

IV. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

1. Fiji's economy, especially in the export sector, is dominated by sugar farming, clothing production and tourism; gold, fisheries and forestry also contribute to exports. The overall pattern of production changed little during the first half of the 1990s. The main government support measure for both the primary and manufacturing sector is now the tariff. Neither domestic nor export subsidies are widespread, except for certain tax incentives granted to firms satisfying specified export performance requirements. These incentives, granted since the late 1980s, have encouraged the development of the clothing industry.

2. Fiji Sugar Corporation (FSC) is the sole buyer of sugar cane and manufacturer of raw sugar and is legally responsible for the marketing of sugar. Most of Fiji's main merchandise exports benefit from preferential trade agreements such as Lomé Convention and the SPARTECA. Export taxes are imposed on sugar and gold for revenue purposes. Price controls remain applicable to a number of sectors and a price stabilization fund exists for copra.

3. The services sector, especially tourism, contributes significantly to employment and export earnings. Air transportation is of importance to Fiji, with most tourists arriving by air. However, Fiji bound only a few activities of tourism-related services in its Specific Commitments in the General Agreement on Trade in Services (GATS).

(2) Agriculture, Fisheries and Forestry

4. The agriculture, fisheries and forestry sectors together accounted for some 20 per cent of GDP in 1995, but more than half of the value of exports, with sugar and molasses alone contributing approximately 40 per cent. Sugar production on a commercial scale, and subsistence agriculture are the dominant activities of the agricultural sector; despite government efforts to encourage diversification, the overall pattern of agricultural production has hardly changed. According to the authorities, Fiji's agriculture, including fisheries and forestry, holds a share in paid employees of slightly more than 2.3 per cent, though its share in total employment is much higher if subsistence/self employment is included (Table IV.1).

5. The main government support measure for agriculture is tariff protection. Current tariffs for agriculture, fisheries and forestry range from zero to 60 per cent, with a simple average (not including the effects of specific tariffs) of about 15 per cent. Specific and alternative tariffs account for about 6 per cent of tariff lines in the sector, contrasted with about 3 per cent of lines for industry. All agricultural tariffs are bound, following the Uruguay Round.

Table IV.1
Distribution of paid employees, by sector, 1990-95
 (Per cent)

	1990	1991 ^a	1992 ^a	1993 ^a	1994 ^a	1995 ^a
Agriculture, fisheries and forestry	2.6	2.8	2.4	2.1	2.4	2.3
Mining and quarrying	1.6	1.2	1.5	2.0	2.0	2.0
Manufacturing	23.7	25.6	22.9	24.9	24.8	26.0
Electricity, gas and water	2.9	3.0	2.9	2.8	2.3	2.6
Construction	6.4	7.7	9.2	7.3	7.8	7.3
Wholesale and retail trade, restaurants and hotels	16.7	15.9	14.7	14.5	14.8	14.3
Transport, storage and communications	10.7	9.8	10.5	10.8	10.4	10.4
Finance, insurance, real estate and business services	6.3	6.4	6.3	6.3	6.3	6.2
Community, social and personal services	29.1	27.7	29.5	29.3	29.1	28.9
Total paid employees	88,952	91,538	92,480	94,295	95,345	98,686

a Denotes predicted values.

Source: Fiji Bureau of Statistics, *Current Economic Statistics*, October 1995, and *Statistical News*, 12 April 1996.

6. Exports of fruit and vegetables, including root crops, are subject to annual licensing by the Ministry of Agriculture, Fisheries and Forests (MAFF) under the Fruit Exports and Marketing Act. Licensing is for quarantine purposes and, according to the authorities is not meant to be a trade barrier; 123 licences were issued in 1995, following 114 in 1994.¹ The State owns, wholly or in majority shareholdings, several agricultural trading companies. Those fully owned by the Government are: Fiji Sugar Marketing Company Ltd., National Trading Corporation Ltd., Rewa Rice Ltd., and Yaqara Pastoral Company Ltd. Those partially owned by the Government are: Fiji Pine Ltd. (almost 100 per cent held by the Government), FSC (68 per cent held by the Government), and Pacific Fishing Company (98 per cent held by the Government). The FSC is legally responsible for marketing sugar. The Interim Dairy Industry Council (IDIC) oversees, monitors and helps to restructure the dairy industry, in the light of international trade agreements, and the Ginger Industry Council (GIC) performs a similar rôle for the ginger industry. Neither Council has exclusive rights in their industry.

7. The Government actively encourages and promotes the further processing of raw materials in the agricultural, fisheries and forestry sectors. Individuals and companies engaged in designated agricultural enterprises are exempted from tax for five years, may offset losses against other profits and carry forward the losses indefinitely until completely set-off against future profits. Expenditure on land improvement may be fully written off in the year in which expenditure was incurred, or over

¹The licences issued in 1994 were for: fruit and vegetables, 20; yaqona, 66; ginger, 7; coffee, 1; cocoa, 3; dalo and cassava, 17. (MAFF (1995), p. 87.)

a period of five years.² There is a price stabilization scheme for the copra industry. The Fiji Development Bank (FDB) lends farmers and plantation developers funds at preferential rates of interest (Chapter III(4)(vi)). There are at present no programmes of direct income support for Fiji's farmers or food subsidies to consumers.

8. Though production in some sectors of agriculture has fallen recently (Table IV.2), the Government sees the outlook for the sector as generally favourable. Profitable opportunities have been identified for Fiji in exporting certain high-value niche products based on Fiji's climatic and locational advantages. These include fresh fruit (pineapple, papaya, and mango), processed fruit (pineapple, papaya, mango, banana, and guava), root crops (fresh or processed ginger, taro, yams), spices, kava, flori-culture (anthuriums and orchids), coconut products, cocoa, coffee, vegetables (watermelon, rockmelon, zucchini, eggplant), tuna and other fishery produce, pine, hardwood, handicraft raw materials and certified organic products.

Table IV.2
Basic statistics for agricultural production, 1990-95
('000 tonnes)

	Sugar cane	Copra	Rice	Cocoa	Ginger
1990	4,016	19.0	26.5	0.4	5.5
1991	3,380	15.2	29.0	0.4	6.5
1992	3,533	16.0	22.5	0.3	4.6
1993	3,704	10.7	22.3	0.2	4.1
1994	4,064	8.4	18.0	0.2	4.6
1995 ^a	4,110	8.8	18.5	0.1	4.7

a Denotes predicted values.

Source: Fiji Bureau of Statistics, Current Economic Statistics, October 1995 and Statistical News, 12 April 1996.

(i) Sugar

9. The sugar industry in Fiji is governed by the Sugar Industry Act of 1984. The Sugar Commission of Fiji, a statutory body set up under the Act, co-ordinates activity in the sugar sector; it has representatives from growers, millers, land owners, trade unions and the Government. The Fiji Sugar Cane Growers' Association represents growers supplying sugar cane on a contract basis to the Fiji Sugar Corporation (FSC), which is the sole buyer of sugar cane and manufacturer of raw sugar. Operating profits of the FSC declined from F\$29.7 million in 1989 to F\$9.3 million in 1993; F\$18.1 million and F\$13 million were provided in 1994 and 1995, respectively. As the largest public enterprise, it employs over 3,500 personnel at the height of the crushing season. Its four sugar mills have the capacity to produce 500,000 tonnes of sugar a year. The FSC is also responsible for the storage, marketing, delivery and sale of raw sugar; the Fiji Sugar Marketing Company acts as FSC's marketing agent.³

²FTIB (1995/96a), p. 30.

³The Fiji Sugar Corporation Ltd. (1995), p. 1.

10. The sugar industry accounts for about 40 per cent of total merchandise exports and about 12 per cent of GDP in Fiji. The area under sugar expanded from 71,000 hectares in 1985 to 74,000 hectares in 1994 (Table IV.3). Annual sugar production varies between 450-500,000 tonnes, depending on climatic conditions such as droughts and hurricanes. The Government and industry hope to boost production, mainly with improvements in productivity, to consistently achieve an annual production, from the present area under cultivation, of half a million tonnes a year. The Sugar Commission of Fiji is examining possible changes, including in the cane payment system, to achieve higher yields.

Table IV.3
Basic statistics for sugar industry, 1980, 1985 and 1990-95

	Sugar cane			Sugar production ('000 tonnes)	Exports of sugar (f.o.b.) (F\$ million)
	Number of contracts/growers	Area harvested ('000 hectares)	Average production per hectare (tonnes/hectares)		
1980	19,567	66	50.9	396	174.2
1985	22,154	71	43.4	341	111.8
1990	21,334	70	57.6	408	223.7
1991	22,479	72	46.5	389	220.4
1992	23,334	73	48.6	426	221.3
1993	23,454	74	50.1	442	230.7
1994	22,808	74	53.4	517	252.2
1995 ^a	22,414	74	55.1	454	276.1

a Denotes predicted values.

Source: Fiji Bureau of Statistics, *Current Economic Statistics*, January 1996.

11. The cane growers' share of the proceeds of the sale of cane is determined by the Sugar Industry Master Award. It is the net proceeds that are shared between the growers and the millers after certified deductions have been made from the revenues received. Up to 325,000 tonnes, the growers' share is 70 per cent; between 325,000 and 350,000, the growers' share is 72.5 per cent; and for every tonne thereafter it is 75 per cent. The balance accrues to the FSC.

12. About 90 per cent of Fiji's raw sugar is exported. A 3 per cent tax is imposed on sugar exports. Sugar exports benefit from preferential access into the market of the European Union (EU), where Fiji sells between 45-50 per cent of its total sugar exports (Table IV.4). Under the Sugar Protocol, annexed to the Lomé Convention, Fiji is allocated a fixed quota of 165,348.3 tonnes a year of white sugar equivalent (about 172,000 tonnes tel quel). An additional average annual quota of approximately 25,000 tonnes of white sugar equivalent was granted by the EU for a six year period starting 1 July 1995 under the Special Preferential Sugar Agreement. The Sugar Protocol guarantees a purchase price for bulk raw sugar based on the EU intervention price, which is now about two and a half times the world price. The second preferential market for Fiji sugar exports is the United States, where Fiji has a quota of 0.9 per cent of U.S. annual global import requirements. The sugar is shipped to the United States at prices ruling in the U.S. market. Fiji has a bilateral agreement with Malaysia for the shipment of 90,000 tonnes a year, through the end of 1997. Fiji's traditional free market sales are to Canada, China, Japan, the Republic of Korea and Singapore.

Table IV.4
Exports of sugar by Fiji
(Metric tonnes)

Year	Destination	At preferential price	At market price	Total
1993	United Kingdom	172,000	-	172,000
	Malaysia	-	93,886	93,886
	United States	8,453	-	8,453
	Japan	-	62,250	62,250
	Canada	-	38,000	38,000
	Republic of Korea	-	20,422	20,422
	Sub-total	180,453	214,858	395,011
1994	United Kingdom	175,752	-	175,752
	Malaysia	-	112,167	112,167
	United States	11,200	-	11,200
	Japan	-	93,000	93,000
	Canada	-	36,000	36,000
	Republic of Korea	-	18,900	18,900
	Sub-total	186,952	260,067	447,019
1995	United Kingdom	181,780	-	181,780
	Malaysia	-	104,200	104,200
	Portugal	18,000	-	18,000
	Finland	21,200	-	21,200
	United States	10,200	-	10,200
	Japan	-	31,500	31,500
	Canada	-	18,000	18,000
	Republic of Korea	-	31,180	31,180
	China	-	15,750	15,750
	Sub-total	231,180	200,630	431,810

Source: Government of Fiji.

13. Fiji's domestic consumption of sugar is at around 43,000 tonnes a year, including about 10,000 tonnes sold to other Pacific Island nations.

14. Uncertainty about land tenure continues to affect the industry, since many leases are due to expire between 1997 and 2005. A future problem may also stem from changing preference arrangements in international trade, since sugar prices may fall as a result of changes in the Common Agricultural Policy of the EU.

(ii) Rice

15. Before 1992, rice was promoted and protected from cheaper imports with an array of quotas, tariffs and subsidies; quotas and subsidies have been abolished.⁴ Rice production has been on a downward trend since 1991; Fiji produced 18,500 tonnes of paddy rice in 1995. The major factors contributing to this trend are the importation of cheaper brown rice as a result of deregulation and the move from rice to other more profitable cropping alternatives such as root crops. Fiji's imports

⁴Reserve Bank of Fiji (1995), p. 13.

of rice reached F\$12.8 million in 1995; this is also reflected in a decline in self-sufficiency from 54 per cent in 1990 to about 45 per cent in 1995 (Table IV.5).

Table IV.5
Basic statistics for rice, 1990, 1992 and 1994

	1990	1992	1994
Production area (hectares)	12,112	10,441	7,865
Paddy output (tonnes)	26,477	22,479	18,019
Value of output (F\$ million)	8.6	7.3	5.9
Number of farmers ('000)	...	12.3	11.3
Rice imports (F\$ million)	11.8	10.6	11.4
Self sufficiency (per cent)	54.0	45.8	43.0

... Not available.

Source: Ministry of Agriculture, Fisheries and Forests, Annual Report 1994, p. 9.

16. Rewa Rice Ltd. provides service to the rice growers in Fiji by operating mills. Imports of white and brown rice are subject to 40 and 10 per cent tariffs, respectively. The tariff on white rice is to be reduced to 22.5 per cent in 1997; the tariff on rice is bound at a ceiling rate of 46 per cent under Fiji's Uruguay Round commitments. According to the authorities, tariffs on rice are under review and further cuts in rates may be put on hold.

(iii) Other agricultural products

17. The copra industry has been one of the mainstays of Fiji's rural economy for most of this century. Its economic viability is constrained by the advanced age of coconut trees and the low world market prices for coconut oil compared with high transaction cost. Although copra remains among Fiji's most important agricultural export commodities, the quantity produced has declined sharply (Tables IV.2 and IV.6).

Table IV.6
Basic statistics for copra, 1990, 1992 and 1994

	1990	1992	1994
Production area (hectares)	...	64,953	64,450
Production (tonnes)	19,005	16,047	8,407
Value of production (F\$ million)	5.7	4.8	2.5
Coconut oil export (F\$ million)	4.9	3.9	3.8

... Not available.

Source: Ministry of Agriculture, Fisheries and Forests, Annual Report 1994, p. 13.

18. The Government supports the copra industry through a Copra Price Stabilisation Fund, administered by the MOFED, which provides minimum prices to both producers and millers.⁵ Using a pricing formula based upon forward prices quoted on the Rotterdam tropical oil market, the Coconut Board's independent accountant calculates a monthly local copra price. This is divided between the millers and producers according to a formula which is reviewed periodically. Since January 1991 the percentage has been as follows: for the first F\$400 per tonne, 70 per cent for the producers and 30 per cent for the millers; for any amount over F\$400, 75 and 25 per cent. The fund is activated if the monthly price falls below a specified level (currently set at F\$400 per tonne). When the price is above the support price, 25 per cent of the amount above the support level is paid back to the fund.

19. Ginger has been one of Fiji's most successful diversification crops to date. By the late 1980s ginger had become an important export commodity, earning up to F\$6 million a year. However, production of ginger has declined since 1992; processed ginger exports also decreased from 581 tonnes in 1993 to 409 tonnes in 1994, with a commensurate fall in value from F\$2.1 to F\$1.8 million⁶, due to the adverse impact of diseases such as rhizome rot and nematodes, and competition overseas. Ginger output was also affected by a switch to dalo (taro). As a result of strong overseas demand and higher prices, production of dalo rose from 8,810 tonnes in 1994 to 12,973 tonnes in 1995 and export of dalo increased from F\$5.5 million in 1994 to F\$7.7 million in 1995.

20. The 1996 applied tariffs on imports of coconut and ginger are 20 and 10 per cent, respectively. Except for rice, applied tariffs on agricultural products are well below the 40 per cent ceiling binding level. Most beverages, spirits, tobacco and manufactured tobacco products are under specific duties or alternative duties. Most beverages and spirits are levied at 60 per cent ad valorem rates or specific duties ranging from F\$1.55 to F\$45.08 per litre, though they are bound at 70 per cent ad valorem rates or specific duties of F\$15 or 25 per litre (of alcohol) as a result of Fiji's undertakings in the Uruguay Round. Tobacco and manufactured tobacco products, are generally taxed at specific rates ranging from F\$39.65 to F\$70.21 per kg.; bindings are mostly at F\$30 to F\$40/kg. or per 1,135 cigarettes whichever is the greater.

(iv) Livestock and dairy farming

21. The major constraints facing the livestock and dairy industries in Fiji relate to the poor quality of grazing pastures, the high cost of feed concentrates, the unavailability of good quality breeding stock and high calf mortality rates.⁷ Domestic production and trade in dairy products have not been significant. Until 1993, the industry was protected from international competition by import licences, under which the exclusive rights to import milk powders were given to the Rewa Co-operative Dairy Company (Rewa Dairy) and Lodhias (Red Cow). In November 1993 these licences were replaced by a 35 per cent import tariff. The companies were initially granted a temporary exemption from paying the tariff.

⁵Support payments are forwarded by millers to the Coconut Board, which checks them, based on copra receipts, and passes them on to the MOFED for payment. Payment is made directly by the MOFED to the millers following the MAFF's endorsement.

⁶MAFF (1994), p. 1.

⁷Government of Fiji (1993), p. 86.

The duty concession expired in November 1996. Since the removal of import licences, two new competing companies have entered the market.⁸

22. Beef production has progressively fallen since 1990 due to competition with other imported meats, such as lamb and chicken, and inferior pasture quality, while imports have increased. Production has averaged about 2,500 tonnes a year recently. Pork production totalled 755 tonnes in 1995 (Table IV.7). Pork imports totalled 75 tonnes in 1994 and 31 tonnes in 1995. Although most poultry, meat and eggs consumed in Fiji are produced domestically, the industry continues to rely heavily on imported inputs, particularly the grain used in feed mixes. There is one enterprise producing chicken; and three quarters of local demand is supplied by imports. Specific import licences are required for chicken meat imported from the United States, due to the size of its industry; this requirement is under review. Imports from other sources, require only a quarantine certificate.

Table IV.7
Basic statistics for the production of livestock and fisheries, 1990-95
(‘000 tonnes)

	Beef	Pork	Goat	Chicken	Eggs	Fish
1990	2.9	0.6	0.7	5.5	2.1	13.4
1991	2.8	0.7	0.7	5.9	2.2	13.8
1992	2.6	0.7	0.7	6.1	2.6	13.5
1993	2.4	0.8	0.6	5.7	2.7	14.0
1994	2.3	0.8	0.7	8.1	2.3	15.7
1995	2.2	0.8	...	8.8

... Not available.

Source: Government of Fiji.

23. 1996 tariffs on imports of livestock and dairy products ranged from zero to 35 per cent, with a simple average of 16 per cent. Most tariffs are bound at 40 per cent under the Uruguay Round, except for milk powder, which is bound at 46 per cent.

(v) Fishery products

24. Fiji's fisheries sector contributes about 1 per cent of GDP, dominated by subsistence fishing. The output of commercial fishing increased from 8,500 tonnes in 1994 to 11,000 tonnes in 1995, with the addition of vessels to the existing tuna fleet. Production of canned fish increased three-fold between 1986 and 1995. Export earnings from fisheries totalled F\$68 million in 1995. The major export items are canned tuna and chilled fresh fish (sashimi and deep water snapper). Canned tuna is processed

⁸FTIB (1995/96a), p. 52.

by the 98 per cent government-owned Pacific Fishing Company (PAFCO).⁹ The major destinations for Fiji's fish exports are Canada, the United Kingdom, the United States and Japan.

25. The Fisheries Act governs the fisheries sector; the Fisheries Division of the MAFF is in charge of regulating the sector. Under its mission to promote sustainable development of Fiji's fishery, the Division's primary objectives are: further development of fisheries regarding the Exclusive Economic Zone and territorial waters; regulating and controlling fisheries on the principles of optimum utilization and long-term sustainability; and encouraging private sector development.

26. A company engaging in deep sea fishing generally qualifies for the following tax concessions: exemption from tariffs on import of specialized fishing equipment and gear, subject to vetting by the Customs and Excise Department (CED); exemption from fiscal duty on bait; 5 per cent tariff on import of fishing vessels; 5 per cent tariff on fittings, fixtures and accessories imported for purposes of renovating a vessel, subject to vetting by the CED; tariff concessions on fuel and packaging materials, subject to vetting by the CED; export incentives, subject to the fulfilment of requirements under the 5th Schedule of the Income Tax Act (applying to companies involved in processing operations and exporting at least 30 per cent of their output); and accelerated depreciation allowance on plant and machinery (Chapter III(3)(vi) and Table AIII.3).¹⁰ Fiji's fishery exports to the EU were covered by a derogation for the period 1992-1996, under Protocol 1 of the Lomé Convention; that is, they were exempt from duties on the qualifying fish exports.¹¹

27. All exports of fisheries products require export permits, issued by the Fisheries Department. Exports of live fish, turtle shells and unprocessed trochus shells are prohibited except by permission of the Minister of Agriculture, Fisheries and Forests. 1996 tariffs on import of fish and fish products were at 22.5 per cent; no tariff lines in the sector are bound.

(vi) Forestry

28. The Forestry Department in the MAFF is in charge of the forestry sector in Fiji, including the establishment of hardwood plantations. Fiji Pine Ltd., 99.9 per cent held by the Government, is in charge of planting and protecting Fiji's softwood plantations. Tropik Wood Industries Ltd., a 70 per cent subsidiary of Fiji Pine Ltd., is responsible for logging, processing and marketing operations. Fiji Forest Industries and Valebasoga Tropicboards are manufacturers of veneer, plywood and blockboard in Fiji. In addition to the incentives generally given, sawmilling and logging machinery are granted freedom from tariff, subject to vetting by the CED. In an attempt to increase efficiency, the Cabinet in 1995 approved the implementation of a new Sawmilling Policy, effective from April 1997. This requires all sawmills to install more efficient bandsaws, and also encourages the development of further processing industries, producing value-added products.

⁹The Government's main involvement in the sector is through its ownership of PAFCO. In 1988, the cannery, which employs 800 workers and handles a maximum of 15,000 tons of tuna per year, became exempt from income tax for 13 years. (World Bank (1995), p. 49 and FTIB (1995/96a), p. 165.)

¹⁰FTIB (1995/96b), pp. 26-27.

¹¹FTIB (1993), p. 46.

29. Currently the forestry sector accounts for about 1 per cent of Fiji's GDP. Three quarters of the annual timber harvest comes from plantations. Export earnings from timber and timber products totalled F\$53.0 million in 1995 (Table IV.8). The local timber industry is based on sawmilling, with little by way of further processing industries. Logging requires licences issued on an annual basis by the Forestry Department. Royalties paid to the Forestry Department totalled F\$1.8 million in 1994 and F\$1.1 million in 1995. As of May 1996, there were 46 licensed sawmills operating in the country. Any person intending to install or operate a sawmill is to apply to the Conservator for a licence, attaching a plan and location of the proposed mill. Once endorsed, provisional approval is given for construction, subject to the requirements of the Town and County Planning, Department of the Environment, and the local authorities. Upon completion, the Departments of Labour and Forestry jointly inspect the mill and recommend, if satisfied, the issuance of a licence by the Conservator, which is free of charge and takes one or two days. Licences are for 12 months and applications for renewal must be lodged not less than three months prior to their expiry. Seventeen treatment plants have also been licensed to operate.

Table IV.8

Sawn log production and export earnings from timber and timber products, 1985-95

Year	Indigenous timber (m ³)	Pine (m ³) ^a	Total export earnings ^b (F\$ million)
1985	192,398	10,912	7.4
1986	183,508	8,086	7.8
1987	225,721	22,966	16.7
1988	205,936	83,874	26.3
1989	162,162	102,315	32.1
1990	153,831	100,803	35.4
1991	122,819	126,075	31.2
1992	108,559	102,129	35.7
1993	129,674	114,393	30.7
1994	137,808	121,093	35.7
1995	129,506	123,783	53.0

a Pine volume does not include pulpwood.

b Export earnings do not include proceeds from furniture exports.

Source: Government of Fiji.

30. Exports are mainly of sawn timber (Table IV.9).¹² The export of logs is banned, providing additional protection to the sawmilling sector. Forest product exports are expected to rise to F\$100 million when commercial exploitation of the hardwood plantation forests begins around 2010.¹³

¹²FTIB (1995/96a), p. 133.

¹³World Bank (1995), pp. 48-49.

31. 1996 tariffs on wood and articles of wood range from 10 to 22.5 per cent, with a simple average of about 15 per cent. There are no tariff bindings in the sector.

Table IV.9
Timber trade, 1985 and 1990-94

	Sawn timber (cubic metres)		Wood veneer sheets (square metres)		Plywood (square metres)	
	Exports	Imports	Exports ^a	Imports	Exports ^a	Imports
1985	12,756	21	4,009,014	876	347,834	14,844
1990	35,110	5	3,825,472	-	414,345	-
1991	20,847	7	3,437	-	2,548	280
1992	24,671	28	3,732	1,371	1,230	53
1993	135,581	118	3,655	1,420	3,248	30,752
1994	39,704	24	4,895	2,311	1,519	460

a Quantities given in cubic metres from 1991.

Source: Fiji Bureau of Statistics. *Current Economic Statistics*, October 1995.

(3) Mineral Products

32. Rights for mineral exploration and extraction are vested in the State by the Mining Act, which also governs the production and export of mineral resources. The Director of Mines at the Mineral Resources Department (MRD) under the Ministry of Lands, Mining and Energy grants Prospector Rights, Prospecting Licences and Special Prospecting Licences for mineral exploration as well as Permits to Mine, Mining Leases and Special Mining Leases for mineral extraction. Fiji's policies and objectives in the mining sector focus on attracting new investment, equitable sharing of the benefits of mineral resource development through appropriate taxation and royalties policies, ensuring a safe and healthy workplace and sound environmental practices, and increasing knowledge of mineral resources through geo-scientific data collection. According to the authorities, the Government does not interfere in production or pricing. Exports and imports are subject to customs duties, but are otherwise not controlled. There are no specific policies and instruments to promote the further processing of mineral products in Fiji, e.g. gold produced is not refined in Fiji.

33. The contribution of the mining sector to the economy in the last five years has been at around 2 to 3 per cent of GDP and 10 per cent of exports. The mining sector employs around 2,000 people. The total area under licence at the end of 1995 was 279,529 hectares.¹⁴ The MRD receives all royalty payments from the mining leases granted before 1990; royalties on leases granted subsequently are paid to the landowners. Royalties are generally calculated at 2.5 per cent of net profit, upon which corporate income tax is levied.

34. In the past, the Government has treated mining ventures on a case-by-case basis but is now moving toward a uniform approach. Until the new policy is implemented, where a mining venture is considered to be expedient for the economic development of Fiji, the income derived from such

¹⁴World Bank (1995), p. 50.

activity may be exempt from tax or taxed at a reduced rate for a specified period. When a taxpayer has a valid Prospecting Licence, any prospecting expenses considered allowable by the Income Tax Department may be deducted from total income for tax purposes. As an alternative to normal depreciation, a taxpayer engaged in mining, who has incurred capital expenditure in the acquisition of a mining lease or in the development of mines and the extraction, treatment, refinement and sale of minerals, may write off 20 per cent of such expenditure against total income, in any five out of eight years (Table AIII.3).¹⁵

35. Imports of ores, slag, ash and precious metal are duty free; no tariff lines in the sector are bound.

(i) Gold

36. Production of minerals has been dominated by gold production, mainly by Emperor Gold Mining Company in Vatukoula.¹⁶ The company extracts and exports gold directly; the MRD grants export permits to the Emperor Gold Mining Company four times a year. Export permits are not automatic and can be denied in the national interest of Fiji, according to the authorities. Production of gold peaked at 4.3 tonnes in 1988, then decreased somewhat to 3.4 tonnes in 1995, with the mining of lower grade ores. Exports of gold amounted to F\$86.1 million in 1988, then decreased to F\$58.6 million in 1995 (Table IV.10). In late 1994 the Emperor Gold Mining Company initiated a capital investment programme to improve extraction rates.

37. The Government levies a 3 per cent export tax on the f.o.b. value of gold for revenue purposes. However, the export of gold is free of export tax where the gold is present in ore or ore concentrate or as inorganic compounds. If the gold is worked into gold coins or gold jewellery, then exports are also free of export tax.¹⁷

(ii) Petroleum and petroleum-related products

38. Imports of lubricating oil are subject to licensing; licences are freely granted, according to the authorities, to all applicants. About 80 per cent of mineral fuels are subject to tariffs and one third of tariff lines in mineral fuels are subject to specific duties; no rates are bound.

¹⁵FTIB (1995/96a), p. 30.

¹⁶A small amount of silver is produced and there is potential for copper at the Namosi Copper Project, though not yet developed.

¹⁷MRD (1995), p. 3.

Table IV.10
Production of gold and silver at the Emperor Gold Mining Company, 1932-95

Year	Gold		Silver	
	Production (kg.)	Value (F\$)	Production (kg.)	Value (F\$)
1932-79	111,646.80	130,759,428	38,894.20	1,384,487
1980	744.60	12,410,041	210.50	127,733
1981	951.10	11,873,193	250.60	69,260
1982	1,456.30	15,578,602	594.30	132,289
1983	1,246.20	17,005,538	411.60	145,957
1984	1,675.50	20,703,669	519.70	138,256
1985	1,888.20	22,052,797	441.60	89,498
1986	2,951.80	38,522,041	530.70	95,089
1987	2,868.20	51,336,086	814.20	186,633
1988	4,302.90	86,126,174	994.90	289,829
1989	4,212.60	75,601,594	1,046.20	265,663
1990	4,115.10	74,213,722	774.60	174,237
1991	2,810.10	47,710,080	484.60	92,642
1992	3,105.73	50,971,311	877.00	166,193
1993	3,712.75	65,813,275	1,080.58	224,152
1994	4,111.30	62,607,263	1,405.80	339,842
1995	3,410.94	58,593,408	1,552.85	363,457
Total	155,210.62	842,878,222	50,883.93	4,285,217

Source: Government of Fiji.

(4) Manufacturing

39. Manufacturing accounts for approximately 12 per cent of GDP and about a quarter of formal paid employment in Fiji. Besides sugar milling, food processing, beverage and tobacco production, textiles and clothing dominate manufacturing in Fiji. The manufacturing sector is handicapped by a small domestic market, the need to import most raw materials and capital goods, and the absence of a diversified industrial base. Excluding sugar milling, about half of manufacturing output is for the domestic market and about half for export.¹⁸

40. The main government protection measure for manufacturing is the tariff. Current tariffs for the manufacturing sector range from zero to 80 per cent, with a simple average (not including the effects of specific tariffs) of about 13 per cent (Table III.2). Specific and alternative tariffs account for about 3 per cent of tariff lines in the manufacturing sector. Approximately 43 per cent of tariff lines in the

¹⁸World Bank (1995), p. 39.

manufacturing sector are bound as a result of Fiji's undertakings in the Uruguay Round, all at 40 per cent and mainly in: medical and pharmaceutical products; fertilizers; essential oils; textiles, yarn, and fabrics; articles of apparel and clothing; iron and steel; metal manufactures; specialized machinery for particular industries; and general machinery and equipment.

41. Governmental support is also through tax exemptions for Tax Free Factories (TFF) satisfying export requirements, which do not pay any taxes (Table AIII.3). The TFF scheme has encouraged employment generation and export earnings, especially in the garments industry. Tariff or any value-added tax paid is refundable for the importation of equipment or intermediate products.

42. Due to an abundance of labour, Fiji is not yet ready to take up capital intensive projects, according to the authorities. They consider, however, that light manufacturing industries are to play a major role in broadening Fiji's manufacturing base for a while. The authorities are of the view that garments, footwear, food, leather, and non-metallic minerals have potential for further development.

(i) Garments

43. Garments are the leading manufacturing industry in Fiji, with approximately 60 firms in operation. Some two thirds of employment comes from foreign firms. Garment production increased five-fold between 1986 and 1995, assisted by the introduction of the TFF Scheme (Chapter III(3)(v)). The garments sector accounts for more than 80 per cent of TFF employment and investment. Reflecting this rapid growth of production, garment exports rose from less than 3 per cent of exports in 1987 to 24 per cent in 1995. Australia, New Zealand and the United States are the three main destinations for Fiji's exports of garments (Table IV.11); Australia, with almost half of total garment exports, remains Fiji's key export market. Fiji's garment industry also relies heavily on fabric imports from Australia, which increased from F\$6 million in 1990 to F\$64 million in 1995.

Table IV.11
Main destinations for Fiji's garment exports, 1989-95
(F\$ million)

Country	1989	1990	1991	1992	1993	1994	1995
Australia	31.0	23.0	31.8	26.5	55.7	65.0	93.7
New Zealand	53.8	50.1	37.6	21.2	11.2	11.5	12.1
United States	10.4	33.6	52.9	60.9	52.6	60.4	75.8
Total	97.3	113.7	131.1	116.8	128.8	141.0	185.0

Source: Government of Fiji.

44. Garment exports satisfying certain rules of origin have been encouraged by preferential access to Australia and New Zealand under the SPARTECA (Chapter II(5)(ii)(b)). Many of the companies investing in the Fiji garment industry are from these countries and between 70 to 80 per cent of garment exports have been sold to Australia and New Zealand over the past several years. However, Fiji's competitive advantage has been steadily eroding in the face of external tariff reductions by both countries.

45. The European Union (EU) granted Fiji exporters a derogation under Protocol 1 of the Lomé Convention in respect of certain garment categories manufactured for export to the EU, from

January 1991 to December 1993. The following products were exported under derogation: men's/boys' overcoats, suits and jackets; men's/boys' and women's/girls' trousers and shorts; women's/girls' jackets; men's/boys' shirts and women's/girls' blouses. The total quantity allowable under the derogation was 956,000 units.¹⁹

46. Certain types of garments exported to the United States²⁰ are subject to quota under a bilateral agreement with the United States, covering the period from 1 January 1996 through 31 December 1997 (Table IV.12). Fiji has fulfilled about 70 to 80 per cent of its quota allocation. The MCITPE allocates quotas according to the past performance of companies.

Table IV.12

Quantitative limits on Fiji's garment exports to the United States, January 1996 to December 1997

Category ^a	Description	Period	Quantity limit (monthly)
338/339/638/639	Cotton and man-made fibre knit tops	1/1/96-31/12/96	1,071,914 dozen
		1/1/97-31/12/97	1,136,229 dozen
338-s/339-s/638-s/639-s	Cotton and man-made fibre knit tops, not tank tops or tees	1/1/96-31/12/96	893,262 dozen
		1/1/97-31/12/97	946,858 dozen

a Denotes the US coding system.

Source: Government of Fiji.

47. In 1996, the tariff on imports of textiles and clothing into Fiji averaged about 15 per cent, with most rates between 10 and 22.5 per cent. Approximately 88 per cent of Fiji's tariff lines in the textiles and clothing sector are bound under its Uruguay Round commitments.

48. According to the authorities, Fijian labour productivity in textiles and clothing is regarded as relatively low because of high turnover and absenteeism, limited utilization of computerized design and cutting equipment, and the lack of specialized workers in design, pattern-cutting, and marketing. Other factors that hinder productivity include the high cost and limited availability of air freight services and infrequent sea cargo services between Fiji and the United States.²¹ Additional impediments to the future development of the garment industry are difficulties in competing with lower wage newcomers and the erosion of preferential access offered under SPARTECA as both New Zealand and Australia have reduced their m.f.n. tariff rates.

(ii) Other manufactured articles

49. In 1994 and 1995 Fiji's footwear industry exported shoes to the value of F\$11.4 million and F\$9.6 million to New Zealand.²² The Government considers that the leather industry can exploit

¹⁹FTIB (1990/91), p. 38.

²⁰Ladies', men's, girls', and boys' tops.

²¹World Bank (1995), p. 42.

²²FTIB (1995/96a), p. 72.

opportunities available under SPARTECA. Fiji's exports of iron and steel and portland cement totalled F\$2.3 million and F\$1.3 million in 1995.

(5) Services

50. Services, (including construction) account for about 60 per cent of Fiji's GDP and accounted for 67 per cent of paid employees in 1995. Services trade, especially tourism, has an important rôle in Fiji's external accounts; in 1995, the surplus on the services account in the balance of payments was US\$153 million.

51. Fiji's Schedule of Specific Commitments under the General Agreement on Trade in Services (GATS) covers only tourism. As of early October 1996, Fiji was not participating in the WTO negotiations on basic telecommunications or maritime transport.

(i) Tourism

52. Tourism is of great importance to Fiji; nearly 320,000 visitors were recorded in 1995. The tourism industry employs directly and indirectly some 40,000 people. The tourism sector, together with distribution, transport and communications, contributes approximately 20 per cent of GDP. In 1995, travel receipts amounted to F\$420 million, about a quarter of external current account receipts.

53. The top four sources of visitors to Fiji during the 1990s were Australia, New Zealand, Japan and the United States. The share of Australia in the tourist total decreased from 37 per cent in 1990 to 25 per cent in 1995; however, those of New Zealand and Japan have increased significantly for the past several years (Table IV.13). Visitors stayed an average of 8.5 days in 1995. The average hotel occupancy rate was less than 60 per cent during the 1990s (Table AIV.1). However, for four- to five-star hotels, the average annual occupancy rate is around 80 per cent, putting some pressure on upmarket hotels, particularly during the second half of the year.

Table IV.13
Visitor arrivals by country, 1990-95
(Per cent)

	1990	1991	1992	1993	1994	1995
Australia	37.1	33.4	31.4	27.0	26.8	24.6
New Zealand	10.5	11.8	13.4	14.2	16.8	18.5
Japan	7.7	10.7	12.9	13.3	12.5	14.2
United States	13.2	12.3	12.5	14.8	14.2	12.5
Continental Europe	9.8	10.1	10.6	10.4	9.7	9.7
United Kingdom	6.0	6.4	6.0	7.0	7.5	7.7
Canada	6.6	5.9	0.5	4.3	3.8	3.3
Others	9.1	9.4	12.7	9.0	8.7	9.5
Number of persons						
Total	278,996	259,350	278,534	287,462	318,874	318,495

Source: Fiji Bureau of Statistics, Current Economic Statistics, October 1995.

54. The following regulations and laws govern the tourism sector in Fiji: the Hotels Aid Act (Cap. 215); the Hotels Aid (Amendment) Decree 1991; and the Five Star Hotel Incentives legislation. The Ministry of Tourism and Civil Aviation is responsible for the formulation of all aspects of tourism development, including infrastructure, basic amenities and legislation regulating tax incentives. Fiji has a marketing arm for tourism, the Fiji Visitors Bureau (FVB), which promotes and markets tourism abroad. It is dependent on government support for its operation; the government grant to the FVB increased steadily from F\$4.0 million in 1991 to F\$6.6 million in 1996. Tourism in Fiji is largely dominated by private sector activity.

55. Projects for approved hotel buildings or expansion may be entitled under the Hotels Aid Act to receive an investment allowance, from the Ministry of Tourism and Civil Aviation. In addition to normal depreciation, 55 per cent of approved capital expenditure (excluding cost of land) may be set-off against the hotel owners' taxable income. A cost write-off of 55 per cent may be allowed by the Minister of Tourism and Civil Aviation to a taxpayer for support-projects in the tourism sector such as tourist vessels. All contributions to promotion and marketing activities that are organized and/or approved by the FVB are given a 150 per cent tax allowance. If approved by the Fiji Trade and Investment Board and the Ministry of Tourism and Civil Aviation, the Fiji Development Bank may grant preferential rate loans up to F\$200,000 to indigenous Fijians in the tourism sector. The Five Star Hotel Incentives, for which a hotel must have at least 200 rooms and a minimum investment of F\$40 million, include the following: a 20-year tax holiday period; losses to be carried forward to six years; duty-free entry of all capital equipment, plant and machinery; and a 100 per cent write-off on all capital expenditure in any one year during a period of eight years.

56. In the Uruguay Round, Fiji undertook certain specific commitments regarding tourism and travel-related services under the GATS, covering hotels, motels, other tourist accommodation and restaurants.²³ Under its GATS Schedule, in tourism and travel-related services, Fiji does not limit market access or national treatment for three modes of supply: cross-border supply; consumption abroad; and commercial presence, except for limitations on commercial presence in market access. In these sectors, too, normal government approval and registration are required for all foreign investors in the aspect of commercial presence. In terms of the presence of natural persons, normal government approval is required for foreign investors and entry is limited to key posts in management and skilled employees where these are unavailable locally. Appointments for skilled employees are limited to three years initially, with extension subject to Immigration Department requirements. Foreign managers/skilled employees are required to provide locals with on-the-job training.

(ii) Transportation

57. As an island nation, Fiji is heavily dependent on transportation services. Employing about 10 per cent of the paid labour force in Fiji, the sector accounts for around 10 per cent of GDP. The transport sector is subject to a high degree of regulation; in addition to technical and safety issues, prices are regulated in the bus, taxi, domestic aviation and inter-island freight industries. Route licensing applies in domestic aviation and the bus services.²⁴

²³WTO document GATS/SC/32, 15 April 1994.

²⁴Government of Fiji (1993), pp. 111-112.

(a) Inland transport

58. The number of vehicles registered in Fiji was 94,136 in 1994, rising to 97,203 in 1995. Railways belong to the Fiji Sugar Corporation. The Department of Road Transport in the Ministry of Communications, Works and Transport is responsible for the regulation of road transport and vehicle licensing.

59. The main objectives of Fiji's road transport policies are to: continue funding the construction, maintenance and upgrading of the national road network; continue the rural roading programme; promote road safety through measures such as public education, data collection and analysis, improved driver education and vehicle testing; protect the national road network through effective controls on vehicle overloading; and to rationalize the administration of road transport.

60. Fiji scheduled no commitments under GATS on transport services.

(b) Maritime transport and other maritime services

61. Fiji is regularly serviced by shipping lines from most parts of the world through its four ports of entry, namely, Suva, Lautoka, Levuka and Savusavu. Three ports, Suva, Lautoka and Levuka offer facilities capable of handling container and bulk cargoes. In 1994, these three ports handled 2.3 million tonnes of international cargo. Suva Port handles about 40 per cent of the total tonnage.²⁵ Most sugar exports are shipped from Lautoka. Levuka Port serves as a base for Fiji's tuna fish canning industry.

62. The main objectives of Fiji's marine transport policies are: to promote private sector efforts in inter-island shipping services; to require the Ports Authority of Fiji (PAF), to operate on a fully commercial basis; to fund the construction and maintenance of jetties and navigational aids; and to rationalize the operations of the Government Shipyard and Public Slipways.²⁶ All locally owned vessels must be registered with the Marine Department. The ports of Fiji are administered by the PAF. Shipping agents are required to submit to the PAF shipping information such as vessels, gross registered tonnage, cargo for loading or unloading and number of workers needed.

63. Since January 1996, the Government has provided concessionary fiscal duties to assist inter-island shipping, fishing and tourist vessels as follows: (a) marine spare parts for use solely, or mainly, on a ship, marine equipment for installation in a ship, and mooring ropes - imports, duty free; and (b) fuel (automotive diesel oil) imports, tariff of 9 cents per litre. To obtain these concessions, a formal initial application must be lodged with Customs at Suva; the vessel should be for commercial use and must be more than 10 tonnes in gross weight; and the vessel must be registered with the Fiji Marine Board. In addition, there is a five-week free storage concession for transshipment cargo.²⁷

²⁵Ports Authority of Fiji (1994), p. 7.

²⁶Government of Fiji (1993), p. 113.

²⁷Government of Fiji (1996), pp. 34-35.

(c) Air transport

64. Air transport is of importance to Fiji, since more than 98 per cent of visitors arrive in Fiji by air. The Civil Aviation Department in the Ministry of Tourism and Civil Aviation is responsible for formulating air transportation policy in Fiji, administering the Civil Aviation Act (Cap. 174); the Civil Aviation Authority of Fiji Act (Cap. 174 A); the Civil Aviation Security Act; the Civil Aviation Security Regulations and the Passenger Services Charges Act. The Civil Aviation Authority of Fiji (CAAF), as an operational arm of the Ministry, is responsible for providing air navigation services within and around Fiji. It also operates Fiji's 16 government-owned airport facilities.²⁸ The Air Transport Licensing Board (ATLB) is responsible for the economic regulation and commercial activities of air transportation. Two airports, at Nadi and Nausori, handle international flights. International passenger arrivals at these two airports increased from some 320,000 in 1991 to over 382,000 in 1995 (Table IV.14).

Table IV.14
Basic statistics for international air traffic, 1991-95
(Numbers)

	Arrivals		Departures	
	Aircraft	Passengers	Aircraft	Passengers
1991	3,578	320,349	3,614	312,130
1992	3,707	338,922	3,764	338,863
1993	3,872	340,258	3,825	330,160
1994	3,930	375,964	3,893	382,893
1995	4,242	382,114	4,197	380,418

Source: Fiji Bureau of Statistics, Current Economic Statistics, January 1996.

65. The main objectives of air transport policies in Fiji are: to promote the development of international air services to Fiji in support both of the tourism industry and of new and expanding industries relying on air freight; and to review institutional and financial arrangements for the management of domestic airports, including consideration of policy relating to the construction of new airstrips.²⁹

66. Air Pacific is Fiji's national airline³⁰, providing only international transportation. It has yielded net profit on operations since 1986/1987. In 1994/1995 the net profit was F\$12.2 million. Fiji Air Ltd., in which the Government has an 11.5 per cent stake, is the domestic airline, competing with other airlines, and in charge of the international service to Tuvalu.

²⁸The CAAF has recorded positive operating profits for the past several years; e.g. in the fiscal year ending June 1995, it recorded profits of F\$4.2 million, a record.

²⁹Government of Fiji (1993), p. 114.

³⁰The Government is the majority shareholder with 79.5 per cent of the outstanding equity; Qantas holds 17 per cent; Kiribati, Nauru, the Solomon Islands, Tonga and Western Samoa are the remaining shareholders.

67. Licensed domestic carriers or operators are at liberty to employ aircraft of their choice. Fares developed by domestic operators require prior approval of the ATLB. Since 1993 domestic operators do not need to file with the ATLB any reduction in air fares or cargo rates; however, any fare increase proposal by airlines must be filed with the ATLB, together with all relevant data, including airline costs. All international fares must be filed with the Permanent Secretary for the Ministry of Tourism and Civil Aviation sixty days before the proposed date of their introduction.

68. There are no restrictions to foreign investment in civil aviation in Fiji, according to the authorities. Air Pacific has in place commercial arrangements with a number of international airlines, including Qantas and Royal Tonga Air, in regard to code sharing, capacity and route planning. Fiji has bilateral agreements with 20 countries in the area of air transportation services and is a party to 17 aviation conventions.

(iii) Postal, telecommunications and audiovisual services

69. The Telecommunications Division, in the Ministry of Information, Broadcasting, Television and Telecommunications, is responsible for formulating telecommunications policy in Fiji, and administering the Post and Telecom Decree 1989. It is also responsible for issuing telecommunications and radiocommunications licences, enforcing telecommunications regulations and ensuring that there is efficient delivery of quality services to consumers. The main objectives of telecommunications policy in Fiji are: to facilitate the provision of domestic and international telecommunications services by public enterprises and the private sector; and to promote greater penetration and improvement of telecommunications services in rural areas with service delivery provided by the private sector. Targets for the sector by the year 2000 are four telephone lines per 100 population for rural areas and 20 per 100 population for Fiji.

70. The provision of domestic telecommunications and postal services has been the responsibility of Fiji Posts and Telecommunications Limited (FPTL), which was corporatized in 1990 and which is 100 per cent government owned. In June 1996, FTPL was split into Telecom Fiji Limited (TFL) and Post Fiji Limited, both wholly owned by the Government, and which provide domestic telecommunications and postal services, respectively. FINTEL, whose shares are 51 per cent and 49 per cent held by the Government and Cable and Wireless Plc., has been licensed exclusively to provide international telecommunications services. In 1990, both FPTL and FINTEL were issued a 25-year telecommunication licence to operate as monopolies. Vodafone, a subsidiary of TFL, which is 51 and 49 per cent held by TFL and Vodafone (U.K.), provides mobile GSM cellular phone services. Vodafone does not have an independent licence but operates by permission of TFL, as provided for in the latter's licence. The respective after tax profits of FINTEL and FPTL in 1995 were F\$13.2 million and F\$11.3 million.

71. The licences of FPTL prescribe that, without the Minister of Telecommunications' approval, any increase in the charges for regulated tariffs must be so arranged that the weighted average of the increase in the company's charges does not exceed the rate of inflation in the 12 months immediately preceding the submission of the proposed increase to the Minister. In the case of FINTEL, as the international gateway, its licence stipulates that the company may not increase the rates of charge for the transmission of messages or the provision of leased circuits over its system without prior approval of the Minister. The amount of the charge is, however, dependent on the domestic call rates and the agreed international rates between Fiji and other countries.

72. Other services, such as supply, installation and maintenance of telecommunications equipment and products are deregulated, and open to the private sector. Fiji Television Limited has been issued an eight-year exclusive licence until 2002, extendable to 2006.

73. Fiji is a member of the International Telecommunications Union (ITU) and the International Telecommunications Satellite Organisation (INTELSAT). Fiji does not have bilateral agreements in telecommunication services with any other country.

74. Fiji has no commitments in the telecommunications sector under the GATS.

(iv) Banking, insurance, finance and other financial services

75. Employing slightly more than 6 per cent of the paid workforce³¹, the financial services sector accounts for around 13 per cent of GDP. Assets of the financial system (including insurance companies) totalled F\$4.0 billion at end-1994. The banking and financial sector is controlled by the Reserve Bank of Fiji (RBF), which regulates the monetary and banking system, manages the issue of notes, and administers exchange control. The policy objective of the RBF is to improve efficiency of the financial sector, to attract increased volume of medium to long term savings, and to improve the effectiveness of monetary policy.³² The following Acts govern the financial services sector in Fiji; the Reserve Bank of Fiji Act; the Banking Act; the Insurance Act; the Exchange Control Act; the Fiji Development Bank Act; the National Bank of Fiji Restructuring Act; and the Fiji National Provident Fund Act.

76. Financial institutions in Fiji can be broadly categorized into licensed and non-licensed institutions. In Fiji, only licensed financial institutions, comprising commercial banks and credit institutions, may engage in banking business. Only licensed financial institutions may advertise the acceptance of deposits from the public. Foreign insurance companies are not permitted to advertise or sell their activities in Fiji. There is basically no limit to foreign ownership of financial services in Fiji. However, the RBF's guidelines encourage local participation in money and foreign exchange dealing, for travel-related purpose; nevertheless, there are two operating exchange dealers and numerous tourist operators dealing in money exchange which are foreign controlled. To facilitate its prudential supervision of financial institutions in Fiji, the RBF is establishing revised prudential policies, standards and guidelines.

77. Fiji has not made an offer in the GATS Financial Services negotiations.

(a) Banking

78. Fiji's banking system is controlled by the RBF, which acts as agent of the Government. Any company carrying on banking business in Fiji must apply to the RBF for a licence.³³ There are six commercial banks in Fiji, of which five are foreign, providing both national and international banking facilities. The Fiji Development Bank provides credit for agricultural, industrial and commercial ventures. Banks in Fiji may engage in stockbroking, with prior approval of the RBF.

³¹This measure includes those employed in real estate and business services.

³²Government of Fiji (1993), p. 123 and FTIB (1995/96), p. 109.

³³The Banking Act 1995, p. 6.

79. The minimum paid up or assigned capital and unimpaired reserves for a bank to be licensed is F\$2 million, to be held in Fiji. For a credit institution, the minimum is F\$0.5 million. Higher minimums may be imposed by the RBF. The RBF may, with or without conditions, grant a licence or inform the applicant of its refusal, furnishing the grounds for refusal.

80. An individual may own or control up to 15 per cent of the voting shares of a licensed financial institution. A company may own or control up to 30 per cent of the voting shares, which may be increased to 50 per cent with the approval of the Minister of Finance and Economic Development.³⁴ Banks are required to hold 16 per cent of their deposits and similar liabilities as statutory reserve deposits, and 16 per cent of the same base in unimpaired liquid assets. Credit institutions are required to hold 10 per cent of their deposits and similar liabilities in unimpaired liquid assets. Banks will be required to maintain a minimum capital to risk weighted assets ratio of 8 per cent, along Bank Supervisory Standards, from end-1997. Credit institutions now comply with a minimum capital adequacy ratio of 10 per cent. As of January 1997, banks are required to limit their single currency overnight net open position to no more than 12.5 per cent of their capital in Fiji or F\$0.4 million, whichever is greater. Overall overnight foreign currency net open positions are limited to 25 per cent of a bank's capital in Fiji or F\$0.8 million, whichever is greater.

81. Effective from 1 January 1997, authorized dealers (including commercial bank and non-bank financial institutions like the Fiji Development Bank) can lend up to F\$200,000 to any new or existing non-resident-controlled business entity registered or operating in Fiji. A non-resident controlled business entity can borrow locally up to 100 per cent of its working capital requirements and select a net funding provided its debt to equity ratio is within the guidelines (Chapter III, Annex III.1). The RBF exercises flexibility on this policy for projects that it deems to accrue major benefits to Fiji in terms of employment or foreign exchange. Authorized dealers may also lend up to F\$30,000 to non-resident individuals working in Fiji.

82. There are no monopoly banking activities provided for under Fiji law and no obligations on domestic economic operators to employ specified banking institutions for specified operations and transactions. There are no mandatory requirements for local ownership of banking institutions. According to the authorities, to ensure that banking and management skills of Fiji citizens are developed, foreign banks and credit institutions are required to establish training programmes for their staff, to take up management positions; however, top management positions may be reserved for expatriates with specialized skills.

(b) Insurance

83. As of June 1996, there were ten insurance companies in Fiji; six in general insurance business; two in life insurance business; and two in medical/health insurance. The gross premium income of the insurance market in Fiji approximately doubled over the ten years to 1994 (Table IV.15). The Office of the Commissioner of Insurance (COI) in the RBF, established under the Insurance Act 1976, supervises the activities of the insurance industry. The objectives of insurance supervision in Fiji are to promote public confidence in insurance and to ensure that insurance is conducted in a manner

³⁴This does not preclude the establishment of branches or 100 per cent owned subsidiaries of foreign banks.

consistent with national goals.³⁵ There are no specific provisions in the Insurance Act that restrict foreign persons from applying for registration to operate in Fiji as insurer.

Table IV.15

Key statistics of the insurance market in Fiji, 1986 and 1990-94

(F\$ million)

	1986	1990	1991	1992	1993	1994
Gross premium income						
Life	21.9	24.7	27.2	31.7	38.5	45.3
Non-life	22.4	28.6	31.8	36.1	41.7	45.0
Total	44.3	53.4	59.0	67.8	80.3	90.3
Assets in Fiji						
Life	136.8	168.3	192.1	211.9	233.8	257.8
Non-life	29.3	37.3	44.1	49.7	50.8	61.1
Total	166.2	205.6	236.2	261.5	284.6	318.9

Source: Fiji Bureau of Statistics, Current Economic Statistics, January 1996.

84. The Insurance Act requires that all supervised entities, namely insurers, life insurers, brokers and agents, be licensed. Licences, which cost F\$450, must be renewed annually, and expire on 31 December of the year of issue. Where the Commissioner is satisfied that: (a) the volume of business available to and the earning prospects of an applicant are adequate; (b) the class of insurance business will be conducted in accordance with sound business principles; (c) the financial standing³⁶ and the general character of management of the applicant are sound³⁷; (d) the margin of solvency is adequate³⁸; (e) the reinsurance arrangements of the applicants are adequate and satisfactory; and (f) it is otherwise in the public interest that the applicant should be registered in respect of the insurance business specified in the application, he may register the applicant in insurance business. An insurance entity applying for registration shall deposit with the Permanent Secretary of the Ministry of Finance and Economic

³⁵Reserve Bank of Fiji (1994), p. 30.

³⁶The present minimum legal capital requirements are: (a) for a mutual association - assets in Fiji of at least F\$750,000; and net assets in Fiji equivalent to F\$500,000 or 40 per cent of net premiums, whichever is higher, provided that the higher amount is not required to exceed F\$1.0 million; (b) for a stock company - minimum paid up capital of F\$200,000 in case of those incorporated in Fiji, and F\$750,000 in case of those incorporated abroad.

³⁷The current limits require that management expenses should not exceed an amount equivalent to 40 per cent of the net premium income, provided that head office expenses are not permitted to exceed 7.5 per cent of the gross premium and investment income.

³⁸The registration of an insurer is subject to the insurer satisfying the Insurance Act's solvency requirement. The requirement for a non-life insurer is that it must, at all times, have assets in Fiji which exceed its liabilities by at least F\$200,000 or 10 per cent of net premium income, whichever is higher.

Development the prescribed sum in respect of each class of insurance business.³⁹ A person aggrieved by a decision of the Commissioner may appeal to the Minister of Finance and Economic Development.

(c) Securities trading

85. Securities trading in Fiji is embryonic. Stock transactions take place at the Suva Stock Exchange. Exchange and current trading is through an open outcry system. There are currently no specialized securities firms in Fiji. The Government expects that stock brokers and dealers will soon be set up. Some tax incentives have been put in place. In the 1995 Budget Address, the Minister of Finance and Economic Development announced the full exemption from tax on dividends paid on shares listed on the Exchange. With effect from January 1996, all transactions on the exchange were exempted from stamp duties.

86. To develop the Fiji capital market, the Government approved the setting up of a Capital Markets Development Authority, and the relevant legislation was passed in August 1996. The Authority shall have the following functions: to advise the Minister of Finance and Economic Development on all matters relating to the development and operation of capital markets and the securities industry; to formulate and implement policies and programmes in consultation with the Government with respect to the development of capital markets; to grant a licence to operate as a broker, dealer, investment adviser, unit trust, or mutual fund; and to act as an appellate body for appeals from securities exchange actions by aggrieved parties. Any person aggrieved by any decision of the Authority may appeal to the Court.

³⁹In the case of companies incorporated in Fiji, F\$50,000 for non-life insurer and F\$100,000 for life insurer; for those incorporated abroad, F\$75,000 for non-life insurer and F\$250,000 for life insurer.

REFERENCES

- Asian Development Bank (1995), Asian Development Outlook 1995 and 1996, Oxford University Press: N.Y.
- Callick, Rowan (1991), "No blue skies yet in the South Pacific", Pacific Economic Bulletin, Vol. 6, No. 2, December, pp. 1-19.
- Civil Aviation Authority of Fiji, Annual Report 1994/95, Suva.
- Dun and Bradstreet (1994/95), Exporters' Encyclopaedia, Baltimore, M.D.
- Fiji Development Bank, Annual Report 1995, Suva.
- FTIB (1990/91), Annual Report, Fiji Trade and Investment Board, Suva.
- FTIB (1993), Annual Report, Fiji Trade and Investment Board, Suva.
- FTIB (1994), Annual Report, Fiji Trade and Investment Board, Suva.
- FTIB (1995/96a), Fiji Product Directory, Fiji Trade and Investment Board, Suva.
- FTIB (1995/96b), Annual Report, Fiji Trade and Investment Board, Suva.
- Government of Fiji (1993), Opportunities for Growth, Suva.
- Government of Fiji (1994), Privatisation Policy and Strategy for Fiji: Supplement to the 1994 Budget Address, Suva.
- Government of Fiji (1996), Budget Statement, Suva.
- IMF (1995), Fiji: Company Income Tax and Tax Incentives Reform, April, Washington, D.C.
- IMF (1996), Exchange Arrangements and Exchange Restrictions, Annual Report, Washington, D.C.
- Inland Revenue Department (1994), Simplified VAT Guide for Businesses, Suva.
- McLeod, Rory (1991), "New Zealand's economic links with Pacific island countries", Pacific Economic Bulletin, Vol. 6, No. 1, June.
- MRD (1995), MRD Exploration and Mineral Digest, Mineral and Resources Department, April-June, Suva.
- MAFF (1995), Annual Report, Ministry of Agriculture, Fisheries and Forestry, Suva.
- MOFED (1995), National Economic Summit Sub-committee Report, Ministry of Finance and Economic Development Suva.
- Ports Authority of Fiji (1994), Annual Report, Suva.

Reserve Bank of Fiji (1993), "The Tax Free Factory/Tax Free Zone scheme in Fiji", Pacific Economic Bulletin, Vol. 8, No. 1, June.

Reserve Bank of Fiji (1994), Annual Report, Suva.

Reserve Bank of Fiji (1995), Annual Report, Suva.

Robertson, David (1992), "The single European market and Pacific island trade interests", Pacific Economic Bulletin, Vol. 7, No. 2, December.

The Fiji Sugar Corporation Ltd. (1995), Annual report, Suva.

The Fiji Times, 11 June 1996.

UNESCAP (1991), Traders' manual for Asia and the Pacific, Bangkok.

World Bank (1995), Fiji: Restoring Growth in a Global Environment, Washington, D.C.

WTO (1996), Trade Policy Review - New Zealand, Geneva.