

# Fiji

GDP: US\$4.3 billion (Est. 2012 figures)

£1 = FJ\$2.73 (Apr. 2012)

Growth Rate 2012: 2%<sup>1</sup>



Mapping Courtesy of BMT WBM

## Strengths of the market

- A diversified economy
- A highly developed tourism industry
- A strong domestic market
- Good infrastructure
- Regional hub
- English is the main business language
- The law is derived from English common law

Fiji's economy is dominated by its tourist sector, which has been growing steadily since the 1980s. As a result of the political situation, costs have dropped and investors have the opportunity to enter the market at discounted rates. Recent initiatives by the government to free up access to land could herald in a new era for commercial agriculture. Thanks to the strong hospitality industry there is a short fall in supply by domestic producers, for example in food, fisheries and manufactured goods. The outlook for the mining sector, including seabed mining, is positive.

Fiji is made up of a group of volcanic islands and is well known as a popular tropical holiday destination. Fiji has a sophisticated economy, a skilled work force and a developed service industry that makes it a natural centre for the region. Fiji's official languages are English, Fijian and Hindi. In 2012 per capita income was US\$4,800.<sup>2</sup>

Fiji gained independence from Britain in 1970 and has one of the most developed economies in the Pacific. Fiji's recent history is one of successive coups brought about by a divergence of ethnic interests. Fiji is currently ruled by an interim military government which took power by coup in 2006. It promises a return to democracy with elections due in 2014.

With a greater awareness among indigenous Fijians of the economic failure of previously won concessions, there is hope that an inclusive future will be reached.

Key trading partners Australia, NZ, the US and the EU, imposed limited sanctions on Fiji after the 2006 coup d'état. In 2009, Fiji was suspended from both the Commonwealth and the Pacific Island Forum. Fiji's "Look North" policy of engaging with Asia (including the Peoples Republic of China) has been successful in attracting both development assistance and investment.

## What makes Fiji attractive

- Fiji's national carrier, Air Pacific, is a competitive modern airline.
- Fiji has direct air links to Asia, the US, Australia and NZ.
- Port facilities are excellent.
- Infrastructure is developed and Fiji has excellent services including medical and educational facilities.
- Fiji has very well developed hospitality services.
- Telecommunications are of a high quality and Fiji is the only Pacific country with direct access to the trans-Pacific Southern Cross undersea fibre-optic cable.
- There are two strong mobile communications providers, Vodafone and Digicel.
- Fiji has developed a call centre industry. For example, originally set up in 2009, Mindpearl is a provider of call centre services to the global airline industry.

## Investment Incentives

There are Tax Holiday's for certain industries and other concessions:

- Tourism - 10 years with a minimum FJ\$7 Million investment. Import duty exemption on all capital goods and construction materials.
- Agriculture - 10 years with a minimum FJ\$2 Million investment. 30+ employees. For those investing during 2009 - 2014.
- Energy - 5 years tax holiday for renewable energy projects and power cogeneration and 100% depreciation in first year for plant, machinery and water storage facilities. Duty free import for; Wind Hydro, Geo Thermal and Solar equipment.
- Bio Fuel - 10 years with a minimum FJ\$1 Million investment, 20+ employees. For those invested during 2009 - 2014. Duty concessions on import of equipment & chemicals.
- Call centres - 13 years with a minimum FJ\$2 Million investment, 50+ employees. 50% of services are exported. Duty free import of equipment.
- Audio Visual - 10 years. A 47% rebate or credit on production costs in Fiji. Increased deductions on capital expenditure.
- Mining - No limits.
- Capital Markets - reduced rate of 20% tax for companies listed on the South Pacific stock exchange (req. 40% resident shareholding).
- Tax Free Regions - 5 years with a minimum FJ\$250,000 investment. 7 years with a FJ\$1million to FJ\$2 million investment. 13 years with a FJ\$2+ million investment. Import duty exemption on machinery & equipment for establishment and operations.
- "My Second Home Programme" - long term stay visas are granted, for those aged > 50 years with a FJ\$50,000 deposit for 2 years. For those aged < 50 years with a FJ\$100,000 deposit for 2 years.
- Export income deduction: In 2012 this was 40%. In 2013, 2014 and 2015 planned to be 30%, 20%, 10% respectively. Materials are exempt from import and VAT duties if processed and re-exported.
- There are duty concessions on: Pearl Farming, Fishing, Ship Building and Prawn Farming.
- There are reduced corporate tax rates of 28%.



Photo courtesy Papua New Guinea Tourism Promotion Authority

Source: Fiji Revenue & Customs Authority

## How to Invest

The principal types of business enterprises in the Fiji are: Sole Trader, Partnership, Limited Liability Company, Branch or Subsidiary.<sup>3</sup>

The first stop for potential investors is Investment Fiji.

### Registration Process

- Reservation of Business Name - Office of Registrar of Companies / Investment Fiji
- Apply & Register Foreign Investment Registration Certificate - Investment Fiji
- Apply for Work Permit - Immigration Department
- Apply for Capital Issuance - Reserve Bank of Fiji
- Register for Tax & VAT - Fiji Revenue & Customs Authority
- City/Town Council Business Licences - The local administration relevant to the location of the business
- Registration Employee Superannuation - Fiji National Provident Fund

**Investment Fiji** has offices in Los Angeles, Shanghai, Taiwan and Sydney.

\* Fiji has a double tax agreement with the UK.

## Economic Outlook

The 2006 coup halted Fiji in a period of economic uncertainty. The major industry tourism has, however, outperformed other sectors and numbers of visitors have increased substantially. The sugar and garments industries have both declined. In 2011, the sugar industry showed signs of revitalisation with the government taking control of the sugar mills to encourage production.

The current interim government is making some positive decisions that make investment attractive but confidence in government is split. Domestic investors on the one hand are generally positive and new lending for investment purposes grew 35.1% in the year to August 2011.<sup>4</sup> Political uncertainty has led, however, to foreign investment falling over the past five years

### GDP Growth

The global financial crisis has also affected Fiji's economy over the past three years but there has been an improvement in 2011 with projected growth of 2.7%. Foreign reserves and bank liquidity are at high levels, while increasing global prices mean (as elsewhere) a rise in inflation. Following a visit to Fiji in November 2011, the IMF revised projected growth figures to 2%.

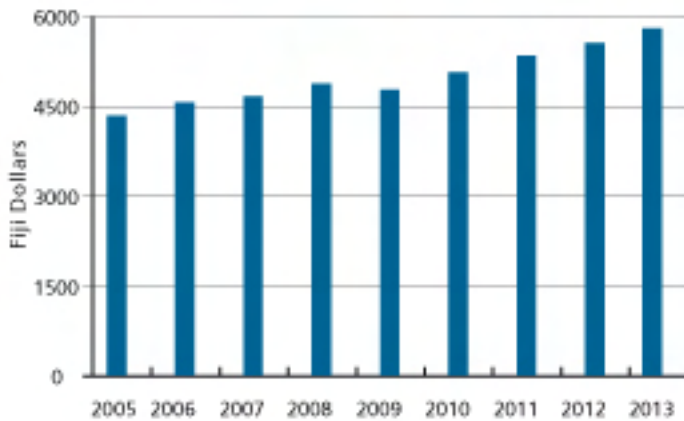


iStock Photos

>> Fiji ranks 77th in the World Bank "ease of doing business" statistics for 2012, down from 34th place in 2006. Fiji dropping 14 places on criterion; "starting a business" from 2011. <<

World Bank

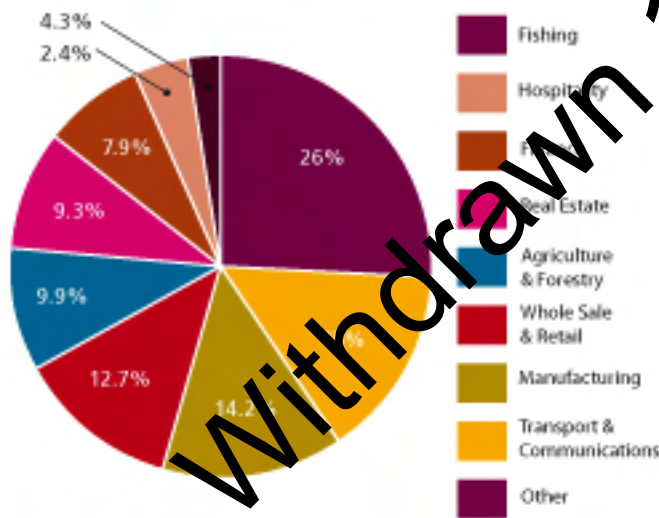
## Fiji's Current (nominal) GDP 2005-2013



Source: Reserve Bank of Fiji: Quarterly Review, March 2011. Based on Oct. 2010 figures, 2010-2013 figures are forecast

## Fiji's Economy by Sector

Fiji's diverse economy supports its attractiveness as a regional hub.



Source: Fiji Bureau of Statistics. Sept. 2011

## The UK and Fiji

The UK has a strong presence in Fiji and contributes approximately 10% of Fiji's GDP.<sup>5</sup>

Almost all of Fiji's sugar is sold in the UK through Tate & Lyle. Major UK companies Vodafone and Cable & Wireless are invested in Fiji. There are some 2,200 Fijians serving in the British Army.

## Challenges

The main challenge for Fiji is to overcome political uncertainty. Yet challenges so common in other countries in the Pacific such as infrastructure, security, flexibility and building relationships are less of an issue in Fiji. Fiji has a relatively well educated population with a UNDP report suggesting a 94% literacy rate and Fiji boasts three universities.

### Corruption

Corruption is hard to gauge and Fiji is one of relatively few countries not listed on Transparency International's Corruption Index. Anecdotal evidence suggests that corruption is a challenge.

## Case Studies

### Airbus

On 25 October 2011, Air Pacific CEO announced that Air Pacific had signed an agreement with Airbus for the purchase of three new A330-200 aircraft. The A330s are set to replace Air Pacific's (leased) wide bodied fleet of two B747s and one B767. Airbus was chosen after months of intensive research, including a private consultancy carrying out an independent survey of the airline's future plans, needs and finances. The deal is worth in the region of US\$ 500 million. At the signing ceremony the Minister of Civil Aviation thanked the British High Commission, French Embassy and European Delegation for their behind the scenes support and lobbying of the Airbus and Air Pacific teams.

### FUJI WATER

Launched in 1996 by US entrepreneurs Fiji water has been an outstanding success. Fiji water is now the second largest premium water company in the US and as of 2009 was selling in 40 countries worldwide. Fiji Water is the Fiji's fourth largest export earner accounting for some 20% of total exports. Fiji water has been Fiji's fastest growing export product over the past decade and employs some 400 people in Fiji.

**The Fiji Water Foundation** gives back to the community in Fiji by provision of health care, education, clean water and sanitation.<sup>6</sup>