice production and supply, securing village nutritional security, and village and settlement household poultry meat supplementation.

3.11. The Government has adopted other programmes including (i) the Commercial Agriculture Development Programme (CADP) which aims to accelerate the transition from subsistence farming to commercial agriculture level and (ii) the Our Community Agriculture initiative to link farmers to nearby hotels. The latter initiative aims to promote the use of local products in the tourism sector and create new markets for the rural farmers.

3.3 Agriculture (sugar)

3.12. The sugar industry is a crucial sector in the economy of Fiji. It provides direct and indirect employment to over 200,000 people, contributes significantly to the country's foreign exchange earnings, and supports the livelihoods of many rural communities. However, the industry has faced numerous challenges in recent years, including the end of the European Union's preference scheme in 2017, declining yields, low prices, competition from other sugar-producing countries and climate change. From 2016 to 2020, two category-five storms inflicted nearly USD 100 million on the industry and damaged some 600,000 tonnes of cane. Since 2017, only three of the four mills were still operational. The fourth mill was shut down after sustaining damage during tropical Cyclone Winston in 2016.

3.13. Fiji's sugar exports have been declining over the past few years. In 2016, Fiji exported 139,888 metric tonnes (MT) of sugar, which increased to 152,924 MT in 2017. However, in 2021, Fiji's sugar exports dropped to 80,368 MT. The sugar export normalized in 2022 again, with 144,280 MT of sugar exported in that year. The increase in exports can be attributed to higher production levels and the opening of new markets. The top export destinations for Fiji's sugar are the European Union, United Kingdom, United States, Republic of Korea, New Zealand, China and the Pacific Island Countries.

3.14. The world sugar market was adversely impacted by COVID-19 and the global lockdown. Due to a shortage of sugar in the world market, the world sugar price increased during the pandemic but dropped back afterwards. For Fiji, sugar sales to the domestic market and Pacific Island Countries saw positive growth.

3.15. The industry recorded some positive developments over the past few years, including the modernization of its mills, the use of advanced farming technologies, and a focus on developing new value-added products. One of the major challenges facing the sugar industry in Fiji is the decline in cane production. Factors contributing to this decline include ageing cane fields, declining soil fertility, and the impact of climate change. To address these challenges, the industry is exploring innovative solutions, such as the introduction of new cane varieties, improved farming practices, and the use of precision agriculture technologies. Guided by the research institute, Fiji's sugar industry is currently implementing green manuring technology that increases soil fertility without reliance on chemical fertilisers that contaminate waterways.

3.16. These changes have improved the quality of the sugar produced in Fiji in several ways. These improvements have enabled the national industry to shift from exporting raw sugar in bulk to developing and marketing sugar as a finished, branded product for higher-value markets. These higher-quality, branded products have experienced rapid uptake in markets in New Zealand and several Pacific Island Countries (PICs). In 2018, Fiji resumed the shipment of sugar to the Chinese

market. The Fiji Sugar Corporation launched the "Sugars of Fiji" retail and export brand 23 October 2019.

3.17. To further support the growth of the sugar industry in Fiji, the Government has launched several initiatives, including the Sugar Cane Industry Strategic Plan 2016-2020 and the Sugar Industry Master Plan 2021-2035. These plans provide a roadmap for the industry's growth, focusing on areas such as modernization, diversification, and value addition. Additionally, the Government is exploring opportunities to partner with international organisations and investors to provide funding and technical expertise to support the industry's growth.

3.4 Manufacturing

3.18. Fiji's manufacturing sector plays a vital role in the country's economy, accounting for 11% of Fiji's GDP in 2021 and providing employment to over 25,031 local workers or 10.1% of total employment in Fiji in 2019. In 2016, the sector's contribution to the GDP was 11 %. The sector's contribution to employment and export earnings makes it a crucial part of Fiji's economic growth and development plans. Fiji's manufacturing sector consists of various industries, including food and beverages, mineral water, textiles and clothing, tobacco, building materials, wood and wood products, and chemical and pharmaceutical products. The manufacturing sector accounted for 25.7% of Fiji's merchandise exports by value in 2021.

3.19. The food and beverage industry is one of the largest industries in Fiji's manufacturing sector. The industry comprises a wide range of subsectors, including sugar refining, beer and soft drink production, and canned fish production. The textiles and clothing industry is another significant industry in Fiji's manufacturing sector, contributing approximately 17% of the sector's total output. The industry produces clothing, footwear, and textiles, with garment production being the largest sub sector. The wood and wood products industry is a small but growing industry in Fiji's manufacturing sector, contributing approximately 2% of the sector's total output. The industry includes the production of furniture, timber, and wood products such as plywood. The chemical and pharmaceutical products industry is a growing industry, contributing approximately 4% of the sector's total output. The industry includes the production of pharmaceuticals, soaps and detergents, and cleaning agents.

3.20. The Fijian Trade Policy Framework (FTPF) aims to improve and facilitate investment in the manufacturing sector with a view to increasing value addition and exports. Fiji has implemented several policies and initiatives aimed at promoting the growth and development of its manufacturing sector. The Government has provided tax incentives for investment in the sector, and there have been efforts to modernize and upgrade existing industries. Moreover, the Government has established several export promotion agencies to facilitate market access for manufactured goods.

3.21. The Fiji Government also recognizes the importance of certifying Fiji timber produced from sustainably managed and legally operated operations to ensure continued access to export markets. Fiji has registered its own "Fiji Pure Mahogany" brand in 22 countries and completed associated certification processes for its unique and sustainable mahogany resource.

3.22. The Government also intends to continue working towards strengthening the linkages between the MSMEs supplying raw and intermediate materials and large manufacturing firms in order to ensure sustainable domestic value chains.

3.23. Overall, the Government, as part of its strategy to diversify the country's exports and improve earnings, will seek to encourage further value addition processes in the manufacturing sector.

3.5 Textile, clothing and footwear

3.24. Textiles, Clothing and Footwear (TCF) sector is one of Fiji's largest source of manufactured exports 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.

3.25. TCF exports contributed around 9% of GDP in 2018. With the impact of the COVID-19 pandemic, TCF exports declined to 8.8% and 7.0% of GDP, respectively. The forecasted contribution of TCF exports in 2022 is above 5% of GDP. As of 2019, the TCF industry created employment for over 4,000 workers.

3.6 Mining

3.26. The mining sector is emerging as an important economic sector and there is potential for it to become one of the key sectors for growth in future. Current mining sites are for gold (2), bauxite (2), silver (2), iron sand (1) and polymetallic (1). In 2022, there were 8 mining leases but this number will decrease in 2023 to 6 as the bauxite sites are due to close.

3.27. Although interest in deep-sea mining is intensifying, Fiji has reinforced its moratorium on deep-sea mining for 2020 to 2030 by making a commitment to that effect at the UN Ocean Conference in Lisbon, Portugal in 2020.

3.28. Mineral exploration licences and mining licences leases have decreased over the past five years due to the relinquishing or non-renewal of licences by the Department of Mineral Resources based on a review of performance of exploration companies in conducting bona fide exploration work. Licences of exploration companies performing poorly are either not renewed or relinquished.

3.29. The Fijian government's encouragement of further exploration may produce discoveries of new prospects and advance existing projects towards mining. The new Tuvatu Gold Mine in Nadi, which is expected commence operation later in 2023, was the result of the discovery of high-grade gold ore.

3.30. 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 assessments and stakeholder engagements are undertaken prior to commencement of mining projects, and occupational health and safety standards are complied with.

3.7 Forestry

3.31. Forests cover approximately 1.1 million hectares (ha) of Fiji's landmass, which is equivalent to 60% of the country's total land area. The forest cover comprises natural forests (82%), softwood plantations (7.4%), hardwood plantations (6.5%) and mangrove forests (4.1%).

3.32. The sector contributes 1.7% of Fiji's real GDP and has the potential to grow further through sustainable forestry. Forestry and logging contributed 0.3% to GDP in 2020, sawmilling and planning of wood contributed 0.7%, and manufacture of furniture, wood products, pulp and other articles thereof contributed about 0.6%.

3.33. Exports of wood and articles of wood have been increasing since 2019 (rising from FJD 59 million in 2018 to FJD 118.8 million in 2020) which is attributed primarily to growth in the production and export of pine wood chips to Fiji's major markets, China, and Japan.

3.34. Guided by Fiji's commitments to various conventions such as the Paris Agreement, United Nations Framework Convention on Climate Change, and the recent Seoul Forest Declaration, the Fiji Government is dedicated to protecting, restoring and sustainably using and managing forests as one of the building blocks for social, environmental, and economic development.

3.35. Fiji's National Development Plan (2017-2036) sets out strategies to sustainably manage and develop Fiji's forest resources with policies to strengthen sustainable forest management, encourage private sector participation in plantation development and encourage the development of more timber products.

3.36. The forest sector is also shaped by global and environmental programmes for climate change mitigation and adaptation. The areas identified under the REDD+ project not only protects Fiji's Forests but boosts financial capacity through carbon trade mechanisms. There is currently a total of 16 Forest Reserves (Yarawa, Suva/ Namuka Harbour, Naboro, Savura, Colo I Suva, Maranisaqa and

Wainiveiota, Qoya, Vago, Draunibota, Buretolu, Nadarivatu, Saru Creek, Lololo, Wabu, Korotari, Taveuni) covering a total area of 13,191.72 ha and a total of 8 Nature Reserves Listing (Labiko, Vuo Island, Nadrivatu, Tomanivi, Naqaranibuluti, Ravilevu, Kiobo and Vunimoli) that covers a total land area of 5752.28 ha.

3.37. A 5-year Emission Reduction Programme Agreement (ERPA) signed between the Forest Carbon Partnership Facility of the World Bank and the Fiji Government enhances Fiji's tree planting programme, restoring ecosystem services and natural wealth in 20 Emission Reduction Programme sites. Apart from contributing to climate change mitigation, this Programme has the potential to generate up to USD 12.5 million (approximately FJD 26 million) in results-based payments for increasing carbon sequestration and reducing emissions from deforestation and forest degradation. It aims to reduce emissions by 2.5 million tonnes over 5 years.

3.38. Overall, the Fiji Government's strategy is to establish a sustainable life cycle management, improve socio-economic impact of forests, and invest in the diversification and value-addition of forest products. The Government also aims to improve forest research and publication of validated research, ensuring that its initiatives are guided by science. The Ministry of Forestry through its Research Division (FRD) shifted its research focus and priorities from timber-focused management to far greater focus on protection, conservation and multiple-use management that gives attention to a wide range of goods and services.

3.8 Fisheries

3.39. Fiji is located in the hub of the Pacific and has an exclusive economic zone (EEZ) of around 1.28 million sq. km and approximately 75% of Fiji's population live within 5 km of the coast. As the third largest natural resource-based sector in the Fijian economy behind sugar and agriculture, the fisheries sector contributes around 1% to GDP and 10% of Fiji's total export earnings in 2020.

3.40. The main contributor to the sector is commercial fishing, especially offshore tuna catches. Other significant elements include bêche-de-mer, aquaculture and inshore or coastal fishing. As per the Fiji Agricultural Census 2020, out of the 70,991 agricultural households reported in the country, 29,450 households or 41.5% were involved in fishing activities. Offshore fisheries are dominated by the commercial Tuna fishery. Generally, 42% of the Tuna caught is supplied to canneries, 37% as fresh fish export and 21% for domestic sales.

3.41. Inshore commercial fisheries consist of reef fish, invertebrates such as bêche-de-mer and others. Reef fish and invertebrates are sold at urban domestic markets and roadside stalls. It is interesting to note the linkage between artisanal fisheries caught in rural areas and sold to urban dwellers in towns and cities around Fiji. Despite limitations in data, estimates of the value of inshore artisanal fisheries range between FJD 14.6 million to FJD 53.7 million per year. Bêche-de-mer is an export commodity and valued at an average of FJD 11.0 million. Coastal inshore fisheries can be considered in two categories including subsistence fishing and artisanal fisheries.

3.42. The fisheries sector is crucial to Fiji's economy; however, the sustainable development of the industry is impeded by illegal, unreported and unregulated (IUU) fishing, the impacts of climate change, natural disasters (warmer climate), instances of overfishing, and exploitation of inshore fishing communities. The Government policy has been focused on combating illegal, unreported and unregulated (IUU) fishing, implementing sustainable fisheries management, enhancing Fiji's food security, harnessing the full potential of Fiji's aquaculture and inshore fisheries, marine biodiversity conservation, and effective disaster management.

3.43. The compelling issue facing the offshore fisheries sector is the declining catch of tuna species, ageing fishing vessels, and the lack of financing facilities and infrastructure to support the tuna industry. Concerns raised by the private sector are that foreign fishing fleets from Distance Water Fishing Nations (DWFN) are dominating offshore fishing in the Pacific and that they benefit from high subsidies received from their governments. The viability of Fiji's domestic tuna industry is under threat because of the catches of these foreign fishing vessels. Future viability of the tuna industry in Fiji is at risk as climate models indicate that albacore will migrate further south while bigeye and yellowfin tuna will move eastward. It is critical for Fiji's domestic tuna industry to improve its efficiency and foreign fisheries subsidies are controlled to cushion the impact of climate change and position the industry for future growth.

3.44. The total provisional catch by the domestic longline fleet (catches inside and outside Fiji EEZ) for 2020 was 12,661 mt of which 11,186 mt or 88 % were tuna catches. Despite the slight increase in catches in 2018 and 2019 at around 15,000 mt on average, by 2020 there was a significant drop in catch to around 12,661 mt. It may be inferred that COVID-19 affected the economics of the tuna industry where the number of Fiji-flagged operating licensed vessels declined from 60 vessels to 40 vessels.

3.45. The National Ocean Policy (2020–2030) sets out how Fiji will meet its international, regional, and national commitments on oceans and progression to the integrated management of Fiji's entire EEZ by 2030. The policy aims to achieve 5 % marine protected areas within Fiji's EEZ by 2024, with eventual expansion to reach 30 % of the country's waters by 2030. The policy also supports greater inclusion of women in ocean management and to restore and maintain the health of Fiji's ocean areas, provide food security, guide the management and development of sustainable fisheries within the offshore, inshore and aquaculture sub-sectors, as well as creating more ecotourism opportunities. The marine protected areas will need to be carefully considered and balanced with the needs of the industry to ensure its sustainability.

3.46. Fiji is also signatory to other key conventions and protocols that are geared towards addressing loss of biodiversity resources such as the Cartagena Protocol on Biosafety, the Nagoya Protocol, Wetlands Convention, Convention on Biological Diversity and Convention on International Trade of Endangered Species of Wild Flora and Fauna (CITES). Implementation through policy and/or legislative instruments has been slow. Operationalization has met capacity challenges for lead agencies including vague policy directions, funding constraints and limited technical capacity. In 2019, Fiji ratified the Port State Measures Agreement to prevent, deter and eliminate IUU caught fish landing in Fiji's ports. As already noted, Fiji reinforced its support for a 10-year moratorium on deep sea mining (2020 to 2030) at the UN Ocean Conference in Lisbon, Portugal in 2022.

3.47. It is widely acknowledged that fisheries subsidies contribute to overcapacity and overfishing. Fiji actively participated in the World Trade Organization (WTO) negotiations on the Agreement on Fisheries Subsidies that aims to discipline subsidies that contribute to overcapacity and overfishing and to eliminate subsidies for illegal, unreported and unregulated fishing. If the 'second wave' of the negotiations are successfully concluded, a major step forward will be taken to ensure sustainable ocean fishing and securing the future of Fiji's fishing industry.

3.9 Services

3.9.1 Tourism

3.48. Tourism is Fiji's largest earner of foreign exchange. Growth in tourism earnings will continue to be critical to Fiji achieving sustainable economic growth objectives.

3.49. In 2016, the industry was adversely affected by the devastation caused by tropical Cyclone Winston. The wrath of the cyclone led the Fiji Government to re-examine its approach to sustainable growth, specifically in the tourism sector. The result was the development of Fijian Tourism 2021, a 5-year development plan for the sustainable growth of the sector and the aim of making tourism a FJD 2.2 billion industry. The principal focus of the plan is to maximise tourism yield, while achieving a sustainable growth rate of visitor arrivals. Increasing the value that tourism brings to Fiji is central to the strategy. The plan also provided strategies for linking the sector to other economic sectors, infrastructure development, and development of quality tourism products. All elements of the plan had sustainability at the core.

3.50. In 2019, Fiji was well on track to achieving its vision of a FJD 2.2 billion industry. Tourism earnings in 2019, was approximately FJD 2.1 billion, with 894,389 visitors. However, in 2020 the visitor numbers took a nosedive. With the rapid onset of COVID-19 globally and with the international borders closing in March 2020, the thriving industry came to a halt; wiping out 40% of the Fiji economy with over 100,000 people losing their jobs in the tourism industry.

3.51. Strong Government action permitted Fiji to become among the first countries in the world to open its international borders to tourists in December 2021. The requirement for pre-departure tests, COVID-19 vaccination, amongst other strategies ensured the safe re-opening of the tourism industry. The tourism industry earnings rebounded from FJD 36 million in 2021 to FJD 1,449.3 million

in 2022, which is 72.6% of 2019 levels. The sector also contributes (directly and indirectly) to the employment of close to one third of Fiji's total labour force.

3.52. To maintain the sustainable growth of the industry, the Fiji Government is working towards a new National Sustainable Tourism Framework that will serve as a successor to the Fijian Tourism 2021 Development Plan. The 10-year framework will aim to provide a roadmap to revitalize and enhance Fiji Tourism industry's competitive positioning and equitable growth and to anticipate the future state of visitor needs and visitor markets. It will articulate the strategic direction of the tourism sector and will provide the blueprint for the industry.

3.9.2 Business process outsourcing

3.53. The business process outsourcing (BPO) industry in Fiji currently employs about 3,000 Fijians and contributes approximately FJD 70 million in foreign exchange annually. Services offered by the BPO industry in Fiji are offered in multiple languages including English, Fijian, Hindi, Spanish, French, Italian, Dutch, German, Swiss German, Portuguese and Tamil. The services include call centre service, airline reservations, back office administrative support, accounting and bookkeeping, back-end transactional support, data entry, debt collection, Helpdesk services, software support, website development, graphics design, telemarketing, social media and web marketing.

3.54. The COVID-19 pandemic saw the recognition of Fiji as a risk diversification location for global businesses within the BPO industry due to the continuity of its operations throughout lockdown and restrictions. This has seen companies transferring not just portions but outsourcing all of their operations to Fiji. Australia and New Zealand remain the largest source market for BPO.

3.55. Fast and secure internet is provided by the Southern Cross Cable which connects New Zealand, Australia and the United States. The Fiji Government is also planning a second cable to provide an added contingency. BPO firms invest in back-up generators and uninterruptible power supply systems to ensure business continuity.

3.56. The BPO industry has provided opportunities for global exposure, economic growth and development, job creation and employment opportunities, and skills, knowledge and technological development.

3.9.3 Audio-visual

3.57. The audio – visual sector plays a key role in the sustainable growth of the economy. The Fiji Government in 2019 announced an amendment to the film rebate from the previous 47% qualifying spend to 75% of local spend. The 75% tax rebate scheme led to a boost in productions.

3.58. In 2019, a total of 107 productions were shot in Fiji which generated new economic activity worth FJD 444.21 million and created 2,787 jobs during the productions. In 2020, the number of productions decreased to 13 which generated new economic activity worth FJD 946,148 and created only 10 jobs during the productions. This decline was contributed by the closure of borders and restriction of entries due to the COVID-19 pandemic.

3.59. In light of the socio-economic impact of the COVID-19 pandemic, the Fiji Government announced a temporary suspension of film rebate payments and processes. However, in 2021, an arrangement for a 5-year payment period to settle the payments of film rebates to productions was announced by the Government. As such, FJD 40 million is being allocated for each financial year to settle outstanding film rebates. The Fiji Government continues to remain committed in settling these rebate payments.

3.60. In 2022, the Fiji Government announced the reduction of the film tax rebate scheme from 75% to 20 % of local expenditure. Despite this reduction, Fiji continues to receive interest from film productions under the 20 % film tax rebate incentive. 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, a large water tank (for underwater filming), adequately trained and skilled crew and support actors.

3.61. In order to facilitate the growth of the sector, the Fiji Government will continue to support the promotion of film and television productions because it increases Fiji's visibility on the international stage, which boosts tourism.

3.9.4 Registration of skilled professionals

3.62. The Skilled Professionals Evaluation Committee (SPEC) is empowered by the Registration of Skilled Professionals Act (2016) to process applications for work permits and professional registration expeditiously in sectors where Fiji needs skilled professionals. An application can be made for special registration of skilled professionals so long as the specialized skills are scarce within the Fijian labour market.

3.63. Since its inception in 2016, SPEC has received a total number of 128 applications from a range of sectors. Applications inform the SPEC on potential sectors facing shortages in skilled professionals. The top three sectors that make up most of SPEC applications are pharmacists, veterinary surgeons and providers of specialized areas of medicine such as cardiothoracic surgeons.

4 TRADE DEVELOPMENTS AND INVESTMENT POLICY

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

4.2. Fiji is currently in the process of negotiating the Agreement on Climate Change, Trade and Sustainability and the Indo-Pacific Economic Framework, and continues to actively participate in the African Caribbean Pacific (ACP) States integration and in the multilateral trading system.

4.3. The Fiji Government continues to place the utmost importance on international trade and seeks bilateral, regional and multilateral integration with like-minded countries. It views international trade as a key mechanism to achieve sustainable economic growth, diversify its economy, generate employment, improve international competitiveness and establish 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.

4.4. Fiji's major trading partners are Australia, New Zealand, the People's Republic of China, Singapore, the United States, Japan, the United Kingdom and Pacific Island countries. Altogether, these countries account for 76.5% of Fiji's total goods. Between 2016 and 2022, Fiji continued to pursue opportunities to trade with other countries and diversify the range of products and services exported.

4.5. Duty free access to products was provided in line with Fiji's commitments within both the MSG and PICTA. High transport and communications costs continue to be the greatest barrier to deepening integration within regional and global markets. This is mainly due to inadequate and poor state of infrastructure in Fiji and the region. In addition, the combination of non-tariff barriers in foreign markets and institutional capacity limitations to effectively deal with sanitary and phytosanitary measures and technical barriers to trade inhibit Fiji's ability to increase exports.

4.1.1 Trade policy objectives

4.6. The Ministry of Trade, Co-operatives and Small and Medium Enterprises is the principal Government body responsible for trade policy formulation and implementation. It collaborates closely with other government departments and agencies responsible for implementation of other aspects of trade policy.

4.7. Fiji has institutionalized the involvement of the private sector in trade policy through consultative forums and committees which meet regularly to discuss trade and related issues relevant to Fiji. The main institutional framework to implement trade policies is the National Trade and Development Council (NTDC), which is composed of representatives of the public and private

sector and civil society. Fiji's judiciary plays a role in the interpretation of statutes and laws as well as resolution of trade related disputes.

4.8. 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 expand 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 for the growth of the micro, small and medium enterprises development as 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.

4.1.2 Domestic laws and regulations governing trade

4.1.2.1 Investment reforms

4.9. Fiji has continued to pursue structural reforms designed to improve and promote economic development by reducing the time and cost of doing business. The World Bank Group's Doing Business Report was in the past used as a benchmark to identify areas of improvement. In early 2016, the Fiji Government recognised the need to review and revise the investment framework in Fiji. This was done through an amendment to the Foreign Investment Act 1999, which provided that a Foreign Investment Policy will be developed to identify the areas of investments. This led to the Fiji Government and the World Bank Group/International Finance Corporation to begin work on a comprehensive Investment Reform Map, development of an Investment Policy Statement and a substantial revision of the Foreign Investment Act.

4.10. In 2019, the Investment Policy Statement was endorsed by the Cabinet, following which work on the Investment Act began. The purpose of a new Investment Act was to provide a simple legislative framework for investments that provides rights and responsibilities of the State and

investor and provides national treatment of foreign investors. The Investment Act was passed by Parliament in 2020 and came into force in 2021. The Investment Fiji Act was passed in 2022.

4.11. This made registration of investment in Fiji simpler; allowing investments in key sectors, whilst protecting domestic investment in MSMEs. The reserved and restricted list of investments is now more focused and streamlined.

4.12. The Investment Act also provides for protection of essential industries, through assessment of investments by foreigners in resources and critical sectors. These sectors include energy, transport, communications, and data storage or financial infrastructure. With the reforms in the investment regime, there was an adjustment of Investment Fiji's role so that it would focus on investment promotion, rather than the screening of investors.

4.13. To support the investment reform, the Fiji Government saw the importance of modernisation of business processes of investment approval agencies. In 2018, a programme for the digitalization of government processes began. In 2019, the bizFiji online portal was launched, which for the first time provided investors information, application forms, checklists, and links to online processes in one online portal. In 2021, the transformation of the bizFiji portal to an application and approvals platform began. By the end of 2023, it is expected that the starting a business process will be completely online. By the end of 2024, the building permit approval systems should be online. The Integrated Permits and Approval System created through this project will potentially host other doing business approval processes.

4.14. Other critical reforms included the digitalisation of online tax registration, online company/business registration, repeal of Business License Act in 2020 and the move towards risk-based business operation process. The World Bank Group estimated that the removal of business licences led to FJD 3.5 million in direct compliance cost savings to the private sector.

4.2 Regional Trade Arrangements

4.15. Fiji has continued to pursue regional integration with its neighbouring Pacific Islands Countries (PICs) through the Melanesian Spearhead Group Trade Agreement, Pacific Islands Countries Trade Agreement (PICTA) and the Interim Economic Partnership Agreements (EPA) with the EU and the UK. Fiji is currently party to the Indo-Pacific Economic Framework (IPEF) negotiations, which will better connect Fiji with many large economies in the Indo-Pacific region.

4.2.1 Melanesian Spearhead Group (MSG)

4.16. The MSG was conceived in 1986 between the three Melanesian Pacific Island Countries (PICs) namely Papua New Guinea (PNG), 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 liberalized its trade with the MSG partners.

4.17. Trade amongst the MSG parties under the MSGTA was limited. However, under Fiji's leadership in 2012, trade became the top agenda item 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. Solomon Island fully liberalized in 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 MSG.

4.2.2 Pacific Island Countries Trade Agreement (PICTA)

4.18. PICTA is an instrument agreed to by Forum Island Countries (FICs) to promote regional cooperation and integration via trade. The FICs are 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. Only 12 of the 14 FICs signed PICTA.

4.19. PICTA was signed in 2001 and the implementation of the agreement commenced in 2007. Out of the 12 that have signed, only seven countries namely Cook Islands, Fiji, Niue, Samoa, 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.

4.2.3 The European Union (EU)- Pacific Interim Economic Partnership Agreement

4.20. Fiji in 2009 signed the Interim EPA to avoid disruptions to its exports to the EU. It continued to participate in the regional effort to conclude a development friendly and mutually beneficial Comprehensive EPA with the EU. Negotiations however stalled. In 2014, Fiji began to provisionally apply the Interim EPA and is in the process of fully implementing the agreement.

4.2.4 The United Kingdom (UK)-Pacific Interim Partnership Agreement

4.21. The United Kingdom formally exited the European Union on 31 January 2020. The UK's withdrawal from the EU is known as "Brexit". A trade agreement was necessary to ensure that there were no trade disruptions to trade between Fiji and the UK. Therefore, the UK and PACPS concluded a UK-Pacific Interim EPA that replicated virtually all of the provisions of the EU-Pacific Interim Economic Partnership Agreement (IEPA). Fiji signed the UK-Pacific IEPA on 14 March 2019, and has been provisionally applying it since.

4.2.5 Trade and Investment Framework Agreement (TIFA)

4.22. TIFA is a bilateral arrangement between the United States of America (US) and Fiji, which was signed on 20 October 2020. The TIFA creates a platform on which to further expand and deepen bilateral trade and investment ties between the two countries. The US-Fiji TIFA is also the first such trade agreement signed by the United States with a Pacific Island Country. TIFA is aimed at strengthening the economic commitments between the two countries. Under the TIFA, the United States and Fiji will consult on a wide range of issues related to trade and investment. The two sides also aim to explore ways to increase trade in goods and services, and to encourage further investment between the two countries.

4.2.6 Indo-Pacific Economic Framework (IPEF)

4.23. Fiji is currently negotiating the IPEF. The IPEF is a United States-led initiative and was launched by partners in May 2022. The 14 participating countries of Australia, Brunei, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Viet Nam, together represent 40% of the world's Gross Domestic Product. IPEF has four pillars: i) trade, ii) supply chain, iii) clean economy, and iv) anti-corruption and taxation.

4.24. IPEF provides an excellent opportunity to contribute to Fiji's ambition of trade development, supply chain resilience, long-term climate ambition, and preventing and combatting corruption and curbing tax evasion. Fiji, as a small island developing state, is vulnerable to the impacts of climate change, trade shocks caused by external factors, and global supply chain disruptions. Therefore, we are committed to participating in international initiatives, such as the IPEF, that aim to address these vulnerabilities through a multi-faceted approach that involves building resilience and promoting sustainable economic development.

4.2.7 Agreement on Climate Change, Trade and Sustainability (ACCTS)

4.25. Fiji was negotiating the Agreement on Climate Change, Trade and Sustainability (ACCTS) initiative with Costa Rica, Iceland, New Zealand, Norway and Switzerland. The ACCTS initiative was launched in the margins of the United Nations General Assembly in 2019. It aims to create synergies between trade, climate and environmental goals. The Agreement has four substantive elements: trade in environmental goods, trade in environmental services, fossil fuel subsidies reform and voluntary eco-labelling programmes.

5 FIJI AND THE GLOBAL TRADING SYSTEM

5.1 Implementation of WTO Agreements

5.1. Fiji became a member of the World Trade Organization (WTO) in 1996 and has since been an active participant in the organization's activities. Fiji is a member of the Small Vulnerable Economies (SVE) group. Fiji is also a member of the African Caribbean and Pacific (ACP), G-90, G-77 and the Pacific Groups.

5.2. Fiji has established a National Trade Facilitation Committee to oversee the implementation of the Trade Facilitation Agreement and has developed a National Trade Facilitation Roadmap. Fiji also actively participates in ministerial conferences, demonstrating its commitment to international trade and cooperation. Fiji played an important role during the 12th WTO Ministerial Conference and in the negotiations on the Agreement on Fisheries Subsidies.

5.3. Fiji is participating in the Trade and Environmental Sustainability Structured Discussions (TESSD). Fiji, together with other WTO Members, have launched an open-ended informal dialogue on plastics pollution and environmentally sustainable plastics trade. It is also a co-sponsor of the Ministerial Statement on Fossil Fuel Subsidies. Fiji will continue seeking meaningful market access and outcomes in the negotiations that support the development aspirations of Fiji and facilitate the smooth integration of the country into a rules-based global trading system.

5.4. 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 remains problematic in implementing the agreements.

5.5. 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.

5.6. There are plans to review and update Fiji's Trade Policy Framework, and incorporate recommendations from domestic and international stakeholder consultation, including the National Economic Summit and WTO Trade Policy Review.

5.2 Preferential Trading Arrangements (PTA)

5.7. Fiji currently benefits from PTAs such as the Generalized System of Preferences (GSP) offered by 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.

5.2.1 South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)

5.8. SPARTECA is a non-reciprocal trade agreement under which Australia and New Zealand provide duty free access to all products originating in the Forum Island Countries (except sugar in 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. From 2009 to 2014, the Fijian Textile, Clothing and Footwear (TCF) sector benefitted from the SPARTECA-TCF scheme. The Scheme has since been replaced by the Developing Country Preference Scheme (DCPS) in 2015 in Australia.

5.2.2 Generalized System of Preferences (GSP)

5.9. 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 to name a few. The Fiji 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.

6 CONCLUSION

6.1. Fiji reaffirms its strong commitment to the World Trade Organization and an open, transparent, and rules-based multilateral trading system. As a small island developing nation, Fiji recognizes the importance of free and fair trade in promoting economic growth, job creation, and poverty reduction.

6.2. However, Fiji continues to face challenges stemming from limited access to foreign markets and barriers to trade, high transportation costs, and vulnerability to climate change and natural disasters and other exogenous shocks. These ongoing challenges were exacerbated by the COVID-19 pandemic, which severely impacted Fiji's tourism industry and exports.

6.3. Fiji remains committed to working with the WTO and its Members to respond to these challenges and ensure that the benefits of trade are more widely shared. The WTO can play an important role in helping Fiji to build capacity and address supply-side constraints, including through the provision of technical assistance, to support its integration into the global trading system.

6.4. Fiji recognizes that trade can be a powerful engine of economic development. By promoting the integration of small and vulnerable economies like Fiji into the global trading system, and by providing targeted technical assistance and capacity-building programmes, the WTO can help Fiji to enhance its competitiveness, improve its productivity, and achieve its development goals.

6.5. Fiji looks forward to working closely with our fellow WTO Members to build a more inclusive and sustainable global trading system that benefits all people, particularly the most vulnerable. We remain committed to engaging constructively in the ongoing multilateral negotiations, and to strengthening our bilateral and regional trade relationships.
