

Fiji's Transformation from Sugar to Tourism Industry

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Abstract In this paper we have tried to examine the reasons as to why, Fiji has moved from its traditional sugar industry to tourism industry. We also discussed policies of the government that were aimed at reviving the sugar industry and other factors that affected both the industries. We also interpreted some figures that suggested reasons of the drop in one industry and the rise in the other and to finally be able to say that Fiji has transformed from sugar to tourism industry.

Keywords Sugar, Tourism, Industry transformation; Political instability

1 Introduction

Sugar is one of the most traded commodities in the world and accounts for over one quarter of global production. In order to help African Caribbean and Pacific (ACP) countries, the EU has granted several trade preferences. The Lome Agreement from 1975 to 2000 and the Cotonou Agreement from 2001 to 2007 are most notable. In these two agreements, the price of sugar offered by the EU was about 3 times more than the world market price. The withdrawal of these agreements was after the World Trade Organization won case against EU of high sugar subsidies as disputed by Australia, Thailand and Brazil. The EU has now put in several Sugar reforms for ACP countries including Fiji. At a moment the Sugar industry is declining and is showing no signs of recovering, which was once known as the backbone of the Fiji economy is now a mere bone at all. The land issue that make farmers no choice but to leave their land to their landowners will go down as the weakest point of Fiji's governance since it could not tackle the issue and maybe they did not have a clue of what it would mean in years to come. Thus today it would mean the world to us if we remove tourism out of the picture. On the other hand, Fiji is currently depending on tourism just as much as a baby to its mother. The famous sandy, pristine beaches, reefs and tradition has put Fiji tourism on the world map and as it will be discussed, Fiji's tourism industry is showing great signs of growth even after the military coup in 2006. As Fiji focuses to change its tourism targets, it should be about time that Fiji gets the recognition it requires in terms of tourism.

For this paper, we did a literature review on the sugar and tourism, government policies and strategies towards the two industries and also the reviews of Asian Development Bank and the European Union and the data was acquired from the relevant organizations in charge of the respective industries namely the Fiji Visitors Bureau and Fiji Sugar Corporation. The percentage growth formula, $\left[\left(\frac{V_{present} - V_{past}}{V_{past}} \right) \times 100 \right]$ was used to calculate how much of both tourism and sugar figures had decreased or increased with the data available over the span of 10 years.

2. Sugar Industry in Fiji

2.1 Importance of the sugar industry

The Sugar industry was started in the colonial days and is a strategy to promote economic growth in Fiji. The Indian laborers were bought to Fiji in order to work on sugarcane farms when Fiji was a colony of Britain. After gaining independence in 1970, Fiji pursued a strategy for growth. Agriculture and Manufacturing. Even after this, the Sugar industry was still the key export in Fiji. The high rates of economic growth in the 1970's were due to the booming Sugar industry. The Sugar industry might not be as important as 10 years ago but it still has a great significance in the Fijian economy. Sugar production contributed 7% to the GDP in 2002 compared to 2.7% in 2009. The Sugar industry contributes to direct and indirect employment to almost 51,000 people. (2002 figures)

2.2 Decline of the sugar industry

In the past decade, the sugar industry has been facing several obstacles. Expiring of land leases and benefits from trade agreement has led to a huge decline. Rising level of inefficiency in sugar production, transportation and milling is also a reason for its decline, so the government of Fiji in collaboration with other stakeholders has come up with a Reform plan for the industry. However, they concluded that no matter how much the industry is structured, the level of sugarcane production will continue to decline. On the other hand, the Asian Development Bank projects that inefficient farmers will leave and that the

remaining farmers will be able to maintain the current level of production. A major shortcoming in this generalization is that even efficient farmers will leave the industry if their leases are not renewed, but this might mean that all efficient farmers will have their leases renewed.

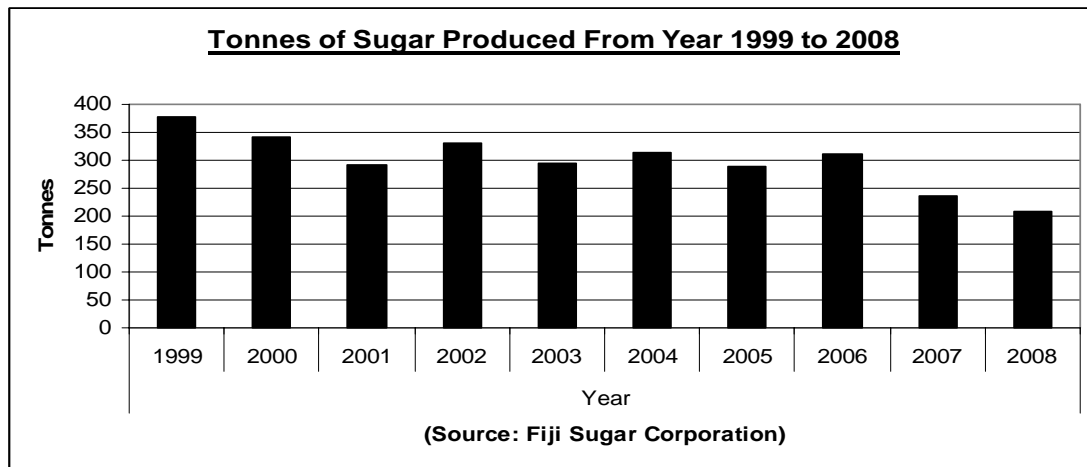


Figure 1 Sugar Production in Fiji between 1999 and 2008

The above graph shows us graphically, how important the Sugar production was and how it has declined over the ten years. The decrease in sugar production between 2008 and 1999 can be calculated as follows:

$$\begin{aligned} & \left[\left(\frac{V_{present} - V_{past}}{V_{past}} \right) \times 100 \right] \\ &= \left[\left(\frac{208 - 377}{377} \right) \times 100 \right] \\ &= -44.83 \% \text{ (Percent Decline)} \end{aligned}$$

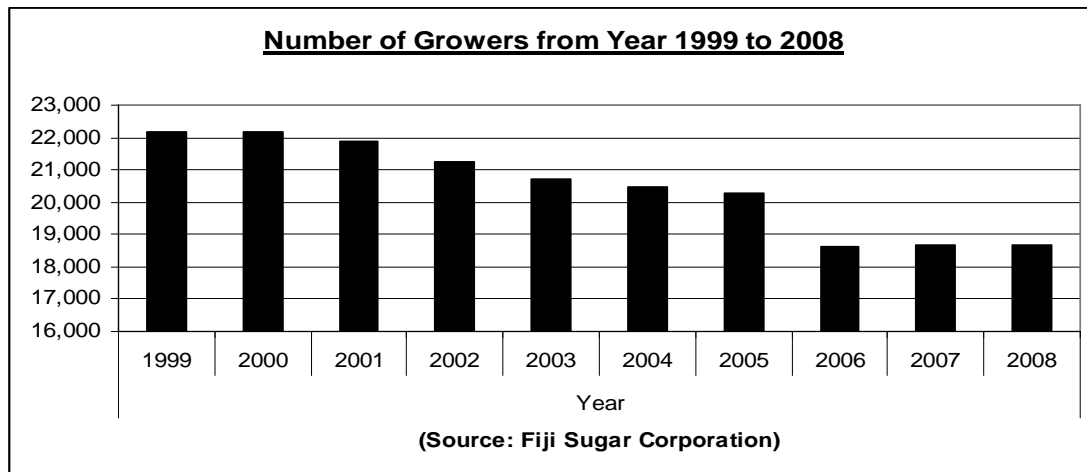


Figure 2 Number of Growers of Sugar Cane between 1999 and 2008

Thus, as the calculation shows, Sugar production has decreased by almost 45% between 1999 and 2008 and therefore it shows the decline in the industry and that immediate measure has to be taken in order to save this industry.

The above graph shows one of the major contributors to the decline in sugar production and that is the decrease in the number of sugarcane growers between 1999 and 2008. The decrease of the number of growers between the ten years is shown below:

$$\left[\left(\frac{V_{present} - V_{past}}{V_{past}} \right) \times 100 \right] = \left[\left(\frac{18683 - 22178}{22178} \right) \times 100 \right] = -15.76\% \text{ (Percent Decline)}$$

The above calculation shows that the number of sugarcane growers decreased by almost 16% between the ten years as a result of non-renewal of land leases which led to the decrease in the production of sugar as discussed earlier.

2.3 Reform of the sugar industry

The Sugar industry reform is one of the biggest economic reforms that Fiji has pursued since the mid 1980’s. The coups in 1987, 2000 and 2006 caused a huge decline in the economy. The restructuring is based on two major problems:

※ Problem 1: The bulk of Fiji’s sugar is sold to the European Union under a preferential price agreement through which, the price received by Fijian farmers is 3 times higher than the world market price. The agreement is known as the Lome Convention. This agreement has expired in 2008 which is why farmers reckon they have no revenue or motivation to produce sugarcane at world market price as they would be making losses.

※ Problem 2: Mills have been poorly managed and have thus become inefficient. This nearly always results in public enterprises. The production of sugarcane and sugar produced have been declining since 2000 more to the inefficiency of the mills as they are not able to produce the same amount of sugar as they produced before with the same amount of sugarcane. The interim finance minister announced the budget as part of a sugar industry reform package:

- the upgrading of mill facilities – to increase mill capacity and efficiency
- improvements to the mills transportation system – to reduce cost of carting cane
- modernizing farming methods – to improve farm productivity and,
- Diversification of industry risks into value adding opportunities such as cogeneration of electricity and ethanol production.

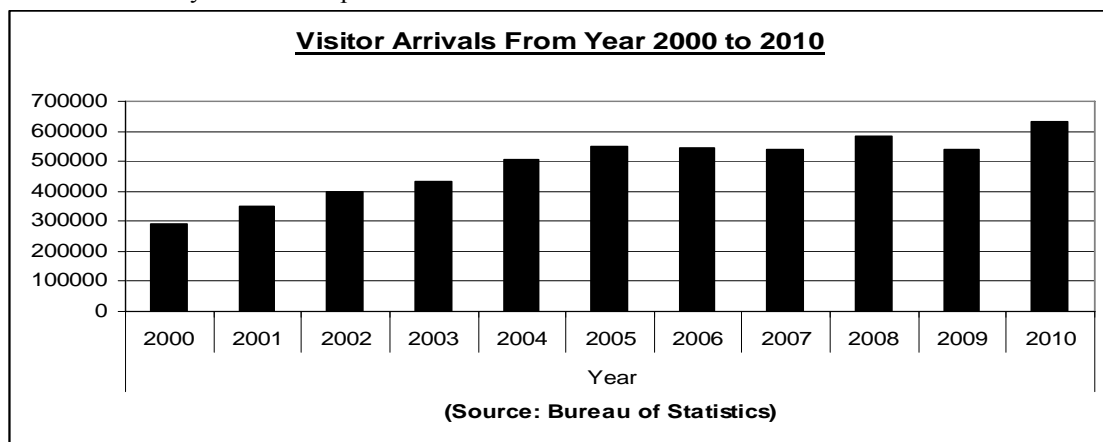


Figure 3 Visitor Arrivals between Year 2000 and Year 2010

3 Growth of Tourism Industry

3.1 Importance of the tourism industry

When Fiji’s first comprehensive tourism plan was being drafted in 1972, there was speculation that the five year goal of 50,000 annual visitors was a bit too much. For everyone involved in the plan, it looked like those goals were impossible although people were confident of it given enough time. The 2009 visitor arrivals stand at a staggering 631,868, the highest of all time. Fiji tourism got its start in the 1950’s when piston engine aircraft flying the Sydney – Honolulu route stopped in Nadi to refuel. The first hotel near Nadi Airport was a World War II Quonset hut. The number of visitors was small but it was recognized that Fiji was made for tourism, and soon after, the outsiders recognized the potential. For the past decade, Fiji tourism has been growing very steadily and has no signs of stopping. It has been predicted that Fiji’s contribution to tourism will lead to 27.8% this year according to the Reserve Bank of Fiji. The importance of Tourism can not really be stressed since it affects each and every sector of the economy. From small businesses selling handicrafts to the construction industry is all a result of Tourism. Fiji is where it is today because of the contribution of Tourism during times when the sugar industry was and is struggling.

Figure 3 shows the number of visitor arrivals in Fiji during year 2000 and year 2010. As it can be seen, the visitor numbers have continuously increased showing patterns of a growing industry and the economic benefits it would bring accordingly. The calculation below shows the percent increase of

visitor arrivals from 2000 to 2010:

$$\left[\left(\frac{V_{present} - V_{past}}{V_{past}} \right) \times 100 \right] = \left[\left(\frac{631868 - 294070}{294070} \right) \times 100 \right] = 114.87\% \text{ (Percent Growth)}$$

This calculation itself shows how important and fast-growing, the tourism industry has been for Fiji over the last decade amounting to more than a 100% increase.

3.2 Factors affecting the tourism industry

Like any other industry, Tourism is also very vulnerable. Natural Disasters are one of the most common one as tropical cyclones and hurricanes severely affect Fiji during the cyclone season from middle of November to middle of April as most hotels and resorts are located close to the shore. The political instability of Fiji has also been another major problem. Political turmoil's such as coups have affected Fiji's reputation with major tourist contributors such as Australia and New Zealand as they put travel bans during such times. Air Pacific had lost about 2000 passengers in the past due to lack of rooms available for tourists in Nadi and other tourism places and this led to construction and expansion of accommodation during peak times, because of heavy demands of Asia 'Air Pacific' which is Fiji's national airline has increased 2 or 3 routes from Hong Kong to Fiji this year.

3.3 Future of the tourism industry

Despite the future of Fiji's Tourism looks very bright. The Reserve Bank of Fiji has set a target of 40.6% contribution of tourism to Fiji's GDP in the next 10 years. This could be possible with several constructions of new resorts and hotels still on the way and existing one's, expanding in order to accommodate all visitors during peak times. Fiji is trying to move away from traditional contributors such as Australia and New Zealand and looking for other markets such as Asia and America's. Recent travel bans and tensions between Fiji and Australia together with New Zealand have led to such decisions as Fiji is looking forward to the Fiji to stop relying on Australia and New Zealand who they consider as big bullies. According to WTTC's (World Travel and Tourism Council) statistics and predictions about world tourism, Kiribati and Fiji are likely to be the Pacific countries that will have the best annual growth for tourism employment between 2005 and 2014 with 6.8% and 6.5% growth per annum.

4 Conclusion

The graphs and discussions all show that Fiji has moved from its traditional industry of Sugar to Tourism Industry. It also shows that the biggest problem affecting both the industries has been political instability. Visitor arrivals declined during years of political upheavals and it could also be said that the land problem have been because of political instability as should have been rectified in the past and not recently. Thus, a vital message to everyone has to be that Fiji has to improve in terms of their political instabilities as it affects each and every industry and if this trend continues, Fiji might end up having no major industries at all.

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