

Fiji exports

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WHILE foreign exchange revenues from tourism are growing healthily, the export of goods has not been increasing and Fiji runs a persistent trade deficit.

This is of great concern to the Fiji Government and Central Bank, which both recognise that a relatively small domestic market like Fiji is dependent on trade to generate jobs and growth. Moreover, there is an imminent threat to the country’s two largest export industries, sugar and garments, posed by an increasingly liberal global trade environment.



Nestlé’s plant at Ba

The solution is to diversify Fiji’s export base, through the identification and development of export sectors that can compete in a world without quotas. Thankfully, there are strong indications that this is already happening, and the protagonists are a reassuring mix of foreign investors and local entities. Traditionally strong export sectors such as fish processing, gold, timber and agro-industry remain vibrant, and there have been impressive recent breakthroughs with products such as mineral water, biscuits and beauty products.

FOREIGN INVESTORS CONTRIBUTING TO EXPORT EARNINGS

Mark Halabe, managing director of Mark One Apparel (see break-out box on page 16), says Australia and New Zealand ‘should see Fiji as a low-cost manufacturing centre’, citing the comparatively high cost of doing business in Australia. Indeed, companies such as Goodman Fielder and Fletcher Pacific Steele and Nestlé Pacific Islands are already taking advantage of generous government incentives aimed at encouraging exports.

Swiss multinational Nestlé’s Fiji operation is run from the company’s Oceania headquarters in Sydney. It produces snacks, confectionary and noodles at its plant in Ba, in the north of Viti Levu island. Two-thirds of its production is exported to New Zealand and neighbouring islands.

Nestlé made an investment of around F\$10 million (A\$7.9m/NZ\$8.57m) to upgrade the site in Ba three years ago, and general manager Jason Chan appears satisfied:

‘Fiji is a suitable hub for Nestlé to do business in this region ... Fiji’s business climate is certainly much more supportive than it has been in the past.’ Although Chan regards transport links as ‘among the best in the region’, he still sees room for improvement in this area.

Another important overseas player is ASX-listed Emperor Mines, which owns and operates the Vatukoula gold mine, also in the north of Viti Levu. One of Fiji’s largest private-sector employers, it is making a multi-million dollar investment to increase production and efficiency.

Managing director Martin Jacobsen explains that ‘our Phase II expansion phase at Vatukoula ... is a rejuvenation. We have spent A\$49 million (NZ\$53.1m) so far, and plan to spend another A\$23 million (NZ\$25m).’



Fijian papaya on sale in Australia

THE NEED TO ADD VALUE

One of the explanations given for the current difficulties of Fiji’s garment industry is that it failed to find ways of adding value to its products during its heyday in the late 1980s and 1990s, making it vulnerable to low-cost competitors, especially China. Of course, adding value is easier said than done, but several local exporters of value-added products are thriving.

Fiji Fish and Pacific Fishing Company (PAFCO) are major exporters of processed fish around the world, including Fiji’s world-class yellow-fin tuna.

Pacific Green runs an innovation-based manufacturing business converting coconut palm wood into high-quality furniture and architectural products, which it also exports globally. It is a world leader in treatment technology for palm wood.

The Government of Fiji is acutely aware of the long-term benefits of value-adding, in particular in mahogany (see break-out box on page 17) and agro-industry. Fiji has recently begun to export papaya to Australia again after Australian authorities removed quarantine restrictions on Fijian papaya. Exports of fresh produce will always be exposed to higher risk than processed

Fiji exports



Textiles, clothing and footwear

On 1 January 2005, the biggest change to hit the global textile industry in 30 years was introduced when quotas on textile, clothing and footwear (TCF) exports to the US and Europe were scrapped. As a result, the WTO estimated last year that China's share of textile exports to the US alone could increase from 17% to 50% in just two years.

This is a sobering prospect when you consider that the garment industry is a direct employer of around 13,000 people in Fiji, mainly Indo-Fijian women, and that the US is currently one of its major markets.

On a more positive note, the Government of Australia, Fiji's other principal market, announced last year that it would offer an extension to the South Pacific and Regional Trade Economic Cooperation Agreement (SPARTECA)-TCF scheme for another seven years, to 2011. This arrangement allows goods produced in Fiji to be exported to Australia duty-free. Australia has also offered special assistance to Fiji's garment industry.

Interestingly, one of the prime movers in Fiji's garment industry is himself an Australian. Mark Halabe, left, originally from Sydney, is now managing director of Mark One Apparel and president of the local Textile, Clothing and Footwear Council. He moved to Fiji to take advantage of the tax-free incentive scheme introduced to boost Fiji's exports after the 1987 coup, and has thrived.

Mark One Apparel employs over 400 people and specialises in the manufacture of woven men's shirts, including corporate clothing such as uniforms.

'We have a good product and work hard on the relationships we have with our customers', says Halabe. Those customers include brands like Yakka, NNT and King Gee.

foods. In the words of Tomasi Vuetilovoni, Minister of Commerce, Business Development and Investment:

'If you value-add and produce things like cassava chips and canned food, then you can reduce your risk and increase your potential market. You also create additional job opportunities.'

These words are not lost on Graeme Thorpe, managing director of the Balthan Group, the company responsible for the papaya success. Balthan is already heavily involved in frozen food processing, operating from a 10,000-square-foot purpose-built facility. Most of its produce is exported to Australasia, Japan and North America.

Thorpe identifies untapped potential in processed foods: 'There are still lots of opportunities in this area in Fiji. We would be very interested in talking to foreign companies about working together, especially [with a view to gaining] additional technical expertise.'

FIJI'S NEW BRANDS

Perhaps the best way to add value, however, is to build powerful brands, and Fiji has had two remarkable recent successes in this area.



Pure Fiji beauty products

Most famously, the meteoric rise of the Natural Waters of Viti Levu company (better known as FIJI Water) has made waves all over the world. Founded by Canadian entrepreneur David Gilmour in 1996, it quickly became the second-biggest imported water brand in the United States after France's Evian. It is also available in Australia (for example, at selected David Jones stores).

FIJI Water is bottled at Yaqara, also in the north of the main island. Its success has been put down to its branding (it is sold in distinctive square one-litre bottles) and canny product placement on US television. The company, which employs around 110 people, had a busy end to 2004, first winning the prestigious American Secretary of State's Award for Corporate Excellence, before promptly being sold to Roll International, a private US company.

Also making a high profile impact in the US is the family-run Pure Fiji, which in 2002 provided the 200 nominees for the US Emmy Awards with special Pure Fiji gift baskets. Pure Fiji produces beauty products exclusively derived from organic local ingredients including a special blend of virgin coconut oil. Pure Fiji products are now widely available in US retail outlets, and are rapidly conquering new markets around the world.

These brands are not only pulling in foreign exchange but are also doing much to boost the perception of Fiji as a stable business destination worldwide. They are also helping to build an international image of Fiji as a source of goods that are natural, pure and wholesome.

Mahogany: a harvest of 'green gold'

One of the greatest causes of optimism in the Fiji economy at the moment is the country's emerging mahogany industry.

Although plantations were established while Fiji was still a British colony in the 1960s, they are only now ready for harvesting. Fiji Hardwood is the company created by the Fiji Government to oversee the commercial development of the Fiji mahogany industry.

'[Fiji's mahogany] is widely regarded as the world's best mahogany plantation resource,' says CEO Sandy Rae. 'It comprises approximately 40,000 hectares of stocked plantation area.'

Rae estimates that it will sustainably yield approximately 75,000 cubic metres of high-value sawn timber a year—a significant proportion of the total world market. This level will not be reached for a few more years yet, however, and production will be at about 40% of capacity this year.

That gives Fiji Hardwood time to find markets for its green gold.

'The challenge is to provide consistency in supply. That is what customers demand and we have to prove we can deliver', says Rae. Assuming this is achievable, mahogany tables from Fiji could soon end up in boardrooms along the east coast of the US.

The Fiji Government has made it clear that it intends to add as much value as possible to the mahogany industry onshore. As a consequence, Fiji Hardwood is investigating ways to add value through wood processing, and has purchased its own sawmill and timber processing/manufacturing facilities.

It is also looking to work with overseas partners to realise its objectives.

'We do not have the level of expertise to develop this industry alone, and the strategic alliances that we form will come from Australia and New Zealand', concludes Joseph Singh, Chairman of the Fiji Islands Trade and Investment Bureau.



Biscuit Company of Fiji

The export achievements of The Biscuit Company of Fiji offer a perfect example of the way forward for Fiji.

Formed in 1991, the company's operations were recently overhauled in the form of a F\$10 million (A\$7.9m/ NZ\$8.57m) capital investment. The resulting world-class manufacturing site (along with ISO 9002 certification) has led to a sharp increase in its exports to the rest of the South Pacific, and also to Australia and New Zealand.

In fact, its turnover has nearly doubled in the last year and it picked up the coveted Prime Minister's Exporter of the Year award in November.

The Biscuit Company of Fiji is a wholly-owned subsidiary of Flour Mills of Fiji (FMF), owned by prominent local entrepreneur Hari Punja and listed on the fledgling South Pacific Stock Exchange.

Fiji's Leading

● Grower ● Processor ● Exporter

of Agricultural Produce. *Fresh* and *Frozen*
Taro, Cassava, Ginger, Papaya etc. etc.

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