

Barry Whiteside: Fiji's economic relationship with the People's Republic of China

Statement by Mr Barry Whiteside, Governor of the Reserve Bank of Fiji, at the 40th anniversary celebration of the establishment of diplomatic relationship between the People's Republic of China and Fiji, Suva, 5 November 2015.

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Salutations

The Honourable Prime Minister, Voreqe Bainimarama;
Your Excellency Zhang Ping, Ambassador of the People's Republic of China;
Honourable Ministers;
Excellencies and Members of the Diplomatic Corps;
Distinguished Guests;
Ladies and Gentlemen.

Introduction

I am delighted to join you in celebrating this auspicious occasion to commemorate the 40th Anniversary of the establishment of diplomatic relations between the People's Republic of China and the Republic of Fiji. I warmly congratulate both our countries on reaching this historic day which marks four decades of relationship that has flourished over the years. Today, China is an important development partner and a close ally and friend of Fiji.

The state visit by His Excellency, President Xi Jinping in November last year, the first of its kind by a Chinese President, was a great honour for us and reflects the commitment and genuine friendship that China has with Fiji.

China's economy

At this point I would like to recognise China's spectacular economic progress and its importance in the global economy. It is said that 'when China sneezes, the whole world catches a cold' - implying that developments in China have an important impact on the rest of the world. China's success as the world's second largest super power reflects the country's successful economic planning, its leadership and the sheer hard work of millions of Chinese, something we as a friend of China, are proud to associate ourselves with.

China accounts for around 15 percent of global GDP and half of global growth. Fluctuations in Chinese economic sentiments cause movements in global markets for commodity prices, stock markets, exchange rates, trade and other key economic indicators.

China is also a key trading partner for our own five major trading partner economies. All these countries have felt the negative effects of the recent Chinese slowdown. Australia's mining boom plummeted when demand for its iron ore and other minerals flattened in China. New Zealand's dairy and coal industries suffered when demand slowed in China. China is also the US's largest creditor, holding the highest amount of US Treasury securities. For Japan and the Euro Zone, fluctuations in Chinese consumer demand have an impact on their external trade.

So, developments in China have an important bearing on the Fijian economy both indirectly through our major trading partners, and directly through our own growing trade and investment relations.

Trade

In terms of our trade, Fiji holds a deficit with China that has grown exponentially from around \$32 million in the year 2000 to approximately \$490 million in 2014. Over this 15 year period, our imports from China, which include machinery & vehicles, food products, clothing & footwear, iron & steel, chemicals, and furniture, have risen steadily from \$34 million to \$624 million.

Similarly, our exports to China, which include mostly raw materials – wood chips, fish, tuna, seaweed, mineral water and vegetable products, have also gained traction especially with the inclusion of Bauxite exports in 2012. Our export earnings have increased from a mere \$1.3 million to around \$135 million over the last 15 years.

While we recognise the immense trade opportunities Fiji has with China, we are often constrained by the supply capacity of our industries to meet the large demand from China. Hence, our focus must be to target China's higher-end niche markets for diverse products that include mushrooms, quality ginger and ginger products, seafood (including sea weed) and skin and beauty products. To this end, we are appreciative of the funding and technical assistance provided by the Chinese government to expand our export potential in supplying these favoured goods.

Fijian mineral water is one product which could become more popular amongst the growing class of Chinese who have been abroad and are becoming more and more used to drinking premium bottled water. Fiji will need to focus on these niche areas and sell the pristine nature of our products to a perceptive and rapidly growing Chinese market.

Tourism

Ladies and gentlemen, we worry that a slowdown in China will have an indirect and negative impact on tourist arrivals from our major source markets of Australia and New Zealand. These two markets make up around 65 percent of our annual visitors.

But China itself is now an important growth market for our tourism. On a global scale, the number of Chinese travellers has grown to over 100 million annually, a direct reflection of China's increasing economic wealth and its rapidly growing middle class.

Like the rest of the world, we must remain diligent in our efforts to entice China's large group of vacationers to our shores. While Fiji may not have extensive museums, large high end shopping malls and exquisite boutiques that Chinese travellers fancy, we offer the Chinese tourist a unique experience, a tranquil environment, beautiful sandy beaches, crystal clear waters and the warmth of the Fijian people, in the only place "where happiness finds you".

Numbers and earnings from Chinese visitors to Fiji have grown tremendously over the last 6 years. From just 4,000 in 2009, Chinese visitor numbers increased to 28,000 in 2014, a seven-fold increase. They have already surpassed 30,000 this year, and were more than 47 percent higher than the corresponding first nine months of 2014. Similarly, annual tourism earnings from China have increased from \$12 million to \$45 million over the last 6 years from 2009.

With the aim of growing the Chinese tourist market in Fiji, the Government has embarked on specific initiatives including visa-free travel, a travel guidebook in Chinese and the acceptance by nearly half the ATMs in the country of Union Pay credit cards. Tourism Fiji also conducts outreach programs to promote Fiji as a travel destination and Rosie Holidays recently ventured into providing special chartered flights for tourists from Shanghai to Fiji. We understand this will continue in early 2016.

Furthermore, the opening of a new Fijian Trade Commission in Shanghai in 2014 and the proposed Free Trade Agreement between Fiji and China, are expected to further boost trade and investment opportunities between the two countries.

Investment, loans & aid

Ladies and gentlemen, China is also an important investment partner for Fiji, evident in the many development projects that have already been completed and others that are currently ongoing in the country. Some of these include the Vodafone arena, the US\$158 million Nadarivatu hydroelectric-power project, the Navua hospital and highway road projects in Vanua Levu. Chinese companies have also bought stakes in Vatukoula Gold Mines Limited and invested heavily in our primary industries for bauxite and fishing. China's financial assistance to Fiji made the country one of the largest recipients of China's loans in the Pacific region. As of September this year total loans were approximately \$521 million or around 38 percent of our external debt.

Conclusion

Your Excellencies, Ladies and gentlemen.

Fiji recently celebrated 160 years of the Chinese community living in Fiji, marking the much longer relationship and presence that China has had with Fiji. Our local Chinese community has played a substantial role in Fiji's nation building and contributed significantly to the economy through agriculture, fishing, construction, health and retail business. More broadly, Fiji's 'Look North' foreign policy has boosted diplomatic relations between our countries and Fiji continues to benefit through China's support for the much needed infrastructure development and foreign investment in the economy.

Fiji's growth momentum has been exceptionally strong by historical standards, at over four percent for the past three years. Our growth outlook is favourable and continues to be driven by the strong investment, including by domestic investors, and consumption activity. This has been supported by the resilience of our tourism and inward remittances which continue to grow strongly despite the slowing global economy. I am happy to say that our financial sector is sound and our external position remains stable with adequate reserves and a modest current account balance. Our forecasts on the Fijian economy are consistent with those of the IMF Article IV team which was here two weeks ago.

Our macroeconomic stability and favourable economic outlook augurs well in our drive to find greater opportunities for growth with China, a country of remarkable transformation from which we can continue to learn.

Ladies and gentlemen, today's occasion reminds us that together we have achieved much and together we can achieve more for the betterment of our countries.

Let me thank the Ambassador again for inviting me today and congratulate you for the great success in organizing this auspicious event.

Vinaka Vakalevu.