FIJI

Fiji’s economic freedom score is 56.4, making its economy the 111th freest in the 2022 Index. Fiji is ranked 23rd among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Over the past five years, Fiji’s economic growth slowed in 2017 and 2018, turned negative in 2019 and sharply negative in 2020, and rebounded in 2021. A five-year trend of stable economic freedom has ended. Driven lower by a score decrease in property rights and a collapse of fiscal health, Fiji has recorded a 7.0-point overall loss of economic freedom since 2017 and has fallen from the “Moderately Free” category to the “Mostly Unfree” category. The tax burden on the economy is relatively light, but rule of law exhibits weaknesses.

IMPACT OF COVID-19: As of December 1, 2021, 697 deaths had been attributed to the pandemic in Fiji, and the government’s response to the crisis ranked 1st among the countries included in this Index in terms of its stringency. The economy contracted by 19.0 percent in 2020.

BACKGROUND: The former British colony of Fiji gained independence in 1970. Military strongman Frank Bainimarama, who has ruled this Pacific Island nation continuously since a coup in 2006, maintained control of the government in the 2018 general election. The next general election is scheduled to be held in 2022. There is a long history of ethnic tension between the indigenous, mostly Christian population and a large minority of Hindu and Muslim Indo-Fijians. Fiji’s economy relies heavily on tourism, remittances, and the sugar industry. The government’s principal priority is infrastructure construction with a particular focus on the energy sector.
The issue of land tenure and usage in Fiji is highly complex and sensitive. Private property rights are respected, but enforcement is uncertain. The process for obtaining land titles is difficult and time-consuming. The judiciary is independent but subject to executive influence. The constitution restricts the jurisdiction of the courts. Given Fiji’s relatively small population and circles of power, the effectiveness of safeguards against corruption is limited.

The top individual income tax rate is 20 percent, and the top corporate tax rate is also 20 percent. Other taxes include value-added and land sales taxes. The overall tax burden equals 22.7 percent of total domestic income. Government spending has amounted to 31.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 8.2 percent of GDP. Public debt is equivalent to 73.7 percent of GDP.

The government has ended several requirements for businesses, eliminated the business license requirement for low-risk businesses, and reduced processing times for business licenses. During the COVID-19 pandemic, 32 percent of employed Fijians lost their jobs. The government continues to subsidize the state-owned electricity and water companies but is also seeking increased private-sector participation in those sectors.

Fiji has five preferential trade agreements in force. The trade-weighted average tariff rate is 14.9 percent, and numerous nontariff barriers hinder trade flows. Market openness to foreign investment is below average. Foreign participation in the banking sector has gradually increased. Foreign exchange controls have been eased but still limit the repatriation of capital and profits.