Openness and Growth of the Fijian Economy

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ABSTRACT

Does openness benefit small economies? The means used here for addressing this issue is an analysis of the evidence from Fiji. We find that the openness of Fiji, in both absolute and relative terms, was on the rise during 1970–2009. The increase in openness since 1988 has been sharp, mainly because of the rise in imports. Our econometric results suggest that such openness has had a positive but weak impact on the GDP growth. It has benefited the service sectors (e.g. the trading and tourism sectors) while the industrial and construction sectors have grown little and agriculture has decelerated. We further observe that benefits from intra-industry trade seem to be very low, particularly due to the lack of secondary-sector development. Therefore, for Fiji, the economic gain from trade relies primarily on comparative advantages derived from the traditional sectors. The country needs to pursue deliberate policies of integration and to encourage domestic investment for the development of modern industrial and manufacturing sectors in the economy.

KEYWORDS: Fiji economy; openness and small economies.