An analysis of the Sugar Industry and its global competitiveness
– The case of Fiji

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Subject: Business Administration III

Level and semester: Bachelor thesis
Minor Field Study
Spring 2010
Abstract

Problem of the study: The Sugar Industry in Fiji is facing a lot of problems. Since the Government of Fiji has not fulfilled their commitments to the European Union (EU), the EU has backed away from supporting the industry. The milling efficiency has been constantly declining since the mid 1980's and farm productivities have not kept pace with the changing international market for sugar. To be able to obtain the economies of scale, the sugar production in Fiji has to increase with 75 % from the current level of production. A lot of towns in Fiji would be nothing without the Sugar Industry, and thousands of people are dependent on the industry for their sustenance. Due to this fact, it is certain that the loss of confidence in the industry, or any likely collapse, would imply disaster for Fiji as a whole. It will lead to serious implications on the economic, social and political stability of Fiji.

Aim of the thesis: The overall aim of this thesis is to study the effects of the EU measures especially on the Sugar Industry in Fiji, to be able to understand to which extent the industry depends on the support from the EU. The aim is also to analyse and discuss different competition strategies on how Fiji can compete and be a part of the global market of sugar.

Method: This research was made from a qualitative approach in order to gain a deeper understanding about the problem. Abduction made it possible to work parallel with different parts of the thesis. A combination of primary and secondary data gathering has been used, with the secondary data as a basis for building the empirical part of the thesis. The primary data was collected through in-depth interviews with people at different positions within the Sugar Industry in Fiji.

Conclusions: Fiji is dependent on the Sugar Industry and since there is no other obvious donor for Fiji today, and it is crucial that the industry gets support, the conclusion is that Fiji also is dependent on the support from the EU. Even though Fiji has the possibility to increase their competitiveness on the regional as well as on the international market, there is no need for Fiji to strive after the world market at the moment.

Keywords: Fiji, Sugar Industry, the EU, global aid, competitiveness, trade, exports, Government, ACP-countries, EPA
Preface
This study has been carried out as a Minor Field Study (MFS) funded by the Swedish International Development Cooperation Agency (SIDA). The field work was conducted in Fiji during April and May 2010. By doing this field study we have gained endless knowledge and experience and the more we engaged in the topic and Fiji as a country, the more it interested us and increased our need to find out even more.

However, this study would not have been accomplished without help from a number of people and organisations and we would like to give them our acknowledgements:

- First of all we want to give our thanks to SIDA, for giving us the opportunity to perform this study by the contribution of the MFS-scholarships.

- We would like to give our acknowledgement to the Government of Fiji, for welcoming us to the country and for making this research possible.

- We also want to give a special thanks to our supervisor in Fiji, Dr. KL Sharma, Dean, School of Business and Economics at the University of Fiji. He helped us arrange the research permit, accommodation for our stay and other practical issues that had to be solved in order to make this study possible. We are also very grateful to the University of Fiji, located just outside Lautoka, for allowing us to use their facilities.

- Our supervisor in Sweden, Associate Professor Bertil Hultén, at the Linnaeus University in Kalmar. We appreciate the support and guidance through the whole research process, beginning long before going to Fiji. All feedback, despite the distance, has been of big value for us and our thesis work.

- We would also like to thank all the interview respondents for taking their time, being so helpful both during and after the interviews, and providing us with valuable information. A special thanks to Mr. Viliame M. Gucake, the Head of the Sugar Unit and Principal Economic Planning Officer at the Government of Fiji, who helped us arrange appointments with the different institutions available for our research.

- Finally, we want to give our thanks to Mr. Sven-Olof Petersson, the Ambassador of the Embassy of Sweden in Canberra, Australia. It was together with him that we initially discussed the topic of this thesis.

Lautoka, Fiji 2010-05-27

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<th>Full Form</th>
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<tr>
<td>ACP</td>
<td>African, Caribbean and Pacific</td>
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<tr>
<td>EDF</td>
<td>European Development Fund</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>EU</td>
<td>European Union</td>
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<td>FBA</td>
<td>Farm Basic Allotment</td>
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<td>FIC</td>
<td>Forum Island Countries</td>
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<td>FJD</td>
<td>Fiji Dollar</td>
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<td>FNPF</td>
<td>Fiji National Provident Fund</td>
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<td>FSC</td>
<td>Fiji Sugar Corporation</td>
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<td>FSM</td>
<td>Fiji Sugar Marketing</td>
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<td>FTLO</td>
<td>Fair Trade Labelling Organisation</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HRD</td>
<td>Human Resource Development</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>MFS</td>
<td>Minor Field Study</td>
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<td>NIP</td>
<td>National Indicative Program</td>
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<td>NLTB</td>
<td>Landlords for Native Land</td>
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<td>PACP</td>
<td>Pacific ACP</td>
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<td>PICTA</td>
<td>Pacific Island Countries Trade Agreement</td>
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<td>SCGC</td>
<td>Sugar Cane Growers Council</td>
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<td>SCOF</td>
<td>Sugar Commission of Fiji</td>
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<td>SPARTECA</td>
<td>South Pacific Regional Trade and Economic Cooperation Agreement</td>
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<td>SRIF</td>
<td>Sugar Research Institute of Fiji</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>US</td>
<td>United States</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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Figure 3.2: The Determinants of National Advantage

Figure 3.3: Research Model
1. Problem of the study

This opening chapter is an introduction to the subject regarding the Sugar Industry in Fiji, the default of support from the European Union and its global competitiveness. It gives a description of the history and the current situation of the Sugar Industry in Fiji as well as its importance for the country. The problem analysis and the significance of the problem will also be discussed. Finally, the research question, aim of the thesis and its limitations will be presented.

1.1 Background

Sugar was up to the seventeenth century an expensive luxury item. Mainly due to increased consumption as a result of an increased production, sugar turned into a necessity in the eighteenth century and is today a mass consumed product all over the world. The Sugar Industry is although not without problems. Today there is a significant gap between sugar consumption and production in the world. The world consumption is expected to grow considerably less than average, most likely due to the soaring world prices (Indian Sugar Mills Association 2010). The fact that the average world market prices of sugar is increasing is shown in Figure 1.1 (Fiji Island Bureau of Statistics 2009).

![Average world market prices of sugar](Source: Fiji Island Bureau of Statistics 2009)

The impact that the global recession in 2008/2009 had on the sugar consumption in the developing countries also contributes to the statement that the world consumption is expected to grow less than average. The growth of sugar production was in the end of September 2009 too low to have any possibility to cover the world consumption of sugar (Indian Sugar Mills Association 2010).

1.1.1 Fiji

Fiji is situated in Oceania (see the map below, Figure 1.2) and is one of the most developed of the Pacific economies (CIA World Fact Book 2010). Fiji’s total land area is 18 272 km²,
consisting of 332 islands whereof 100 are inhabited. The population was 837 271 in 2007 whereof 57 % are Fijian, 37 % Indian, and the remaining 6 % are other Pacific Islanders, part European, Rotuman and others. The GDP per capita at current factor cost was 4,861 FJD in 2008 (Fiji Island Bureau of Statistics 2009). The major source of foreign industry is remittance from Fijians working abroad, sugar exports and a growing tourist industry (CIA World Fact Book 2010).

Figure 1.2: World Map (Source: Map World)

The first sugar in Fiji was produced in 1862. Most of Fiji’s cane growers today are descendants of indentured labourers from India. In the end of the 19th century and in the beginning of the 20th different sugar mills were established, and four of those represent the manufacturing of the Fiji Sugar Industry today (The Fiji Sugar Corporation LTD 2009). During the 1970’s the Sugar Industry was the single largest industry in Fiji, but in the middle of the 1980’s its significance started declining compared with other industries as well as the size of the economy (Paresh & Biman 2003).

In 1883 sugar became the primary export in Fiji and it has remained as the main export since then. Today it is, together with manufacturing and tourism, one of the leading income earners for Fiji (Mahadevan & Asafu-Adjaye 2010). Around 20 % of Fiji’s population relies directly or indirectly on the Sugar Industry for their livelihood (The The Fiji Sugar Corporation – Annual report 2009). In 2008, sugar contributed 8 % of the GDP and accounted for about 25 % of total export earnings (Fiji Island Bureau of Statistics 2009). In the short to medium term the Sugar Industry is still vital for Fiji’s economy and the significance of the industry is still substantial to Fiji’s rural economy (Paresh & Biman 2003).

As mentioned, sugar is the primary export in Fiji, but some diversification has led to a wider supply of products from agriculture and the marine, like tropical fruits and sea grass, that now are a growing part of the export. Fiji exports mainly to Australia, Japan, USA and Europe. Fiji is an administrative centre for the Pacific region, due to the country’s geographical position.
and well developed infrastructure. The country is also a member of the United Nations (UN), the World Trade Organisation (WTO) and many regional organisations for which Fiji also is the host, for instance the University of the South Pacific (CIA World Fact Book 2010).

1.2 Problem analysis
The European Union (EU) is a long time partner of Fiji, and the market access to the EU benefits Fiji’s Sugar Industry. Signing the Cotonou Agreement, Fiji committed the EU concerning human rights, democratic principles and the rule of law (European Commission 2008). The EU is Fiji’s most important development partner. Education and training is one of the main areas in the Country Strategy Papers for Fiji, since Human Resource Development (HRD) is a key element in all sectors and has an essential role in the development of the country (European Commission 2007).

After tourism, the Sugar Industry is the most important part of the Fijian economy. The 96th and 97th articles of the Cotonou Agreement describe how the EU should handle poor governance and violation of human rights in developing countries. In accordance with this agreement, the EU has stopped their support for restructuring of the Sugar Industry in Fiji (Callick 2009).

The EU’s former support to Fiji was partly a price support but also a support for structural rationalisation (Council of the European Union). Since the Government of Fiji has not fulfilled their commitments to the EU, the EU backs away from sugar support. The default of support of 43 million Euros affects the Fijian economy in view of the fact that sugar composes a quarter of Fiji’s export and about one third of the population depends on the income from sugar (Callick 2009).

1.2.1 The present situation in Fiji
Since the coup in December 2006, Fiji is a republic under military control, which means that the constitution is abolished and human rights and rule of law are no longer guaranteed (Regeringskansliet). The coup led to several consequences for Fiji (EU ‘regrets' Fiji expulsion of envoys 2009). The EU has suspended all support to Fiji which is not only affecting the Sugar Industry; the tourism, which is one of the largest income sources for Fiji, has also declined and is still trying to recover (CIA World Fact Book 2010). The business climate is now difficult, investments are low and unemployment and emigration of well educated workforce is a problem (Regeringskansliet).

Until recently, Fiji has had a very promising economic development dynamic, but after political events the development has been hindered. This has lead to important losses in employment, GDP, investment and exports, and it has also had negative impacts on international development and cooperation (European Commission 2007). Fiji, which is a lower middle-income economy, was the recipient of the second largest EU sugar quota allocation. It is shown that the loss of sugar preferences has devastating impact on real output,
exports, rural employment, and other macroeconomic indicators without aid. It is argued that aid would be more effective if it directly addresses the supply-side constraints in Fiji instead of focusing on the sugar sector (Mahadevan & Asafu-Adjaye 2010).

Today there are a lot of problems facing the Sugar Industry in Fiji. The removal of the preferential prices means that the Sugar Industry in Fiji from now on will be driven by volume, to be able to obtain the economies of scale. This means that the sugar production has to increase with 75% from the current level of production (The Fiji Sugar Corporation – Annual report 2009). Figure 1.3 below shows how the sugar production in Fiji has decreased during the last decade and it also explains the fact that the milling efficiency has been constantly declining since the mid 1980’s and farm productivities have not kept pace with the changing international market for sugar (Paresh & Biman 2003).

![Sugar production in Fiji](image)

**Figure 1.3: Sugar production in Fiji** (Source: Fiji Island Bureau of Statistics 2009)

The four factors efficiency, quality, innovation and responsiveness to customers influence a company’s ability to build and sustain a comparative advantage. Together these elements help a company create more value by lowering costs or by differentiating its products from the competitors. This enables the competitors to outperform its competitors (Hill et al. 2007).

The current situation in the world, with growing global competition, has lead to an increased importance of nations. Even though every successful company on the international market uses their own strategy, the character and basic mode of operation is fundamentally the same (Porter 1990). If companies are able to understand how national factors can affect competitive advantage, they will also be able to identify where to find their most significant competitors and where they may want to locate certain productive activities (Hill et al. 2007).

One big problem facing the Sugar Industry in Fiji is the land problem. Due to the state’s inability to solve the land lease problems, the farmers have been losing confidence in the industry and the new international trading environment causes serious problems for sugar prices and markets. Another big part of the problem is the Fiji Sugar Corporation’s (FSC’s) inability to maintain the rail system so that cane can be delivered quickly to the mills for processing and also preserving the quality of sugar produced (Paresh & Biman 2003).
sugar sector in Fiji also needs restructuring, due to the reform of the Sugar Regime of Europe’s Common Agricultural Policy (European Commission 2007).

The different stakeholders in the Sugar Industry in Fiji know that there is a need to restructure the industry, but there are different views of how this could be started. The main issue is that the different parties do not see the problem from the same point of view. The shareholders of the milling company, with the Government as the largest one, do not have sufficient information to base their decisions on (Paresh & Biman 2003).

The Government in Fiji is well aware of the problems of economic dependence on one crop, and it has among other measures encouraged tourism in order to diversify the economy (The Fiji Sugar Corporation LTD 2009). Despite this, Fiji is facing difficulties in diversification, mainly because the country has a narrow resource base, but also the sustained period of political instability has been ranked high for the poor progress especially in export diversification. This has lead to mediocre investment levels during the last decades, far below the Government’s expectations. This failure to diversify, contrary to the expectations of policy makers, has increased the importance of focusing particularly on the sectors in which Fiji has a comparative advantage (Paresh & Biman 2003).

There is no actual competition between the African, Caribbean and Pacific (ACP)-countries and the EU, since the majority of the products that the EU exports consist of other types of goods compared to what the ACP-countries produce (Michel 2008). The intraregional trade among the 14 Pacific ACP (PACP) is around 2 % of the total trade, due to that most goods produced are duplicates to the other PACP-countries’ goods. This is related to the relatively weak cultural links and the countries’ isolation in an ocean environment (European Commission 2007). The trade balance is a component of GDP due to the fact that a perfectly equilibrated trade balance makes the GDP dependent only on domestic values, like for instance consumption and investments (Piana 2006). Fiji’s negative trade balance in 2008 exceeded 2 million FJD (Fiji Islands Bureau of Statistics 2009).

1.2.2 The significance of the problem

A lot of towns in Fiji would be nothing without the Sugar Industry, and thousands of people are dependent on the Sugar Industry for their sustenance. Due to this fact, it is certain that the loss of confidence in the industry, or any likely collapse, would imply disaster for Fiji as a whole. It would lead to serious implications on the economic, social and political stability of Fiji (Paresh & Biman 2003).

The study's significance is shaped by defining the problem, and by practical contribution it reaches an even higher level of significance (Marshall & Rossman 2006). According to the Swedish Embassy in Canberra, Australia, it would be of big interest for both the Embassy and the National Government in Fiji to take part of the results in this study. The General Manager of the FSC also emphasises that the outcome of this research can be used, and will be of relevance to the Corporation and the Sugar Industry in Fiji. By presenting the results at a
At the University of Fiji, we also contribute with knowledge about the problem to the professors, students and various people at the University. Finally, all of the respondents that have contributed to this research have made clear that they want to take part of the results as well. Hopefully it can add some new angles and perspectives on the problem discussed, that will be of big value to the Sugar Industry and all the people involved.

In addition to this, Mr. Wilson Hoerder, Lecturer in Management at the University of Fiji, has requested the material from this research to be used as a base for a proposed conference that hopefully will take place later this year. The purpose of the conference is to identify an alternative industry to replace the existing Sugar Industry, due to its decline. The students at the University of Fiji will be the core presenters at the conference, but it will also include different stakeholder representatives. Mr. Hoerder emphasises the importance of our presence at the conference, given that our thesis will be used as a basis to gauge discussions and funding opportunities for the conference.

1.3 Research question

Based on the problem analysis, the research question for analysing the Sugar Industry in Fiji and its competitiveness is:

- Which possibilities does Fiji have to compete on the global market of sugar without the support from the EU?

1.4 Aim of the thesis

The overall aim of this thesis is to study the effects of the EU measures on the Sugar Industry in Fiji, to be able to understand to which extent the industry depends on the support from the EU. The aim is also to analyse and discuss different competition strategies on how Fiji can compete and be a part of the global market of sugar. To obtain this we will also consider the impact of all the problems facing Fiji’s Sugar Industry today, as well as which possibilities Fiji has to solve them in order to make the industry more competitive; with or without the support from the EU.

1.5 Limitations

This thesis is written from the producer’s point of view; and we have chosen not to include the customers’ approach, due to the limited period of time. Therefore, we considered it more valuable to cover the producers’ side completely instead of attempting to cover both sides partly. Due to the fact that trade always includes a buyer, it can not simply be excluded. The final consumers, who they are and what they demand, will therefore be discussed from the trading partners’ perspective.

Considering the fact that the Sugar Industry’s main area is around the city Lautoka, in the western part of Fiji, where the Sugar Institutions (like the Fiji Sugar Corporation and Sugar
Cane Growers Council) and the majority of the sugar cane growers are located, this thesis only include local farmers from Lautoka.
2. Method

This chapter presents the different methods used when conducting this Minor Field Study in Fiji during the spring 2010. It begins with a presentation of the implementation for the research process, followed by a discussion of using a qualitative approach, abduction and how the data has been gathered. Finally the validity of using a qualitative method is outlined.

2.1 Implementation

Research is a process of trying to gain a better understanding of the complexities of human experience and, in some kinds of research, to take action based on that understanding. (Marshall & Rossman 2006). The latter is something that has been of big importance in our case, to take action and try to contribute to a developing country. This thesis is a Minor Field Study that was performed in Fiji during April and May 2010.

The preparations for this thesis started long before we arrived in Fiji. In October 2009 we began the preparations to apply for the MFS-scholarship, and since then we have been working on and planning for this project by, for instance, establishing valuable contacts. A research proposal was made, which represented the different decisions we made in order to ensure that the theoretical framework, design and methodology would generate data appropriate for responding to the research questions and that it would conform to ethical standards (Marshall & Rossman 2006).

By doing this proposal, and thereby presenting a plan for the conduct of the study, we also had the opportunity to discuss and develop it further with our supervisor, Associate Professor Bertil Hultén, at our University in Sweden. This was of big value since we were well prepared and knew how to proceed when we arrived to Fiji. The fact that the preparations for this field study started already in October last year, gave us time for reflection and discussions. This resulted in that we knew, before arriving in Fiji, from which angles and perspectives we wanted to do this study.

When we first arrived to Fiji we spent a few days getting to know the country and the culture in a way that could not be done at a distance, no matter how well we tried to prepare ourselves. We stayed in Lautoka, also known as the “Sugar City”, a perfect location for this research. Thanks to the collaboration with the University of Fiji, especially with Dr. KL Sharma, we solved the practical issues with access to their library and Internet. We also had our own room at the University where we could work. The Sugar Cane Growers Council (SCGC), as well as the FSC (both with whom we had interviews) are also positioned in Lautoka, and due to the fact that we had the possibility to stay in the sugar area we were given a great opportunity to get a better insight in the Sugar Industry as a whole.
2.2 Research strategy
The scientific approach abduction is a combination of induction and deduction (Patel & Davidson 2003), and since the aim with this thesis was to be as objective as possible it had a focal point on the deductive part of abduction. This is due to the fact that deduction is based on established theories and principles, which controls the gathering of information, the interpretation and relation from the results to the theory which makes the procedure relatively objective (Patel & Davidson 2003). Induction on the other hand focuses on observations and results, shaping the theory (Bryman & Bell 2005).

Abduction gives the possibility to work parallel with different parts of the thesis, to complement all parts during the research process; a procedure which makes the adaptation between the parts easier (Andersen 1998) which corresponds with the way this thesis is conducted. Once the topic of the thesis was specified we were able to build the frame of references, which later was used as a basis for designing the interview questions. After the interviews, we developed and revised the frame of references to obtain a good correlation between the different parts of the thesis. In addition to this we both before, during and after the interviews analysed different competition strategies on how Fiji can compete and be a part of the global market of sugar, without the support from the EU.

2.3 Qualitative Method
To be able to answer the research question for this thesis it was a given choice to make it from a qualitative approach. Even though some numbers and figures are considered, the focal point has been to analyse words, which corresponds to the fact that qualitative research focuses on words rather than numbers when collecting and analysing data (Bryman & Bell 2005). The fact that we were interested in studying the situation of the Sugar Industry in Fiji in detail, not only by making standardised and systematic comparisons, confirmed our choice of a qualitative research (Silverman 2005). By using a qualitative method, the research strategy is to do fewer, but deeper interviews (Bryman & Bell 2005).

By interviewing several people with different qualifications and from different institutions, and also interviewing local growers, we were able to obtain the information needed to fulfil our purpose. It gave us a deeper understanding about the problem; which we would not have achieved with a quantitative method. More information and details regarding our interviews will be described later in this chapter. The essential in a qualitative method is to gain this deeper understanding rather than an explanation of the problem studied, by using different types of data collection. It is crucial to understand the problem, to be able to see its correlation as a whole. The characteristic of a qualitative approach is to gain plenty of information from a limited number of studied objects, in other words the researcher goes into to depth of the subject (Andersen 1998).
2.4 Data collection and processing methods

We used a combination of primary and secondary data gathering for this research about the Sugar Industry in Fiji, since we believe that primary and secondary data complement each other. We consider the information more trustworthy when collecting it from several different sources and it also increased the possibility to achieve a comprehensive picture of the industry.

2.4.1 Primary data

When gathering information qualitative researchers typically rely on four different methods: participating in the setting, observing directly, interviewing in-depth and analysing documents and material culture (Marshall & Rossman 2006). The data collection method that we choose for this research was in-depth interviewing, which was a given choice since we wanted to gain a deeper understanding about the Sugar Industry in Fiji. In-depth interviewing is a strategy that captures the deep meaning of experience in the participant’s own words, since it focuses on individual lived experience (Marshall & Rossman 2006). This was the case when interviewing local growers in Fiji, which gave us a deeper understanding about growers’ view of the Sugar Industry since they shared their own experiences.

Primary data is when the researcher itself has been active in the collection of data, which has the disadvantage of being time consuming. The advantage with primary data is that the researcher acquires more updated information (Andersen 1998). As mentioned before, we collected the primary data through in-depth interviews with people at different positions within the Sugar Industry in Fiji. We find the disadvantage of primary data collection to be time consuming outweighed by the fact that we acquired more updated information, from people with appropriate skills within the industry. This also gave us the possibility to analyse the Sugar Industry from different point of views.

2.4.2 Secondary data

In addition to the primary data gathering methods outlined above, we also chose to incorporate several secondary and supplemental methods. The secondary data has been useful when creating the problem of the study, the frame of references and also to support the empirical data gathering. The frame of references that we first put together was of big value due to the fact that it made us well prepared for the interviews, both in the sense of providing us with pre-knowledge and by serving as a basis for the interview questions.

To increase our knowledgebase, we used published and commercial secondary sources. We visited several libraries, searched through different databases and the Internet and collected printed reports from relevant institutions like the Fiji Islands Bureau of Statistics and the FSC. The secondary data we used for this research was therefore a combination of articles, scientific literature, reports and statistical data and information from acknowledged pages on the Internet. Since secondary data might have been collected for other purposes, it is
important to review its origin and trustworthiness (Bryman & Bell 2005). For this reason, we always verified that the sources we used were reliable and that the information seemed valid.

2.4.3 Interviews
With a qualitative methodology and an abduction approach, we chose to use semi standardized interviews. This type of interviewing involves the implementation of a number of predetermined questions and/or special topics (Berg 1995). For each interview we asked the questions in a systematic and consistent order, which we had decided on beforehand. If questions are to be standardized, they must be formulated in the vocabularies of the subject to make sure that the respondents are familiar with the words (Berg 1995). Due to this fact it was of big value that we based the interview questions in the frame of references, since it increased our vocabulary regarding the topic for this thesis. We were then able to formulate the questions with words familiar to the respondents.

To develop interview questions, a good starting point for the researcher is to create a kind of outline (Berg 1995). We developed the interview questions according to this; first we outlined all the broad categories that we found relevant for the study, listed in Figure 3.3: Research Model which is presented in the end of the Frame of references. Then we developed sets of questions relevant to each of the categories. Once the questions were formulated, both our supervisors in Sweden and Fiji, a Swedish student and a native English speaking person, looked them through. This was done to reveal possible mistakes and defective logic in the questions. It also reduced the risk of misunderstandings and gave us the opportunity to use their feedback in order to get the most out of the interviews and to secure the validity.

The interviews with the different respondents all took place in their natural and familiar environment, either in their head offices, or in field at the growers’ farms in order to make it more realistic. The interviews were also conducted in quiet environments under relaxed and professional forms. Both of us were participating in each interview, alternating one person to ask the questions and one to write down the answers, in order to complement each other. We recorded all the interviews, with the respondents’ approval, to avoid misunderstandings when processing the material. This was very valuable, since we had the possibility to make sure that we did not fail to get all important details. Further, to make sure that we had adequate information for the empirical part, we sent the summarisations of the interviews to the respondents to give them a chance to correct us if we had depicted something the wrong way.

2.4.4 Respondents
In November 2009 we contacted the Embassy of Sweden in Canberra (since the former Ambassador situated in Fiji was retired) and got in contact with the Ambassador, Mr. Sven-Olof Petersson. It was together with him that we initially discussed the topic of this thesis. Through Mr. Petersson, we contacted the Governor at the EU office in Suva, Mr. Robert De Reave along with his colleague, Mr. Xavier Canton-Lamouse, who is in charge of the sugar sector in their Delegation. Through the webpage of the Government in Fiji, we also contacted
the Prime Minister’s Office in Suva where we got in contact with Mr. Viliame M. Gucake, the Head of the Sugar Unit and Principal Economic Planning Officer. After regular contact, Mr. Gucake helped us organise appointments with different institutions as soon as we arrived to Fiji. The institutions that was available for consultation for our purposes and which we also visited for interviews in Fiji were:

- The Sugar Ministry at the Government of Fiji
- The EU’s head office in Suva
- The Sugar Cane Growers Council (SCGC)
- The Fiji Sugar Corporation Limited (FSC)

Both Mr. Petersson and Mr. Gucake were valuable since they helped us find the right people for the interviews, people at an appropriate level for this research. At the University of Fiji we got in contact with Mr. Vijay Singh, a former sugar cane grower, who helped us arrange interviews with two local sugar cane growers in Lautoka.

We chose to interview people from these four institutions as well as the two local growers, since we required relevant information about the Sugar Industry in Fiji from different points of views. By interviewing people with different qualifications and experiences, we obtained the information needed to fulfil the purpose. We also had the opportunity to discuss the Sugar Industry regularly with people we met in our daily life in Fiji, which made us gain even more understanding and knowledge about the subject. In addition we also had continuous contact with the different institutions, which gave us the possibility to ask further questions and to confirm that we had the accurate information.

2.4.5 Processing and interpreting data

As soon as possible after every completed interview we put the data together, to ensure that we got everything right. We structured the information from the interviews in the same order as the interview questions, and this structure has also been the basis in the empirical part. By structuring it in the same categories in the empirical part as well as in the analysis, in order to link it them to the frame of references, simplifies the reading of the thesis.

Since identifying significant themes, returning ideas or language and patterns of belief that link people and settings together is the most academically challenging phase of data analysis (Marshall & Rossman 2006), we put a lot of emphasis on this part. By reading through the data several times, and by questioning the data and reflecting on the conceptual framework we became familiar with the data and managed to put it together in the different categories.

As different categories are developed it is time for the researcher to offer integrative interpretations of what have been learned. By developing linkages and a story line that makes sense, and that is engaging to read, interpretation gives meaning to the different categories (Marshall & Rossman 2006). Attaching significance to the data we gathered through the in-depth interviews is another part that we have put a lot of emphasis on. We obtained a lot of
valuable and interesting information from the different interviews, which created a kind of dilemma where we carefully had to sort through the information. We could not take all the information into consideration even though it was very interesting; we really had to choose the information most valuable for the analysis to be able to fulfil the purpose of the study. This led to significance in the sense that all the information used in the analysis was relevant to this study and also strengthened from many different points of views.

2.5 Validity

There is no straight and clear way in how to obtain validity in any kind of research. For qualitative researchers there is often a problem of anecdotalism; the researchers have to convince that their results are based on critical examination of all their data, not on a few well chosen examples (Silverman 2005). In order to avoid anecdotalism and the questioning of validity in this research we used some of the methods recommended, for instance that the researcher should attempt to find other cases in order to confirm their findings (Silverman 2005). We used this constant comparative method by trying to cover all different views and aspects of the Sugar Industry in Fiji by asking similar questions to the different respondents. Even though it was time consuming, we also inspected, compared and analysed all the data gradually.

Unexpected cases and answers can also strengthen the validity of a research, if they are identified and analysed further (Silverman 2005). Also for this reason we analysed all the data further, with a theoretical approach. As a result, we were able to clarify unexpected and abnormal answers. For instance, one of the local growers compared the Sugar Industry to tourism when we asked about competitors and not other sugar producing countries like we expected. This can be explained by the fact that we have different views of the world and that pieces of data only become unexpected and abnormal in relation to the approach that we have as researchers. When a qualitative researcher uses appropriate quantitative measures, it strengthens and removes doubts about the accuracy of the data (Silverman 2005). To strengthen and illustrate the situation and problems of the Sugar Industry in Fiji, we chose to contain some statistical data and figures.
3. Frame of references

This chapter presents theories and facts that are relevant for this research and which constitutes as a basis for the empirical part. The chapter is divided into six sections, covering global aid, Fiji’s industries, trade, competitiveness, the role of Government and a summarising research model. The sections all focus on areas significant for this study, including the Sugar Industry in Fiji, the European Union and different aspects of competitiveness.

3.1 Global aid

The EU provides about 60% of the global aid with their multilateral and bilateral programs. The European Community is the largest donor of humanitarian aid and spends 6.8 million Euros annually in assistance. Compared to other donors, the EU has an advantage through the experience with social, political and economic regional integration issues (European Commission 2007).

When poor countries are supported with knowledge and money, from richer countries, they can grow both politically and economically. The poor countries can then strengthen or develop a democratical society, create conditions to reduce the poverty and possibilities to develop their agriculture and other industries. There are two kinds of support, humanitarian and the long term development cooperation. Today there are many political discussions about support, especially considering the fact that West-European models to build welfare are not easily transferred to other countries and cultures (Sida).

3.1.1 The EU and ACP-countries

EU’s oldest involvement of assistance considers the ACP-countries. The present agreement was signed in Cotonou, the capital city of Benin, in 2000 and it will be valid until 2020 (EU-upplysningen). The aim of the cooperation between the EU and the Pacific is to stimulate trade, prevent conflicts, to build autonomous Government capacity, to develop land and sea resources to be sustainable and to improve health and educational facilities. The universal objective of the PACP-countries is to achieve the highest possible degree of self-reliance (European Commission 2007).

3.1.2 The Cotonou Agreement

The general goal for this agreement is the anti-poverty program, which shall take place through long term development and by the ACP-countries’ gradual integration into the world’s economy. The parties emphasise their equality and it is important that the ACP-countries take responsibility for their own development (EU-upplysningen). The Cotonou Agreement was revised for the first time in 2005, covering a wide range of issues like provisions for enhanced political dialogue (European Commission 2007).
The development of the cooperation between the ACP-countries and the EU shall be managed through integrated strategies that incorporate economic, environmental, social, cultural and institutional elements that ought to be owned locally. It will therefore provide a coherent enabling framework of support to the ACP-countries’ own development strategies (European Commission 2007). The Cotonou Agreement consists of three main elements (EU-upplysningen):

- **Political cooperation:** The parties shall conduct a continuously political dialogue regarding visions, capital and duties of the agreement to facilitate mutual understanding and secure that they have the same priorities (EU-upplysningen). The political dialogue should deal with different kinds of issues that are of interest regarding political insecurity matters, for instance economic, trade, social, environmental and governance matters. Through the dialogue, the political cooperation between the EU and the PACP-countries should gain improvements regarding the visibility and political profile for both sides (Pacific Region – European Community 2008). Fundamental political principles that the parties have engaged in to maintain are democracy, human rights and good governance (EU-upplysningen). Fiji has not fulfilled their promises regarding this agreement and this is the main reason why the EU does not support Fiji monetarily at this moment (European Commission 2008).

- **Trading and economic cooperation:** After negotiations between September 2002 and December 2007, the Economic Partnership Agreements (EPAs) took form (European Commission 2007). The EPAs include trading agreements that helps to gradually remove barriers to trade and are intended to integrate the ACP-countries into the global economy with an open and transparent framework for goods and services (EU-upplysningen). These agreements will also increase cooperation in all areas relevant for trade. The EPAs are based on three principles: trade liberalisation, regional integration and differentiation in accordance with the level of development (European Commission 2007).

  The EPAs consist of different objectives, for instance integrating development assistance and market access, and pays attention to important global issues like standardisation labour standards, services and the environment. Special focus is on services related to, among others: tourism, finance, labour, business, distribution and construction to enhance competitiveness and increase the value and volume of trade in goods and services (European Commission 2007). The primary Cotonou trade arrangements expired on the 31st of December 2007, when the ACP-countries and the EU agreed to conclude WTO-compatible trade agreements with the EPAs which set off on the 1st of January 2008 (Michel 2008). Fiji signed an interim EPA with the EU in December 2009 (European Commission 2010). The new trade regime represents a radically different perspective for the ACP-partners, which are promoting the eradication of poverty and sustainable development (European Commission 2007).

- **Developing assistance:** To make it possible for the ACP-countries to reach the visions of the agreement they get both financial and technical assistance (EU-upplysningen).
“Development requires peace and peace requires development” (European Commission 2007, p. 36). For this reason, the development policy and cooperation have lately focused on parts with lasting contribution, like conflict management and crisis prevention, by promoting projects on, for instance, peace education and reconciliation, democracy and human rights. With the four military coups during the last twenty years in Fiji, internal conflicts have escalated. The EU is therefore today actively trying to re-establish democracy in Fiji, with an attempt to combine prevention of further crisis with the rule of law (European Commission 2007).

There are three common institutions that handle the Cotonou Agreement; the Minister Counsellor, the Embassy Committee and the Common Parliamentary Assembly. The cooperation with the ACP-countries is financed by the European Development Fund (EDF). The EDF is funded by the EU’s member countries, through contribution outside the EU’s ordinary budget (EU-upplysningsten). The EDF is planned for development projects chosen by the ACP-countries and approved by the EU. Each country receives a financial allocation to support the development long term through a National Indicative Program (NIP), provided under the Cotonou Agreement. Almost all the EDFs have taken the form of grants (European Commission 2007).

3.1.3 Fiji and the EU

The EU is a long time partner of Fiji. The market access to the EU benefits Fiji’s Sugar Industry. Signing the Cotonou Agreement, Fiji committed the EU concerning human rights, democratic principles and the rule of law (European Commission 2008). The development funding from the EU is to be implemented in program or project form, while the separate funding is intended to support the sugar sector, mainly to increase the productivity. Between 2007 and 2013, approximately 120 million Euros are anticipated to assist Fiji with the aim to support the sugar sector and economic diversification, as well as provide assistance for social mitigation measures (European Commission 2007).

Fiji has wide differences between urban and rural areas and education has an essential role in the development of the country. Education and training is one of the main areas in the Country Strategy Papers for Fiji, since HRD is a key element in all sectors. The EU is Fiji’s most important development partner, considering the EDF, budget funds, the bilateral cooperation with EU’s Member States (UK, France and Germany) and the former Sugar Protocol (European Commission 2007).

Fiji has not fulfilled their promises regarding the Cotonou Agreement, and this is the main reason for the default of support from the EU (European Commission 2008). The first measure was made on the 1st of October 2007, since the EU considered a violation of democracy and the rule of law after the military takeover in 2006. In order for Fiji to facilitate its return to the fundamental political principles, the Council on the 29th of March 2010 extended by six months appropriate measure towards Fiji. The decision is also a consequence of the postponement of parliamentary elections and the abrogation of the constitution. The
extension of the measures is, from the EU’s point of view, seen as an opportunity for new discussions with the Government of Fiji (Council, European Union 2010).

The appropriate measures are designed to assist Fiji in the devolution and the EU will maintain humanitarian operations and direct support to civil society and democracy building. No new support from the EDF will be assigned as long as the commitments are not fulfilled, but development projects that were already initiated in 2007 are to be executed as planned. Although sugar allocations from 2007 to 2009 were cancelled, Fiji’s sugar allocation for 2010 depends on how the democratic process proceeds (Council, European Union 2010).

3.2 Fiji’s industries
Fiji is a small open economy, dependent on a few exports such as sugar, tourism and garments. Sugar has been at the forefront of Fiji’s economical development, but the tourism and garment industries have lately emerged as important industries in Fiji. After the coups of 1987 Fiji got into economic crises, something that forced the subsequent Government to radically change Fiji’s economic policies from import substitution to export promotion. Fiji embraced the International Monetary Fund (IMF) recommended structural adjustment policies, and the policy maker did slightly realise the service sector was going to emerge as the leading sector in the drive for economic growth and development (Paresh & Biman 2003).

Fiji is facing difficulties in diversifying its export base; first of all Fiji, like other Pacific Island countries, has a narrow resource base, but also the sustained period of political instability has been ranked high for the poor progress in export diversification. It has lead to mediocre investment levels with a private investment rate at 5 % per annum for the last decades, in opposition to Government’s expectations of a 20-25 % rate. This failure to diversify, contrary to the expectations of policy makers, made it more important to focus on particularly those sectors in which Fiji had a comparative advantage (Paresh & Biman 2003). A country has a comparative advantage in the production of one good when they can produce that good at a lower opportunity cost than other countries can (Arnold 2003).

The three sectors sugar, garment and tourism has for long been Fiji’s hopes for economic growth and development. Since there in the beginning of the 21st century have been problems in escalating in the sugar and garment sectors, tourism has been appointed as the foundation of growth and development (Paresh & Biman 2003). The Government is well aware of the problems of economic dependence on one crop, and it has among other measures encouraged tourism in order to diversify the economy (The Fiji Sugar Corporation LTD 2009).

3.2.1 The Sugar Industry in Fiji – A history
The Sugar Industry includes the growing of sugar cane and manufacture of sugar for exports, and it has historically had a central place in the economy. The industry still remains the major earner of foreign exchange and it provides the livelihood to a large part of the population (The Fiji Sugar Corporation LTD 2009).
It was the early European discoverers and settlers that first found sugar growing in Fiji. Fijians grew sugar cane for chewing and they first used the juice for sweetening food. The first sugar in Fiji was produced in 1862. Actually sugar was the second choice, after cotton, when early Fiji planters decided which crop would bring them the most money. In the 1870’s Fiji turned to sugar, and since 1883 sugar has remained as being Fiji’s main export. In 1879 the British Government brought indentured labourers From India to work on different plantations, for instance sugar, cotton and coffee (The Fiji Sugar Corporation LTD 2009).

Most of the Indians stayed in Fiji when sugar became the main crop and even more Indians came to Fiji until 1916, when the indenture system ended. Most of Fiji’s cane growers today are descendants of those early indentured labourers. In the end of the 19th century and in the beginning of the 20th different mills were established. Today four of those sugar mills represent the manufacturing of the Fiji Sugar Industry, and they are located on the drier side of the two larger islands where the conditions are more suited for sugar production. The Colonial Sugar Refining Company, which is a well established Australian company, started in Fiji in 1880. In 1904 they established the cane breeding Agriculture Experimental Station, which now is a part of the FSC and also known as the Sugarcane Research Centre (The Fiji Sugar Corporation LTD 2009).

During the 1970’s the Sugar Industry was the single largest industry in Fiji, but in the middle of the 1980’s its significance started declining compared to other industries as well as the size of the economy (Paresh & Biman 2003). The Government decided on reforms within the industry, since the farmers wanted more say in the industry decision making. In 1984 the Sugar Industry Act restructured the industry and it established three new organisations: the Sugar Commission of Fiji, the Sugar Industry Tribunal and the SCGC. It also established Mill Area Committees, functioning as advisors on local sugar matters (The Fiji Sugar Corporation LTD 2009).

In the end of the 1990’s there was a financial crisis in the FSC, and at this time, when land lease problems began haunting the industry, the speed of the decline increased (Paresh & Biman 2003). The land tenure in Fiji is about leases, their expiry and non-renewal of leases. The first leases in Fiji expired in 1997, and the land issue still remains unsolved. If the land issues are not resolved there is a potential political and social instability in the country, due to the fact that there is a major gap between land access by native Fijians (the landlords) and the Indians (the tenants). For a small country like Fiji the fear of non-renewal of leases causes a major threat to the tenants, who have no other way of obtaining land (Shah 2004).

In 2008, the industry accounted for about 25 % of total export earnings, and contributed 8 % of the GDP (Fiji Islands Bureau of Statistics 2009). In the short to medium term the Sugar Industry is still vital for Fiji’s economy and the significance of the Sugar Industry is still substantial to Fiji’s rural economy (Paresh & Biman 2003). The latter is designated by the fact that the Sugar Industry provides employment directly and indirectly to about one third of Fiji’s population (Mahadevan & Asafu-Adjaye 2010). Due to the fact that thousands of people in Fiji are dependent on the Sugar Industry for their sustenance, it is certain that the loss of
confidence in the industry, or any likely collapse, will lead to serious implications on the economic, social and political stability of Fiji (Paresh & Biman 2003).

3.2.2 Problems facing Fiji and the Sugar Industry
The Pacific region’s natural beauty is seriously threatened by pollution, global warming and the impact of human activities. Thorough environmental assessment is a necessity for all major development. Most of the countries, especially Fiji, Tonga, Samoa and Vanuatu, are vulnerable to natural disasters like powerful cyclones. This in addition to small markets and remoteness are the biggest barriers to the Pacific’s economic development, since they create high transportation costs that restrain trade between the islands, expansion of the tourism industry and increase the cost of providing facilities like schools. The impacts of distance therefore need measures to be overcome or to be mitigated. Other constricitions are the low level of food production in relation to consumption, which leads to high level of food imports, and shortage of skilled labour and increasing urban migration (European Commission 2007).

There are a lot of problems facing the Sugar Industry in Fiji; the milling efficiency has been consistently declining since the mid 1980’s and farm productivities have not kept pace with the changing international market for sugar. Due to the state’s inability to solve the land lease problems, the farmers have been losing confidence in the industry and the new international trading environment causes serious problems for sugar prices and markets. The land lease issue is crucial and has to be resolved immediately; otherwise the Sugar Industry and its sugar cane farming can not take place (Paresh & Biman 2003).

The various stakeholders of the Sugar Industry agree that there is a need to restructure the industry, but there is little consensus in how this could be started. The big issue is that different parties have different perceptions of the problem, for instance the millers blame the farmers and the farmers blame the millers. The shareholders of the milling company, with the Government as the largest one, do not have sufficient information what to base their decisions on (Paresh & Biman 2003).

The inability of the FSC to improve its efficiency and provide leadership to the industry is another crucial part of the problems facing the Sugar Industry. Another issue is the FSC’s inability to maintain the rail system so that cane could be delivered quickly to the mills for processing and also preserving the quality of sugar produced. The FSC has invested a lot in mill upgrading in order to, for instance, improve the efficiency, but unfortunately there is no evidence of any marked improvement in the milling capacity (Paresh & Biman 2003).

3.3 Trade
The largest trading block in the world is the single market of the EU, with around 500 million consumers having more purchasing power than the US. The EU market is the single biggest market for exports and imports and the EU is the main trading partner for many developing countries (European Commission 2007). The world sugar market daily faces the contradictory
problems how to dispose of the sugar surpluses short term, and the worries of not meeting the growing demand long term. The growth in global consumption of sugar is remarkably stable, compared to world sugar market that remains unstable (Gudoshnikov 2004).

One of the most important determinants of the world sugar market and trade is the level of world consumption. The global consumption of sugar has risen about 2% yearly since the middle of 1980, with population growth as the key driver. Consumers tend to be price sensitive regarding food commodities, but not when it comes to sugar since it often is a major source of food energy (Gudoshnikov 2004). There is a great difference in the consumption of sugar between the different parts of the world. Parts with mainly western culture have high sugar consumption, but it also differs between developed and developing countries since the consumption tends to be higher in developed countries (Sockernäringskommittén 1982).

Over the recent decades, there have been considerable shifts in the trade patterns in the Pacific region. From Fiji and other larger and more diversified economies, there is now an increased import and a wider range of exports distributed globally. The intraregional trade among the 14 PACP is around 2% of the total trade, due to that most goods produced are duplicates to the other PACP-countries’ goods. This is related to the relatively weak cultural links and the countries’ isolation in an ocean environment (European Commission 2007).

The global sugar market has been very volatile. The global production surplus of 6.5 million tonnes is a consequence of the increased production during the 2007/2008 season. In contrast, the global production fell with 20 million tonnes in 2008/2009 season which is the largest recognised fall. The production decline is due to various factors, whereof the global financial crisis for instance has led to a high extent of withdrawals of investor funds. During the financial crisis, sugar companies in both Fiji and the rest of the world have shown an incredible resilience. For the Sugar Industry in Fiji, 2009 was a turning point and great year for the FSC (The Fiji Sugar Corporation – Annual report 2009).

3.3.1 Balance of trade

World trade, with both imports and exports, has several benefits. Imports offer more competitive inputs and household products at a lower cost while exports prod the diversification of production to increase the possibilities to serve the foreign markets and to obtain capital to pay for the imports (Michel 2008). The major trading partners of Fiji are Australia, New Zealand and the US, as well as the Pacific Island neighbours Papua New Guinea, Samoa and Vanuatu (Fiji Government Online Portal 2009). Fiji’s export and imports are shown in Figure 3.1 below:
The biggest contributors to Fiji’s export in 2008 was sugar, fish, mineral water and garments, whereof sugar contributed with 25%. The exports have remained almost the same during the last decade, with a notable increase in 2008. As shown in Figure 3.1 Fiji’s import increased at a steady pace between the years 2000 and 2006. In 2007 the import fell, but then in 2008 it continued to increase. Fiji’s negative trade balance in 2008 exceeded 2 million FJD (Fiji Islands Bureau of Statistics 2009).

The trade balance, also called net exports, is a component of GDP due to the fact that a perfectly equilibrated trade balance makes the GDP dependent only on domestic values, like for instance consumption and investments. Given that other things remain equal, a surplus increases GDP and deficit reduces it. A trade deficit is for instance more likely if external pressures forces down the prices at which a country sells its exports. Also, by having a faster GDP growth than its trade partners usually results in trade deficit. This is due to the fact that imports are elastic to GDP, meaning that they rise more than proportionally (Piana 2006).

Currency exchange rate is another important factor related to trade balance. Having a fixed exchange rate and a higher inflation rate than commercial partners, an overvaluation of the domestic currency can lead to deep trade deficits on most products and with most countries. These relationships can be dramatically improved by a sharp devaluation (Piana 2006).

3.3.2 Trade policy and agreements

In Fiji, like in most countries, international trade is a supporting determinant of economic prosperity. The free trade and globalisation all over the world are influencing external trade relations that gradually more determine the growth and development of Fiji. For a small country like Fiji, globalisation and free trade offers both threats and opportunities. Fiji has in the previous decade implemented trade relations that have an export oriented and outward looking approach. Fiji has now a more open economy due to the import restrictions that have been raised, also volumes of export and import has increased (Fiji Government Online Portal 2009).
Fiji is participating in several bilateral, regional and multilateral trading agreements. The most important is the WTO, which implies obligations regarding Fiji’s trade policy, as well as huge opportunities with increased access to foreign markets. The South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) offers duty free access for specific products originating from the Forum Islands Countries (FICs) to Australia and New Zealand, subject to Rules of Origin regulations, designed to address the unequal trade relationships (Fiji Government Online Portal 2009).

The Pacific Island Countries Trade Agreement (PICTA) came into force in 2002 and is the main objective of the EU’s Regional Support Strategy since regional economic integration is the best way to move towards successful integration into the global economy. The PICTA is a regional trade agreement between the PACP-countries to gradually establish a free trade area in an attempt to deal with the globalisation. The integration between the Pacific economies and with the global market requires assistance in a number of ways like matching alleviation policies and measures amongst the PACP-countries to support trade in the larger regional market (European Commission 2007).

Under the Sugar Protocol, Fiji was a major beneficiary with an average of 50 million Euros yearly. Fiji had the second largest quota under the Sugar Protocol (165 348 tonnes per year), which was almost 45% of Fiji’s total sugar exports. Under the Sugar Protocol, the EU agreed to buy a fixed quantity of sugar every year from certain ACP-sugar producers at an appealingly high guaranteed price. As a result, Fiji could sell more and was guaranteed a certain outlet for about 35-40% of its sugar at a high price. The profit each year, around 55 million Euros, mostly went to the small farmers and their families. The receipts from the Sugar Protocol reach a total of 50-60 million Euros annually, which are about ten times of the resources that the EDF National Indicative Program provides (European Commission 2007).

The sugar sector in Fiji needs restructuring, due to the reform of the Sugar Regime of Europe’s Common Agricultural Policy (European Commission 2007). The EU has opened up its market to all ACP-products, with a transition period for sugar, which resulted in a denounced Sugar Protocol. The guaranteed prices will be phased out and the ACP-producers will, thanks to the EPAs, be treated in the same way as the European producers. They will also benefit from the internal European prices that the EU manages. The first stage of the opening of EU’s market ended on the 30th of September in 2009, up to which date the terms of the Sugar Protocol were still valid, and through increased tariff quotas the market access improved (Michel 2008).

The aim for the 1st of October 2015 is that all ACP-countries shall have free access to the market, with the safeguard clause that the imports from ACP-countries should not severely destabilise the EU market. The countries who where a part of the Sugar Protocol will also get help to adapt to the falling European prices over the period 2007-2013, through 1.24 billion Euros in accompanying measures (Michel 2008).
As a result of the reform of the EU Sugar Regime, the EU sugar price has declined with a total of 36 % by October 2009. The reduction began with 5.1 % from June 2006, 9.2 % in 2008 and the last reduction was with 21.7 % in 2009 (The Fiji Sugar Corporation – Annual report 2009). The Council decision which, as earlier mentioned, has been extended with another six months from the 29th of March 2010 prevents the accompanying measures intended to help restructure Fiji’s Sugar Industry (Council, European Union 2010).

The removal of the preferential prices means that the Sugar Industry in Fiji from now on will be driven by volume, to be able to obtain the economies of scale. This means that the sugar production has to increase with 75 % from the current level of production which is around 2.4 million tonnes. The diversification strategies that the FSC has, like cogeneration and ethanol, correspond with the best practices in the global Sugar Industry for competition under the new market conditions. The FSC has a long term agreement and a good relationship with Tate & Lyle Sugar of London in the UK, which was initiated on the 1st of March 2008 and will be valid until the 30th of September 2015. Tate & Lyle has indicated that they would like to have all the sugar that Fiji can produce in the coming years (The Fiji Sugar Corporation – Annual report 2009).

3.3.3 Trade competitors

Most sugar is produced and consumed in the same country; only about 25 % is traded internationally mostly within regional trade blocks (ACP Sugar Group 2005). An important factor for the ACP-countries to gain an advantage compared to the competitors, is a total reduction in administrative and logistic inefficiencies (Michel 2008). Fiji and all the countries in the Pacific are victims of the oppression of distance. Although this has been alleviated by the increase of flights and improved telecommunications facilities, the countries are still very far from each other and the rest of the world. One major distinguisher between the Pacific region’ and the Caribbean or African regions’ remoteness is the enormous expanse of ocean that separates and isolates the Pacific islands (European Commission 2007).

The ACP-countries main competitors are other developing regions. There is no actual competition between the ACP-countries and the EU, since the majority of the products that the EU exports consist of different goods compared to what the ACP-countries produce. Therefore the competition, facing both established and emerging local industries in the ACP-countries, comes to a far greater extent from other emerging or developing countries (Michel 2008). The biggest producers of sugar in the world are Brazil, India, China and the EU (Food and Agricultural Organisation). The United States also has a major role on the world market of sugar. Traditionally, India has shown tremendous growths in exports of sugar, and is approaching Brazil who traditionally has dominated as the leading producer of sugar in the world (The Commodity Investor).
3.4 The Role of Government

Government policies do affect national advantage, both positively and negatively. The central goal of Government policies toward the economy is to position a nation’s resources with high levels of productivity. Governments can only influence national competitive advantage, not control it. Productivity is the basis for a nation’s standard of living and to achieve productivity growth an economy must be continually upgrading. It requires improvement and innovation in existing industries and the capacity to compete successfully in new industries, and the role for Government policies toward a nation’s industry is to stimulate this kind of upgrading (Porter 1990).

The role of Government is to encourage companies to increase their aspirations and move to higher levels of competitive performance. However, it is only the companies that can create competitive industries, not the Government. Government policies that create an environment in which companies can gain competitive advantage are the one that succeed, not those that involve Government directly in the process unless it is nations in an early stage in the development process (Porter 1990).

Governments should have a very broad strategic role and engage in managing policies and have to make a distinction between management of strategies and policies and delivery of services. Governments should steer rather than row and by doing so Governments regulate deliverers of the services and evaluate their performance to make sure that they meet community needs (Hill et al. 2007). The biggest mistake that many Governments make derives from the fact that competitive time for companies and political time for Governments are essentially in conflict. For an industry it often takes more than a decade to create competitive advantage, due to the fact that the process requires the long upgrading of human skills, investing in products and processes and so on. On the other side, when it comes to politics a decade is like an eternity (Porter 1990).

Most Governments prefer policies that provide short term benefits, for instance subsidies, protection and merger arrangements, policies that restrain innovation. The most common and profound error in Government industry policy is policies that transmit static, short term cost advantages but unconsciously undermine innovation and dynamism. (Porter 1990). Government agencies should also change their strategies, they should be results oriented rather than input oriented. This requires that Governments have a set of goals, a set of community condition indicators and a set of performance indicators (Hill et al. 2007).

3.4.1 Government principles

If the Government’s policies influence one or more of the four attributes, described in Figure 3.2 on page 27, they can influence competitive advantage in an industry. Governments in almost all nations today are taking steps designed to improve competitiveness. Devaluation, deregulation, privatisation, tax reform, regional development, expansion of Government investment in research and Government programs to fund new enterprises are examples of some of the most well known and common policy thrusts. To play the thriving supportive role
for national competitiveness, Governments should encourage change, promote domestic rivalry and stimulate innovation. The policy approaches to guide nations toward competitive advantage can include to (Porter 1990):

- **Enforce strict product, safety, and environmental standards**: By stimulation and upgrading domestic demand, strict Government regulations can promote competitive advantage. By having strict standards for product performance, product safety and environmental impact companies get pressured to improve quality, upgrade technology and provide features that respond to consumer and social demands (Porter 1990). A barrier to free international trade is that countries do not have the same regulations regarding technical, safety, health and other regulations. The producers then have to adapt their products to meet the different regulations, which lead to additional costs (Gandalfo 1998).

- **Promote goals that lead to sustained investment**: Government should aim to encourage sustained investment in innovation, human skills and in physical assets. One of the most powerful tools for increasing the rate of sustained investment in industries is a tax inducement for long term capital gains restricted to new investment in corporate equity. This should also be applied to pension funds and other currently untaxed investors (Porter 1990). Unfortunately, European investors do not consider Fiji or any of the ACP-countries sufficiently attractive at present. To encourage investment in the development of strong and balanced economic sectors, solid and transparent rules needs to be implemented (Michel 2008).

- **Reject managed trade**: In every foreign nation, Government policy should pursue open market access. For trade policy to be effective, it should not be a passive tool. Wherever a nation has a competitive advantage, trade policy should seek to open markets and it should proactively address emerging industries and incipient problems. If the Government finds a trade barrier in another nation it should, rather than concentrating on regulating imports or exports, focus on its remedies on dismantling barriers. Instead of market quotas it is better to have compensatory taxes that punish companies for unfair trade practices (Porter 1990). One barrier to free trade is when the Government subsidizes the domestic production of a product, since the subsidy also becomes a subsidy for export. Government procurement, when the Government prefers to buy products from domestic producers which restrict the import, is another barrier to free trade (Gandalfo 1998).

### 3.4.2 The Government of Fiji

The Government is the main stakeholder of the FSC, owning 68 % (The Fiji Sugar Corporation LTD 2009). A number of reform programs are being implemented in the Sugar Industry which is mainly through initiatives and commitments from the Government. The Government initiated a restructure of the Sugar Industry and its institutions where Fiji Sugar Marketing and the Sugar Commission of Fiji were dissolved and their functions delegated to remaining institutions. A Snapshot Review Report on the FSC was also composed, focusing
on strategies and initiatives that can bring the FSC back to profitability (The Fiji Sugar Corporation – Annual report 2009).

The Mill Upgrade Program represents the most essential event of 2009. Regardless of the fact that Fiji had the worst floods in its history during the mill upgrade, the crushing season of 2009 could utilize the upgraded mills from start. The reduction of the EU sugar price is still one of the most important driving forces for the reform of the Sugar Industry. The 20% devaluation of the FJD in April 2009 will fortunately reverse the price reduction significantly. The devaluation was also a huge boost to the future for the industry, but simultaneously, an unexpected exchange loss of 24.4 million FJD on the loan for the Mill Upgrade Program affected the operating results (The Fiji Sugar Corporation – Annual report 2009).

The FSC is at the moment exploring different initiatives and programs to restructure operations, which can provide huge opportunities for cost reductions. The aim is to ensure a constant supply of quality cane to the mills and to reduce cane burning, which has increased from 33% to 50% in the previous season. The programs include improving mill reliability, reorganising of harvesting and transport operations and increasing confidence in the growers. Another important issue is the inevitable job reductions (The Fiji Sugar Corporation – Annual report 2009).

3.5 Competitiveness
Efficiency, quality, innovation and customer responsiveness are four factors that influence a company’s ability to build and sustain a competitive advantage. These factors are seen as the generic building blocks of competitive advantage, due to the fact that any company can follow them. The simplest measure of efficiency is the quantity of inputs that it takes to produce a given output. To achieve high productivity, a company has to adopt the appropriate strategy, structure and control systems (Hill et al. 2007).

When it comes to quality, a product is said to have superior quality if the customer gets a greater value in its attributes than in rival products. Innovation provides the company with uniqueness, something that makes the company able to differentiate itself from its rivals. Finally, to achieve better customer responsiveness a company has to do a better job than its competitors when it comes to identifying and satisfying the needs of its customers. Consumers will then create a competitive advantage based on differentiation by placing more value on its products (Hill et al. 2007).

3.5.1 National competitive advantage
The importance of nations has increased in the current situation in the world with growing global competition. Even though every successful company on the international market uses their own strategy, the character and basic mode of operation is fundamentally the same (Porter 1990). If companies are able to understand how national factors can affect competitive advantage, they will also be able to identify where to find their most significant competitors.
and where they may want to locate certain productive activities (Hill et al. 2007). Infrastructure and human resources are for instance specialised factors that companies in nearly every successful competitive industry take explicit steps to create (Porter 1990).

The reason why a nation achieve international success in a particular industry can be explained by four broad attributes of a nation that shape the environment in which local firms compete. These attributes, shown in Figure 3.2, both individually and as a diamond-system, influence vital components for achieving international competitive success (Porter 1990).

![Figure 3.2: The Determinants of National Advantage](Source: Porter 1990)

- **Factor conditions** are the nation’s position in terms of production, necessary to compete in a given industry. Factors such as skilled human recourse or a scientific base are necessary to support a nation’s competitive advantage. These factors require continuous investment to create and develop into more limited and difficult factors for foreign competitors to replicate. World class institutions which create specialised factors and continuously work to upgrade those result in national advantage. Nations facing selective disadvantages in the more basic factors, like lack of local raw materials and high land costs, can be prodded and forced to innovate and upgrade to be able to compete.

Factor disadvantages can be converted into competitive advantages, but only under two certain circumstances. First, the disadvantages need to send the right signals that will extend to other nations, and therefore create the opportunity to innovate in advance of foreign rivals. Second, beneficial circumstances in other parts of the diamond are required. For instance, access to people with appropriate skills is vital for innovation. The disadvantage will only become an incentive to innovate if the company has aims for sustained commitment to the industry combined with the presence of active domestic competition (Porter 1990).
• **Demand conditions** describe the industry’s product or service nature of home demand. The composition and character of home demand has, despite the globalisation, a significant impact on how companies interpret and act on buyer needs. In industries where the home market gives clear and early signals of emerging buyer needs, and where demanding buyers pressure the industry to innovate faster, nations gain competitive advantage compared to the foreign rivals. The demanding buyers prod and pressure companies to innovate and improve to meet high standards and to upgrade to more advanced segments. A nation’s political view can predict needs that will grow elsewhere, as a result that underlying needs emerge (Porter 1990).

• **Related and supporting industries** in the nation that are internationally competitive, is the third determinant of national advantage. These domestic suppliers create advantages in downstream industries in several ways. First of all, these suppliers provide the most cost-effective inputs, like components and machinery. What is even more important is that the domestic related and supporting industries provide an advantage in innovation and upgrading. When end users and suppliers are located close to each other, they have the benefit of quick and constant flow of information with the short communication lines and a continuous exchange of ideas and innovation.

When all the supplier industries themselves are global competitors, the nation’s companies gain the most competitive advantage. If suppliers become too dependent on the domestic industry and/or prohibited to supply foreign competitors, it will be a self-defeating situation for the company and nation. Instead, components, materials or technologies from abroad can benefit the companies without affecting the products of the industry’s innovation or performance. The probability that companies will embrace new skills is also increased by domestic related industry, just like it creates a source of new entrants who brings a new and different approach to competing (Porter 1990).

• **Firm strategy, structure and rivalry** are the conditions in the nation which create strong tendencies in how companies are created, organised and managed. It also describes the nature of domestic rivalry. The convergence of the management practices and organisational modes preferred in a country, as well as the sources of competitive advantage in the industry, all result in competitiveness in a specific industry. The goals that companies and individuals seek to achieve are another significant difference between countries, where company goals reflect the features of the country’s capital markets and the compensation for managers.

Another important component for competitive advantage is individual’s motivation to work and develop skills. Which type of education and workplace gifted people choose, as well as their commitment and effort affects a nation’s success to a large extent due to the fact that nations are likely competitive in areas that people admire or rely on. The most important spur for creation and persistence of competitive advantage is the presence of strong rivals, due to the powerful stimulating effect it has on all the others. Domestic competition also force companies to move beyond advantages of being in a specific
country and thereby gain more sustainable advantages. Industries will in addition benefit from more constructive support forms from the Government, like investments in educational institutions (Porter 1990).

3.6 Research model

In the following research model, Figure 3.3, the most important concept and factors in the frame of references are presented, with an emphasis on the factors described in Figure 3.2: The Determinants of National Advantage. These were used as a basis for writing the interview questions, in order to link the empirical part and hence the analysis to the frame of references.

| Global aid         | Cooperation between the EU and Fiji  
<table>
<thead>
<tr>
<th></th>
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</table>
| Fiji’s industries | Sugar Industry                      
|                   | Other competitive industries        |
| Trade             | Trade agreements                    
|                   | Market opportunities                |
|                   | Export                              |
|                   | Environment                         |
|                   | Diversification                     |
| The Role of the Government | Support                     
|                   | Reform program                      |
| Competitiveness   | Efficiency and quality              |
|                   | Home demand                         |
|                   | Investment                          |
|                   | Education                           |
|                   | Opportunities                        |
|                   | Competitors                          |

Figure 3.3: Research Model (Source: Own, based on Chapter 3)
4. Empirical part

This chapter presents the primary data collected through in-depth interviews. Each one of the seven interviews is presented separately in order to give a clear and coherent picture of the institutions’ and respondents’ different views of the Sugar Industry in Fiji. The first section presents the interview with the Sugar Ministry at the Government of Fiji, followed by the EU, FSC, the SCGC and finally the two local growers.

4.1 Sugar Ministry, the Government of Fiji

On the 12th of April 2010 we visited the Government of Fiji in Suva. We had an interview with Mr. Viliame Gucake, who has worked as the Acting Director of Sugar at the Sugar Ministry for a year. This section describes Mr. Gucake’s point of view regarding the Sugar Industry in Fiji.

4.1.1 Economy

The only country that used to provide assistance to Fiji was the EU, from the perspective of sugar. Because of Fiji’s political situation with the coup in 2006, the allocations for 2007, 2008 and 2009 have been suspended. The one for 2010, about 28 million Euros especially for the Sugar Industry, is still at hand and they are keeping their fingers crossed that it will be available later in the year. This Accompanying Measure Program is to cushion the adverse effect of the price cut as a result of the EU sugar regime. The sugar producers in Europe put pressure on the EU because of the special sugar arrangements with the ACP-countries. The EU cut the price progressively with 36 % over a period of four years and the last cut was on the 30th of September 2009. Mr. Gucake believes that the EU was doing a good thing to come back after the price cut and provide the Accompanying Measure Program for Fiji.

The former support under the Sugar protocol which developed in 1975 consisted of the preferential price. The EU was paying ACP-sugar producers a price about three times the world price. The Sugar Protocol expired on the 30th of September 2009 and Fiji is now under new arrangements with the EU up to 2015. The industry that has been most effected from the default of support from the EU is the Sugar Industry itself. If the fund from the Accompanying Measure Program was made available, he is certain that the cane development will go to a state where they will plant more to be able to match the capacity of the sugar mills. The capacity of the four mills is 4.2 million tonnes of sugar cane. In 2009, the production reduced to 2.2 million.

Mr. Gucake means that it is difficult to say to which extent Fiji depends on the support from the EU. Everybody talks about the EU funding not being made available because of the political situation. They have to accept that instead of depending on the EU they need to look for the funds themselves. “We can not sit around and wait for the money that is not coming
from the EU, we have to resolve what we have and do something” (Mr. Gucake 2010-04-12). This year the Government office put aside six million FJD to plant 6 000 hectares of cane.

Mr. Gucake believes that the active workforce in Fiji is 350 000, whereof the Sugar Industry provides employment to about 2 300 through the FSC. Education is one portfolio that the Government supports with a lot of money, around 200 million FJD.

4.1.2 The Sugar Industry

Mr. Gucake explains that, as a result of the EU sugar regime, a structural reform from the Government was implemented last year. Due to the price reduction they had to review the functions of some institutions within the Sugar Industry. First of all, as a structural economic reform, they removed the Fiji Sugar Marketing (FSM). Second of all they removed the Sugar Commission of Fiji (SCOF). The Government decided that these institutions had to go because they did not add any value to the industry.

Another reform is the shifting functions of advisory services, from Sugar Research Institute of Fiji (SRIF) to FSC. One big challenge is that most of the growers, predominantly Indo-Fijians, are leaving the industry because of the leases are not being renewed by indigenous Fijians. The new crop of farmers who are replacing them really needs advisory services, but this is not the function of SRIF anymore. As a part of a cost cutting measure they removed the farm advisers; something Mr. Gucake means was cut in the wrong place.

The last reform is about the SCGC, who was dissolved on the 30th of March 2009. The Prime Minister was advised that the SCGC had to be resolved to remove politics from the industry. The new council only consists of 11 members, compared to the old one which had 38 members. The difference is that the new one is appointed by the Government; the other one was elected by the growers themselves.

Regarding to which extent Fiji is dependent on the Sugar Industry, Mr. Gucake only gives the figures: From sugar exports Fiji receive revenue, foreign exchange, for about 238 million FJD. The sugar’s contribution to the GDP was only 4 % in 2009 and Mr. Gucake believes that it is going down again. Of the nine or ten sectors that contribute to the economy, tourism is the biggest asset with 700 million FJD as oppose to sugar which is 238 million FJD. Fiji is an agricultural based economy and they keep saying that sugar is the backbone for the agriculture, but at the moment the figures do not match with that statement.

The population that depends on sugar for their livelihood is about 200 000 people, or 20 % of the population. For that reason the Government makes sure that it is revived to a level where it becomes viable and remains sustainable. There is no other agricultural commodity of produce that can match sugar in that kind of industry state. Mr. Gucake can not imagine all these people leaving their farms; it would be very difficult for the Government to manage in terms of housing and to contain the social problems that would come out of it. Therefore the
Government has to bring out changes or reforms that will encourage and motivate people to stay in their farms.

Mr. Gucake explains that it is very hard to answer which the most essential differences in the Sugar Industry are today; compared to when Fiji received aid from the EU. Because of the price cuts there is a general loss of confidence in the industry by the growers, but Mr. Gucake can not quantify how much is due to the EU funding not coming since there are other contributing factors like the new roles of leases and the poor performance of the mills.

To improve the Sugar Industry Mr. Gucake says that the Government needs to increase the support in absence of the EU funding for cane development. They do have reforms and funding for that, but they also provide funds to repair the infrastructure. Another Fiji land reform undertaken by the Government is the Committee started for the purpose of identifying which native land that is idle and can be used for productive purposes and leased to any investor who would like to go into cane farming. The aim is to reduce the time in processing requests about access to land; at the moment it takes about 6 to 18 months which is too long, especially for foreign investors.

4.1.3 Sugar Export

Mr. Gucake explains that Fiji mainly exports its sugar to the United Kingdom. This year and the previous they got everything and Fiji had to import sugar for local consumption. He also says that the home demand in Fiji is more or less: take what you can get. The Coca-Cola Company in Fiji wants refined/white sugar as well as the confectionary sector. The Prime Minister asked FSC about establishment of a local refinery to meet the demand from the market, but the investments required are probably not feasible. FSC is not in a healthy financial situation to be able to support this kind of investment.

The default of support from the EU may have affected the export of sugar in terms of the reduction in production. Mr. Gucake explains further that if the allocation of cane development was made available, the growers would have been able to plant more cane and it could lead to some difference in production. The reduction in the Sugar Industry has not resulted in any supplement products for Fiji. The diversification in growers’ point of view is that instead of sticking with cane, they can do other non-cane agriculture to supplement the loss from the reduction in cane. Agricultural products that could substitute cane could be the export of kava, taro and other vegetables, but none of them are big enough to match sugar in terms of quantity and industry state.

4.1.4 Competitiveness

Mr. Gucake believes that Fiji has the possibilities to compete on the world sugar market without the aid from the EU, with the reforms. He explains further that Fiji has to be more efficient in operations; the mills are being upgraded, but with disappointing results. In 2008, 11.1 tonnes of sugar canes had to be crushed for 1 tonne sugar. In the last season the figure
was 13.4 tonnes of sugar canes, which shows the pathetic performance of the mills. For the Sugar Industry to be competitive on the world sugar market, it has to raise the efficiency and lower the cost of production.

Fiji’s location as an isolated island is not really an issue for their competitiveness at the moment, since they have free access under the EPA Agreement valid until 2015. Without that signing, Fiji would have to pay 90 dollars per tonne for freight.

One industry that Fiji will focus on in the future is the Information and Communication Technology (ICT). Fiji needs to maintain whatever they have; especially the tourism which has done really well, connected to a big availability of flights. Mr. Gucake has a good feeling when it comes to the future of the Sugar Industry in Fiji and he thinks it will increase. Finally, he points to the fact that the Government can not just sit around, they have do something.

4.2 The European Union (EU)

On the 14th of April 2010 we visited the Delegation of the European Union for the Pacific, based in Suva. Mr. Stefan Stantejsky; Attaché, Political and Trade Section, has worked there since February 2009. He explained that the EU’s main function in the Pacific region is development assistance, with different ‘operational’ sections dealing with it; sections for infrastructure, regional integration, natural resources and environment, a social section and also one section specifically for economics which deals with development related contracts and the sugar issue for Fiji. Since the beginning of 2009, there is also a political and trade section, which also deals with communication. This section describes the EU’s point of view regarding the Sugar Industry in Fiji.

4.2.1 Cooperation between the EU and Fiji

Mr. Stantejsky says that the current state of the economy in Fiji is hard to specify. He explains that the cooperation between the EU and the ACP-countries is based on the Cotonou Agreement. The cooperation was established in 1975, regulated in the general framework for the cooperation. Also for Fiji everything is based on the Cotonou Agreement with the Article 96 consultation. There is a legal basis which regulates how the different partners have to treat each other and what kind of rights and possibilities they have. There are specific funds allocated for regional cooperation and integration, laid down in the Regional Strategy Paper and Indicative Program, and others for cooperation between the EU and different countries at country level, the Country Strategy Papers and National Indicative Programs. The strategy papers outline the political background, and they also agree on specific focal sectors on which both sides want to target the assistance.

Under the 10th EDF, valid from 2008 to 2013, the focal sectors for the Pacific Region are regional economic integration and sustainable management of natural resources and the environment. Mr. Stantejsky clarifies that for Fiji, the Country Strategy Paper and National Indicative Program has not been agreed upon yet (and is currently only a draft) due to the
political situation. It is for political reasons that the 10th EDF and the Sugar Accompanying Measures are on hold, due to the last Council Decision from the 29th of March 2010 regarding – among others – EU development and sugar assistance. The first Council Decision in 2007 has been extended three times. Following the coup in 2006, there were Article 96 consultations where the EU tried to establish a dialogue. As an outcome of these consultations both the Government of Fiji and the EU agreed that there would be elections in spring 2009, but when it did not materialize there were following extensions of the Council Decision.

According to Mr. Stantejsky, Fiji received aid from the EU for the first time in 1975. The reason why EU gave aid to Fiji is out of humanitarian considerations, but also to establish good bilateral relations. Mr. Stantejsky explains that, theoretically, the EU is always interested in good and stable relations with other countries. For this reason it establishes diplomatic relations with third countries around the world. Good relations usually result in profits from trade, and likeminded people with similar political directions and values can support each other internationally. At best, you can trade and collaborate with other nations at an international level. It is the same for Fiji as for other countries.

In the case of the relation between the EU and Fiji, the clause on democracy and human rights in the Cotonou Agreement has also to be taken into account. If that clause gets breached, both sides are entitled to start the Article 96 consultations in order to find a mutually acceptable solution to the problem. The essential elements set out in Article 9 of the ACP Agreement, concerning among others human rights, democratic principles and the rule of law had not been fulfilled by Fiji.

4.2.2 The Sugar Industry

A program created especially for the sugar industry in Fiji is the Accompanying Measures for sugar adaptation, which usually gets implemented by different projects. According to Mr. Stantejsky, these projects can include a lot of different issues, like educating people who work in the sugar industry in order to be more productive, or to provide them with new machines. Earlier sugar trade relations between the EU and Fiji were governed by the Sugar Protocol, but it expired in 2009. In Fiji it has been replaced by the interim EPA, which was signed last year. It has a section on sugar as well, but contains changes with new conditions and terms.

Mr. Stantejsky explains that the EU planned to disperse the Accompanying Measures to sugar adaptation starting in 2006, with a total of about 64 million Euros over five years. For 2006 they scheduled a bit more than 4 million Euros which have been dispersed and are still funding some projects. In 2007 there was no money. In 2008; 8 million were scheduled to be released, in 2009; 24 million and for 2010; 28 million Euros. On the basis of the underlying Council Decision, the money for 2007, 2008 and 2009 are lost and will not be dispersed. It is only the money for 2010 left. If it will be dispersed depends on whether the EU sees steps within the direction of the fulfilment of the agreed commitments. There is still an opportunity that the 28 million Euros will be released, but there has to be some positive signs from the Government of Fiji.
Mr. Stantejsky says that the sugar assistance money would be useful for Fiji because they are in a process of restructuring the sugar industry and with additional financial means they would be able to export more sugar. In fact, there would be more capacity to earn money from sugar exports, but Fiji can not fully deliver because the sugar industry is not modern enough. With the support from the EU Fiji could spend the sugar assistance money to do investments; improve the equipment or the way they produce and harvest. However, Mr. Stantejsky mentioned that the Commodore stated a few days ago that Fiji would go ahead on its own towards improvements and modernisation of the country. This is an indication that the Government of Fiji can do without the money. But you also have to take into account that there was economic crisis.

The EU helps financing projects to increase regional integration through the PICTA, since the EU also thinks that increased economic integration would provide a great opportunity for the Pacific Islands. Mr. Stantejsky says that the idea of the single market is successful in Europe because you reach a bigger market. If the Pacific Islands create an effective market between themselves, it would be easier for them to trade and create wealth. At the same time, the Pacific Region is very particular because it is so huge (geographically). The question is if it is really feasible to establish a well functioning regional integrated common market in the Pacific Region, because the countries are much smaller than the European. They also have much less inhabitants and the distances between the countries are much bigger.

### 4.2.3 Competitiveness

According to Mr. Stantejsky, Fiji has a comparative advantage in tourism and sugar, and sugar is one of Fiji’s main exports. Mr. Stantejsky also says that Fiji is strong in fishing and has a quite substantial mahogany industry. A big disadvantage for Fiji is, according to Mr. Stantejsky, the old equipment, with insufficient modernisation of the sector as the main problem. Nevertheless, the overall importance of the sugar industry for the whole economy, compared to other sectors such as tourism, has declined in recent years and is expected to decline further in the future.

Mr. Stantejsky is sure that Fiji’s location as an isolated island is an important factor which affects its competitiveness on the world sugar market, mostly because of the great distances. First of all the distance to the neighbours, the Pacific Island countries, but also to the centres of the world market, which is a big problem for trading in general because it is expensive to bring goods, like sugar, in and out.

The cooperation with the EU can stimulate Fiji’s trade, first of all in the long term with the EPA since both countries that sign it can establish a legal framework, a stable trade relationship which means that trade relations are foreseeable. A second advantage is that it triggers reform and improves economic attractiveness. Signing a free trade agreement implies that the countries have to adapt some of their economic rules or economic Government systems; this in turn is expected to improve the competitiveness and the overall effectiveness of a country. A third advantage is that there would be a bigger regional integration. Mr.
Stantejsky says that EPA negotiations are also related to the other free trade initiatives in the region (like PICTA).

Mr. Stantejsky could not say with certainty that Fiji’s competitiveness has changed because of the default of support from the EU. But he believes that if the money was released, the sugar industry would only improve since they would have a lot of money to spend for adaptation measures, education and other things. Without the sugar assistance money the situation just remains as it was before. The sugar industry still gets some support from the Government of Fiji and possibly also from other donors, so it is not that the sugar industry would collapse because the EU does not provide the funds. Nevertheless, the sugar assistance money could considerably benefit the sector.

4.2.4 Complementing interview with the EU

On the 11th of May we met Mr. Mohamed Habib, at the EU Program Management Unit for the Sugar Sector in Lautoka. Since three years back, Mr. Habib is the program manager and administrator. This was a complementing interview to the one we had with Mr. Stantejsky.

4.2.5 Cooperation between the EU and Fiji

Mr. Habib describes the current state of the economy in Fiji as overall almost standing still. It is not in a very healthy position. There is very little growth, only around 1.4 - 1.5 %. Mr. Habib would not say that the economy is moving very fast, because Fiji’s economy is pretty much dependent on the bigger countries, and their trading partners: the UK, US and Europe. He also explained that the global economic crisis has affected Fiji’s growth in terms of their ability to sustain and to balance their imports and exports.

Regarding the differences between the Sugar Protocol and the EPA, Mr. Habib explains that the Sugar Protocol involved Fiji as well as all the ACP-countries. The Sugar Protocol was based on a preferential pricing system where Fiji benefited from the sugar prices approximately three times the world market price at one point. The EPA is more of a regional quota system for the Pacific and the EU for all commodities. The EPA gives a security for access to the European market, but does not guarantee the same price. Everything is now supposed to go under the world market price which is based on demand and supply.

Mr. Habib also explains that 2009 was the last year of the full 36 % reduction of the Protocol prices which were supposed to go alongside with the world market price. The only difference in the case of Fiji is that Fiji has a very long term trade relation with the Tate & Lyle sugar refinery in London, which continues to buy Fiji’s sugar to a slightly better price than the world market price which has been ranging. Basically, the difference is that the Sugar Protocol gave Fiji a more protected market and with the EPA it is much more exposed. The EPA guarantees access to the European exports from Fiji and it will give duty free access into Europe for all commodities. Fiji can not afford to go through the open market into Europe.
because of the European duty costs. The only other sugar producing country within the Pacific is Papa New Guinea, which really is not producing that much.

4.2.6 The Sugar Industry

The Sugar Industry is an unstable industry which Mr. Habib does not consider to be in a very healthy state at this point in time. The production and exports has declined by 50 %, and all the years of high prices that Fiji had did not complement with the same level of investment in the Sugar Industry. Fiji was given the inflated and unrealistic prices, and did not really understand the value of that and hence not informed that it was not going to last forever. Today, the price is limited and fixed with Tate & Lyle in their long term agreement. Fiji has a guaranteed market access because the systems and procedures are very poor.

The profit margin is, according to Mr. Habib, dependent on how efficiently the Sugar Industry is operated. The level of efficiency in the industry is very low at this stage. The Government is trying to address that, with bringing in reforms to improve productivity and efficiency. This is a long term process, but unfortunately the time is not on the industry’s side. Mr. Habib explains that the awkward aspect is that sugar is the only commodity which depends on a very resilience crop like cane, which survives cyclones, floods or anything.

Mr. Habib says that since the Sugar Industry contributes with 6-8 % to the GPD and about one third of the population directly benefits from, or lives off, the industry, Fiji is quite heavily dependent on the industry. He thinks that the default of support from the EU has significantly affected the Sugar Industry in Fiji and describes the 36 % price reduction as the most essential difference.

The Accompanying Measures Program, EU’s support program, was supposed to start in 2006 when the Protocol prices were going down and the WTO ruling took effect. At this time the investment was supposed to come into programs for cane replanting, industry restructuring, research and innovation, capacity building and agricultural diversification. Many programs were set out for use under the support program that was supposed to be funded by the EU, to hold the industry in an effective level. According to Mr. Habib it was extremely critical that the money came in, because this was when the money was needed. The default of the EU support sort of plunged the industry directly down and significantly affected the industry. If the money would come in late, retailing land of the six years support program would not give the same result and the money is not really going to bring the industry back to the same level.

Mr. Habib also explained that they have been trying several things to add value and improve their trading relations. For instance they are trying to get Fair Trade certification for their sugar, in order to bring in additional benefits in the sense that it gives more money. He explains that they are trying to do whatever they can from where they stand with the limited capacity in terms of the outreach to different funding agencies, away from politics.
4.2.7 Competitiveness

Mr. Habib thinks that it is practically impossible to compete on the world market under the current status. He means that they need assistance, but he does not know wherefrom. The Government is doing whatever they can, but there are limitations to what the Government can do. As Mr. Habib explains, they can not allocate more than a specific sum to support the Sugar Industry, since they need to look after the other sectors as well. He also made clear that the institutions within the Sugar Industry itself are not making profits, the money is not there.

Regarding the future of the Sugar Industry in Fiji Mr. Habib gives us two different views, his opinion of what he thinks it will look like and what he wants it to look like. The first point of view is that the future at this state looks a little gloomy. Mr. Habib said that: “We have a lot of determined people who want to turn it around, but it is like one hand is tied behind your back” (Mr. Habib 2010-11-05).

The other point of view, how Mr. Habib wants the industry to look, is that he wants the Sugar Industry in Fiji to come back to its glory days; to the time when they were actually rated amongst the top five best sugar producers in the world. That was in the 1970’s or early 80’s. At that time Fiji also had one of the most modern sugar research institutes, and the world learned from them. Mr. Habib does not think that it is impossible to go back to this state; they have to hang on and keep on fighting until they find a solution. “It will take long, it will be bloody and it is going to be hard” (Mr. Habib 2010-11-05).

4.3 The Fiji Sugar Corporation (FSC)

On the 29th of April we had an appointment with Mr. Deo Saran, the Chief Executive Officer (CEO) of the FSC since almost eight years back. FSC is basically the only miller in Fiji, with milling operations as their primary concern. They produce sugar, molasses and bi-products. The main function for the FSC is milling, marketing and to provide support to the growers in the field. FSC is the central institution within the Sugar Industry; the only economic institution, that provides assistance to the farmers. Being the key and central body of the industry, with a close link to the Government and different reform programs, FSC drives the industry in the right direction. Mr. Saran explains that FSC is essentially a Government-owned company, the Government owns 68 %. 17.8 % is owned by the Fiji National Provident Fund (FNPF), and 6-7 % by Fijian Holdings. These three shareholders own 95 % of the stock, and the remaining 5 % is held by about 2000 different shareholders.

FSC is responsible for making sure that the mills are operating to optimum level in terms of efficiency, showing how well the mill extract sugar from the cane to be able to make more sugar, but also in terms of its reliability, showing how much up-time they have on the factory. Mr. Saran also explains that FSC during the last two to three years have made huge investments in the factories, in order to improve the efficiency. The upgrading is now completed, and Mr. Saran says that they should see a margin improvement in efficiency and the reliability of the milling performance. Another aspect of efficiency in the Sugar Industry is
to upgrade the skills, and make sure that FSC get competent workforce in order to get
required performance out of the machines.

Improving the quality of sugar is an important task according to Mr. Saran. The quality is to a
very large extent (75 %) dependent upon the quality of cane coming through, the factory itself
has got a very little opportunity to change and affect the quality of sugar. To a large part they
also try to put in measures in the field, to ensure that the right varieties are planted and that
there is minimal burning in order to reach the required level of the quality of sugar.

Mr. Saran explains that they do not have much scope for other markets at this point, except
from their existing market; the single market with the UK under the EU trade arrangement.
Their sugar is sold to EU on the preferential market, and to the local market. Mr. Saran
believes that there is an opportunity for the sugar to be traded to the world market, but right
now there is sugar shortages throughout the world and Fiji does not have sufficient for the
preferential market and even less for the world market. Their main customer is Tate & Lyle in
the UK, which have one of the biggest refineries in Europe. They have been selling to them
for the last 35 years; they have a good relationship and a contract valid until 2015. The market
is not much of an issue: “It is just a matter of growing more cane, producing more sugar and
selling it” (Mr. Saran 2010-04-29). They continuously negotiate with different suppliers and
markets, in order to develop other market possibilities.

Mr. Saran explains that there is no competition between the millers in Fiji. They are basically
one miller, one company, with four different mills owned by the FSC. He also explains that,
looking at the competitive aspect of trade, they do compete with the other ACP-countries.
Selling to the free market in the EU, the competition is about getting as much quota allocation
to Fiji as possible, in order to get maximum value out of the preferential price.

4.3.1 The Sugar Industry

The Sugar Industry in Fiji is, according to Mr. Saran, in a very difficult situation at the
moment. They have invested a lot in the factories, which has been the biggest problem in the
past. Now there is another issue: to pay all the debts in order to meet their financial obligation.
Mr. Saran explains that right now, with the current state of the cane production, it is quite
inadequate for them to be able to operate for profitability and at the same time meet their
financial obligation. They are now emphasising the cane production in terms of getting it up
to the required level necessary to run the factories profitable. The main focus within
productivity is to boost up the cane production, which has declined over the years due to land
problems with tenant arrangements and farmers moving out of the farms. All the money from
the investment was earmarked for the efficiency, so one thing that is back on track is the
milling equipment. Mr. Saran describes the link between the field and the factories as another
major aspect of the Sugar Industry. The current harvesting and transportation operation is
quite insufficient, and they are working in order to find out which way is the most efficient to
harvest and bring in the cane.
To answer the question about to which extent Fiji is dependent on the Sugar Industry, Mr. Saran says that it is quite significant, due to the fact that the Sugar Industry contributed to around 2.9% of GDP in 2009. Also, in terms of the sugar production, contributing 20% of the output and 60% of cash income of the agriculture sector shows the significance of sugar. Another important part is that 20% of Fiji’s population depends on sugar, which is quite huge. Mr. Saran explains that when you say 20% it is 20% of the rural sector, where people that are underprivileged do not have alternative sources of livelihood. Based on these facts, sugar is not only critical for the economy; it is also crucial for social aspects of the country.

Mr. Saran explains that the fund that was coming from the EU primarily was marked for development of infrastructure, increasing of cane on the ground for the farmers and to make sure that the industry is more competitive. Hardly anything was towards the millers. He explains further that it has affected the cane production since it has gone down. But the main reason why the cane production is down is also because of factors like the land reform and farmers moving out; more fundamental reasons. All in all, it has not affected that much because they need to address the fundamental factors to effectively put that money into use. On the other hand, if the money would have come in it would of course escalate the process.

The FSC put at lot of emphasis on educational resources. Mr. Saran describes that they have a very extensive training and development program, with a training department focusing on technical in-house training. They also have external training programs for the development of people to bring up their competencies in different aspects. Answering if the millers have sufficient workforce with appropriate skills, Mr. Saran says that it is a big issue for them; they are basically over-staffed. They have about 2,300 people in the system, with a required workforce of 1,600-1,700 during the peak season. Unfortunately they have more workforce than they require, but the skill level is not there due to immigration over the years; people are moving out of the sector and the Sugar Industry has been heavily politicised. The Government tries to change this by putting a lot of effort in removing politics from the industry. Mr. Saran also explains that the nature of the operations is quite unique and therefore they need in-house programs to upgrade the skills since it is not offered from the educational institutions.

Mr. Saran explains that a huge investment is required to upgrade the infrastructure in Fiji. The production inputs are largely domestic, but Mr. Saran explains that they also have international components. On the milling side, they place about 70% of their input locally, and 30% is foreign. On the cane production side, about 80-85% is local and the remaining 15-20% is foreign. Mr. Saran means that having a large portion of domestic input helps Fiji since the prices are more stable and they avoid the risk that comes with changes in currency value. Mr. Saran sees the mix of domestic and international inputs as an advantage to the Sugar Industry.

4.3.2 Sugar Exports

Mr. Saran says that the default of support from the EU has not affected Fiji’s trade and export of sugar. Fiji mainly exports sugar to the UK, with an amount of around 200 million FJD. Mr.
Saran also explains that they are only required to export whatever they produce. The local demand is 30 000 tonnes, compared to about the 200 000 tonnes that they produce, meaning that the balance of 170 000 can be exported. But during the last years they have imported sugar for their local requirements, since they get a higher price by selling it overseas. Furthermore, by exporting maximum that is available Fiji also protect their quota and it helps them to restore or increase it.

The home demand does not really influence the Sugar Industry in Fiji in the sense that the locals take what they can get. Confectionary companies and the Coca-Cola Company has special requirement for refined sugar, but Mr. Saran explains that it is not really commercially possible to produce refined sugar for that small market and therefore they have to import it. This is however only small amounts; 95 % is raw sugar for general consumption where the quality is not really an issue.

4.3.3 Competitiveness

Mr. Saran explains that there is no national competition on the sugar market in Fiji since FSC is the only one with the licence to import and export sugar. Mr. Saran clarifies that competition is about protecting their quota in the EU and to make sure that the other ACP-countries do not encroach on their quota. Fiji is an insignificant country on the world market, and they do not sell any sugar there. Mr. Saran told us that it is India and Brazil who dictates the world market.

Mr. Saran says that Fiji has a distinct possibility to compete on the world market. “I would love to have the possibility to have our sugar on the world market, but at this state we are not quite there with the sugar cane production” (Mr. Saran 2010-04-29). Mr. Saran adds that sugar is a peculiar commodity and that the actual trading of sugar in the world market is very small, less than 20 % of all sugar. Sugar is either consumed locally or being sold on some trade agreements. In terms of the size, being a small country, Mr. Saran thinks that Fiji has a big issue. The layout of the land is not suitable to adopt the world class best farm practices, compared with big countries where they have large plain flat land where they can adopt mechanised cultivation and extract efficiency out of that. Fiji can not adopt sophisticated and mechanised cultivation because the farms are too small, and even if they had the machines, the efficiency would not be utilized. Another aspect is that Fiji can not take advantage of economies of scale.

The whole objective with the EU’s support is to improve Fiji’s, as well as all the other ACP-countries, competitiveness. Due to this fact Mr. Saran thinks that if the infrastructure had been improved, the fundamental issues to increase the cane production would have come online. So the default of support has affected Fiji’s competitiveness, even though he adds that there are other fundamental issues as well. Finally, for the future of the Sugar Industry in Fiji, Mr. Saran refers to the opportunities he mentioned earlier. They have the potential, but it is hard to get back to the level they were at in the past. Fiji must meet their quota allocation to the EU, to be able to sell to the world market price on the world market.
4.4 The Sugar Cane Growers Council (SCGC)

On the 16th of April we met a representative for the Sugar Cane Growers Council, who has desired to be anonymous. This section describes the SCGC’s point of view regarding the Sugar Industry in Fiji.

The SCGC was established in 1984, under the Sugar Industry Act, in order to protect and further the interest of the cane growers in Fiji. The main function of the council is to represent the cane farmers in all aspects of the industry matters and to provide advisory services to the growers, which is how the SCGC encourage development in the Sugar Industry. The full council consists of 38 councillors in 38 different sectors and today some of the 38 councillors form the board of 11 members. The board makes the policy decisions, but there has not been a board since last November. The funding of the SCGC is totally done by the cane farmers, who pay a levy for running the council. The SCGC does not receive support from any institutions or organisations.

Regarding improvements in economic growth, there have recently been problems in the industry. The sugar mills are outdated and the growers have been suffering by not getting their cane harvested in time. Even though growers and millers are separate, they work hand in hand to move the industry forward. The EU used to give a preferential price, but the last few years it has been taken away and the price is reducing. That has affected the poor and small rural farmers very badly. The SCGC is working very closely to the Fair Trade Labelling Organisation, which gives additional bonuses to the suppliers of different commodities. The SCGC are also trying to get certified to be able to get assistance, but due to all the compliances this is far away.

4.4.1 The Sugar Industry

The SCGC thinks that, at the moment, it is an ailing industry. Unless they get assistance, outside the system, the future is very uncertain. The Government is very adamant that this industry will stay, and they are giving all the support they can, but over the past years there has been some mismanagement and wrong decisions have been made – not favourable to the industry. In addition, there are land problems, the equipment is outdated and there is a need to invest and change. When it comes to farm productivity, there is a need for more extension and advisory services, technical advice for the farmers and irrigation. The farmers also need assistance and subsidies to be able to pay the fertilizers and weed herbicides.

Almost 25% of the population, which means 200 - 250 000 people, is directly or indirectly, dependent on the Sugar Industry. The default of support from the EU has affected the Sugar Industry very badly. There are many differences in the Sugar Industry today; compared to when Fiji received aid from the EU. First of all, when the aid was coming through and the preferential price was available it was moving in the right direction and everybody was happy, but things have changed. The land problem has affected the farmers and their confidence has eroded over the years. Another issue is the aging farmers, and the fact that the children are not interested in cane farming. After education, they opt for white collar jobs.
The value that the Sugar Industry generates each year has been fluctuating. In good years Fiji used to produce 400 - 500,000 tonnes of sugar, with a crop of around four million tonne, but over the years the crop has declined significantly: the production of cane last year was 2.2 to 2.5 million tonne. The revenue has also been fluctuating. The current number of active growers in Fiji is around 14,000 and the workforce has diluted over the years. In addition, the skill level has also gone down. There is not much effort put into education for cane growers, but there is a scoop for more education and also a need of more support in the industry.

The farmers have got a Farm Basic Allotment (FBA) which is a kind of quota they need to produce. The obligation that the cane farmers have to the industry is to fulfil the quota. The production input is both domestic and international and if there is a shortfall Fiji has to buy from overseas like from India and Thailand. The advantage is that Fiji has fixed markets and is not left with any stand-over since they can sell whatever they produce.

4.4.2 Competitiveness

According to the SCGC, the growers are mostly individual farmers. For the reason that the farmers help each other during the harvesting, there is not much competition.

The biggest advantage that the Sugar Industry in Fiji has compared to its competitors is the fixed market. A disadvantage is that Fiji is very small in terms of sugar production compared to other bigger countries and is still a developing country. The opportunities in the Sugar Industry are that it creates a lot of employment opportunities, and that it provides a lot of opportunities for the business commodity.

Fiji’s competitiveness has changed because of the default of support from the EU, due to the fact that their sugar production has gone down. It has also caused poverty in the rural communities where people are unable to meet their aims. They are also suffering because of high costs of fertilizer, weed herbicides and oil since the prices have gone up badly. Finally the future; since about 25% of the people are dependent on the Sugar Industry and there is no other big industry, they have to make sure that the industry is sustainable. This industry has to sustain in Fiji otherwise it will be chaos with problems all over the place.

4.5 Local grower I

On the 15th of April 2010 we visited Mr. Prem Chandra at his farm, located outside Lautoka. Mr. Chandra has been working full time in the Sugar Industry for twelve years. His growing area is around 5.75 hectares, producing approximately 300,000 tonnes of sugar cane each year. Mr. Chandra explains that he, together with his kids and with some help from neighbours, does most of the job on their own, but for some parts, like harvesting, they have to hire labours. This section describes Mr. Chandra’s point of view regarding the Sugar Industry in Fiji.
4.5.1 Working conditions

Mr. Chandra thinks the Sugar Cane Growers Council (SCGC) was helpful in some factors and if the levy to the SCGC was a smaller amount it could have been better for the farmers. The SCGC did contribute to improvements in the Sugar Industry, and if the growers needed help they also got it. But at the moment there is no intermediate counselling for the growers. He explains that it is very difficult today, mostly due to the increasing costs for weed herbicides, fertilizers and labour. When Mr. Chandra began farming, the working conditions were good and it was a lot cheaper compared to today when the prices are almost double. The fertilizers costs 45 FJD, but the Government subsidizes 14.5 FJD which Mr. Chandra finds very helpful.

Working as a grower is very independent and there are no rules to follow. The SCGC influenced the working conditions for the growers by informing them not to be dependent on sugar; to have some intercropping at least for own consumption. Mr. Chandra also explains that advising is the main support for the growers and some loans are available as well.

4.5.2 The Sugar Industry

Mr. Chandra believes that it is a sustainable industry and that the only problem, the milling, is gone since the mills have had a good restructure. The Government provides grants which are the best way to increase farm productivity, since the main motives for the grants are to encourage the growers not to rely on the old crops. They are instead advised to keep planting new canes and restore it with new crops so the rotation will go around.

Sugar is, according to Mr. Chandra, still the main big boom for Fiji due to the fact that so many farmers and families are dependent on the Sugar Industry and Fiji as a whole is also dependent on the Sugar Industry. The default of support from the EU has affected the Sugar Industry, since they used to get better prices, produce more and therefore was also able to sell their sugar cane in the open market. The land problem, with expiry and no renewal of the leases, is a major factor to why the production has decreased. Mr. Chandra is 100 % sure that it can be changed if the land problems will be solved.

4.5.3 Competitiveness

The growers in Fiji help each other and have good relations. Mr. Chandra explains that without cooperation they can not do their jobs, and therefore there is no competition between the growers. The growers do not work under equal conditions; they all have their own treaties and choices. The prices and support are the same, but there is no education in the industry. When it comes to which advantages the Sugar Industry in Fiji has compared to its competitors, Mr. Chandra compares the Sugar Industry to tourism. He thinks that they have an advantage there since they do not have to wait for the tourists to come. As long as there is cane and sugar with good quality and the market is there, you can make it. Mr. Chandra is not able to explain much about advantages compared to other countries.
The biggest disadvantage for Fiji is the weather. Another problem is the new generation who has a lack of interest for the Sugar Industry and instead chooses white collared jobs. Mr. Chandra believes that the Sugar Industry in Fiji has good opportunities since they do not rely on anyone except their own farms. “The more we produce, the more we earn” (Mr. Chandra 2010-04-15). He does not believe that the competitiveness has changed because of the default of support from the EU and for the future Mr. Chandra thinks that, as long as the land problems are sorted out, the Sugar Industry in Fiji will be sustainable.

4.6 Local grower II

On the 15th of April 2010 we also had an interview with Mr. Prem Sogendra Singh, who has been working in the Sugar Industry for 40 years and has also been a grower councillor for nine years. His growing area is around five hectares, producing 370 000 tonnes of sugar cane each year. The farm is family-owned with no employees. This section describes Mr. Sogendra Singh’s point of view regarding the Sugar Industry in Fiji.

4.6.1 Working conditions

Mr. Sogendra Singh thinks that the Sugar Industry moves towards its natural death. The growers have no say at the moment since the representative stopped in November 2009, and the SCGC does not have any bargaining power now because they are too few.

The working conditions are more or less the same, the only thing that has changed since Mr. Sogendra Singh entered the industry is a few mechanical investments. Today they have bigger trucks and use more weed herbicides. The biggest problem is the fact that the SCGC no longer has any bargaining power, but also that the FSC can not meet the quota; they might have to import to be able to export since there is not enough sugar in Fiji today. He explains further that the cane farmers’ obligation to the industry is the FBA, which is different for all growers. The Government paid a bonus for the first time last year with three dollar bonus per tonne, when the growers produced more than their FBA.

The major factor to the decrease in production is the expiring of land leases which are not being renewed by the natives. Mr Sogendra Singh thinks that this is all about politics. But there are more reasons behind the decrease in production, like the falling prices. The production cost is very high, and some people are losing hope because farmers can not survive on sugar cane alone. So the main problems are the land leases and the price reduction. The growers do not get any support and has to manage on their own if something happens and the banks are not giving any loans to them.

4.6.2 The Sugar Industry

Mr. Sogendra Singh describes the current state of the Sugar Industry in Fiji as: “A nose-dive towards its natural death” (Mr. Sogendra Singh 2010-04-15). If it is not developed, it will be gone. The productivity goes down yearly, and if no support is given from the Government or
other funds, the equipment standard can not be improved. To increase the farm productivity the Government should assist farmers by giving grants, fertilizer help and reducing the price on fertilizers.

The money from the EU is still on hold and the Prime Minister said that Fiji can manage without the money, but Mr. Sogendra Singh does not believe that the growers can. Fiji is dependent on the Sugar Industry to the extent of 61% and he believes that the default of support from the EU has affected the Sugar Industry very much. The growers really benefitted from the support, and there are no other sources for support. The most essential differences that Mr. Sogendra Singh can see in the Sugar Industry today, compared to when Fiji received aid from the EU, is that the production has, and is going down.

4.6.3 Competitiveness

There is no competition among the growers and Mr. Sogendra Singh says that the growers do not work under equal conditions since some have flat land and some have fertile land. The growers do not get any support, “either you produce or you die, that is our policy” (Mr. Sogendra Singh 2010-04-15). He also explains that they started education for growers recently, about how to plant and cultivate cane and information about weed herbicides, but hardly any growers take this education.

When it comes to which advantages the Sugar Industry in Fiji has compared to its competitors, Mr. Sogendra Singh says that the climate condition they have is very good for the Sugar Industry, and also the quota they produce is quite good compared to other countries. The biggest disadvantage is that they do not get any money from the Government, and every year they are losing land due to the expiring of land leases. The number of growers have also decreased, one decade ago they had 22,000 growers, but now there are only 15,758 growers in the country. Mr. Sogendra Singh do not see any opportunities in the industry, he thinks that it is closing down.

Mr. Sogendra Singh thinks that Fiji’s competitiveness has changed because of the default of support from the EU, due to the fact that the production has gone down. The future for the Sugar Industry in Fiji is very bleak and nothing is certain. From his point of view Fiji will not be the major sugar producer in the years to come. The mills, which are 100 years old, will break down and the SCGC has to get back in place for a possibility to improve. The growers pay 500,000 FJD to run the SCGC now, but since there are no councillors and hence no bargaining power they pay it but receive nothing in return.
5. Analysis

This chapter presents an analysis which correlates the empirical part with the frame of references. The analysis is divided into the same sections as the frame of references in order to make the structure easier to follow. To be able to answer which possibilities Fiji has to compete on the global market of sugar without the support from the EU, the most important areas for this research will be discussed and analysed.

5.1 Global aid

From the literature review, it was obvious that when poor countries get support with knowledge and money, they can grow both politically, economically and get possibilities to develop their agriculture and other industries (Sida). This is very positive, since poor countries need assistance in order to develop and be more competitive. But the reverse thing about support is the fact that it in many cases creates a kind of dependence, and indirectly decreases a country’s ability to act on its own. To some extent, this is the case in Fiji. The support received in the past has created a dependency and hence decelerated Fiji’s own development.

5.1.1 Fiji and the EU

The EU provides about 60% of the global aid, and compared to other donors the EU has an advantage through the experience with social, political and economic regional integration issues (European Commission 2007). This is an admirable contribution in order to make the world more equal and Fiji should be pleased to be able to cooperate with the EU.

It is very important that the countries that cooperate with the EU take responsibility for their own development, which corresponds with the universal objective of the PACP-countries which is to achieve the highest possible degree of self-reliance and also with the fact that the cooperation should provide support to the ACP-countries’ own development strategies (European Commission 2007). This is a very important goal and is a crucial factor for the cooperation to succeed.

The EU is a long time partner of Fiji and the market access to the EU benefits Fiji’s Sugar Industry (European Commission 2008), but since Fiji has not fulfilled their promises regarding the Cotonou Agreement, there is a default of support from the EU at this moment (European Commission 2008). According to Mr. Gucake, the Sugar Industry is the part of the country that has been most affected from this. This is due to the country’s large dependence on the industry (which will be discussed later in the section about the Sugar Industry) but also for the fact that the EU is Fiji’s most important development partner and in terms of the value of the funding that was about to come (European Commission 2007).
Mr. Stantejsky and Mr. Gucake agree that the political situation in Fiji is the reason for the default of support from the EU. Mr. Stantejsky said that there is still an opportunity that the 28 million Euro for 2010 from the Sugar Accompanying Measures will be dispersed, but only if they see positive signs from the Government that has to take steps within the direction of fulfilment of the agreed commitment. Mr. Gucake said: “We can not sit around and wait for the money that is not coming from the EU; we have to resolve what we have and do something” (Mr. Gucake 2010-04-12). As mentioned earlier, even though support provides tremendous help and support to a developing country like Fiji, there is always a risk that the country gets dependent on the support and is the reason why Fiji should try to be as independent as possible. Fiji’s Government has the key role and it is mainly up to them to decide if the country should follow the recommendations from the EU’s in order to get the support.

Mr. Stantejsky said that both Fiji and the EU profits from their cooperation, and therefore it is important that it will continue and be developed further. For Fiji, as a very small and isolated island, most of the respondents agree that the country benefits to a high extent from cooperation with other countries and regions in the world. This is important, especially in order to gain as much as possible from trade (which will be discussed later in the section about trade). The fact that both parts benefits from the cooperation strengthens the importance why the parties should continue the Article 96 consultations in order to find a mutually acceptable solution to the existing problem, as Mr. Stantejsky said.

The analysis shows that the change from the Sugar Protocol to the EPA, has affected Fiji in terms of profit margin due to the fact that the prices has changed. The Sugar Protocol with the high prices was very beneficial for Fiji, but maybe too good to be true since it could not be sustained. Mr. Gucake explained that with the preferential price the EU was paying the ACP-sugar producers a price about three times the world price, which is a remarkable amount. This was very favourable to Fiji, since they got a high and stable price when the world market price was fluctuating (see Figure 1.1: Average world market prices of sugar). As a result of the reform of the EU Sugar Regime, the EU sugar price has declined with a total of 36 % by October 2009 (The Fiji Sugar Corporation – Annual report 2009) which of course has huge impacts on Fiji, especially since the Accompanying Measures are on hold. Mr. Gucake said that the EU was doing a good thing to come back after the price cut and provide this kind of support, and therefore it is even more unfortunate that Fiji can not benefit from it.

5.2 Sugar Industry

All of the respondents agree that the current situation of the Sugar Industry in Fiji is difficult and uncertain and there are several crucial problems that need to be solved. Mr. Sogendra Singh even thinks that the industry is doing “a nosedive towards its natural death” (Mr. Sogendra Singh 2010-04-15), which is unwarranted since the industry, despite all problems, has the possibility to change and improve. Mr. Habib at the EU does not consider the unstable Sugar Industry to be in a very healthy state either, since the production and exports have declined by 50 %, and all the years of high prices that Fiji had did not complement with the
same level of investment in the Sugar Industry. The local grower, Mr Chandra, agrees that the Sugar Industry is in a difficult situation but he is more positive; he thinks that it is a sustainable industry.

### 5.2.1 Problems facing the Sugar Industry

One of the biggest challenges facing the Sugar Industry in Fiji today is the land problem. Almost all of the respondents agree on this as well, since many growers are leaving the industry because of the expiring and nonrenewal of leases. Another major reason why the land problem is one of the main problems is all the side effects that it brings. For instance the big reduction in number of growers, that Mr. Sogendra mentioned, is vast and has to turn around. According to the SCGC, the current number of active growers in Fiji is around 14,000 compared to Mr. Sogendra Singh’s figure of 22,000 growers a decade ago. The reduction of growers is noticed in the industry due to the fact that the SCGC explained; during the harvesting season cutters from far away villages that do not have the skills has to be hired.

Another side effect is, as Mr. Saran as well as both of the growers described, that the land problem is a major factor why the production has declined. In addition, as described in the interview with SCGC, the farmers and their confidence has been affected and it has eroded over the years.

Unfortunately, the industry could have been better off today if this problem was attempted to be solved as soon as it emerged. The first leases in Fiji expired 13 years ago and the fear of non-renewal of leases causes a major threat to the Indian tenants, who have no other way of obtaining land (Shah 2004). Based on these facts and the serious side effects that the land lease problem causes, this issue has to be solved immediately. If the farmers do not have any land, where will they grow the sugar cane? The landlords and tenants have to try to find a mutual acceptable solution in order for the Sugar Industry to continue.

The low level of efficiency in the industry is another big problem that has to be addressed. Efficiency is one of the four factors that influence a company’s ability to build and sustain a competitive advantage (Hill et al. 2007), which increases the significance even more. Mr. Habib also emphasised the efficiency as an important factor since the profit margin is dependent on how efficiently the Sugar Industry operates. Mr. Saran explained that the FSC has made huge investments in the factories, in order to improve the efficiency and said that the mills should be back on track.

Mr. Gucake is a lot more pessimistic to the mill upgrade than Mr. Saran, meaning that the results are disappointing due to the fact that the amount of sugar canes that has to be crushed for one tonne sugar has increased from 11.1 to 13.4 tonnes (21 %) from 2008 to 2009. This can be explained by the fact that the mills have not been able to utilize the upgrade yet. Mr. Saran said that at least a margin improvement in efficiency and the reliability will be seen the coming season.
Education (which will be discussed later in the section about competitiveness) is of high importance to get maximum capacity out of the mills, especially since the removal of the preferential prices implies that the Sugar Industry in Fiji from now on will be driven by volume to be able to obtain the economies of scale. This means that the sugar production has to increase with 75% from the current level of production (The Fiji Sugar Corporation – Annual report 2009), which is a figure that is almost impossible to achieve, but the Sugar Industry in Fiji has the capacity and possibilities to get there. This is based on the fact that Mr. Gucake explained that the capacity of the four mills is 4.2 million tonnes of sugar cane, but as many of the respondents said it was reduced to around 2.2 million in 2009.

To obtain the economies of scale, Fiji has to increase the production by enhancing either the area under cultivation or the overall productivity, but in best case both. But as Mr. Saran said, due to the country’s size and layout, Fiji can not take advantage of economies of scale. The analysis shows that Fiji has the possibility to increase the area under cultivation, if only the land problem will be solved and the number of growers will increase. The productivity can also increase due to the capacity of the mills that is there but is not being utilized.

The investments done by the FSC are valuable to the industry, but there is also an adverse side; FSC is now, according to Mr. Saran, facing difficulties to pay their debt from the investments that have been done. He explained that it is hard for the FSC to operate for profitability simultaneously as meeting their financial obligation, given the current state of cane production. This is like a bad circle, since they really needed the investments to be done. Since FSC, as Mr. Saran clarified, is the key and central institution of the industry, driving it in the right direction, they have to have the courage to invest; with the goal to make profit utilising the improvements to be able to pay back all the debts. Without investments the industry will stand still or in worst case decrease further.

As the local growers explained, there is no intermediary for the growers at the moment and therefore the growers have no say; they have to manage on their own if something happens. Both the SCGC and Mr. Sogendra Singh said that since there are no councillors and hence no bargaining power, they pay 500 000 FJD to run the SCGC for nothing in return. This is a major problem, because the growers are a big part of the industry and it has to work all the way through the chain in order for the industry to be more profitable. Mr. Habib made clear that the institutions within the Sugar Industry are not making profits, the money is not there. This is not only due to the fact that the SCGC are too few, but is a part of the problem.

Finally, infrastructure is another specialised factor that companies in nearly every successful competitive industry take explicit steps to create (Porter 1990) and is a vital factor for success in order to save time for transportation and reduce costs. Mr. Saran at the FSC explained that the current harvesting and transportation operation, which is a very important link between the field and the factories, is quite insufficient and needs a lot of improvements. The fund that was coming from the EU was primarily marked for development of the infrastructure, according to Mr. Saran. In absence of these funds, Fiji needs to invest and make sure that the
link between the sugar fields and the factories is improved in order increase the industry’s competitiveness.

5.2.2 Fiji’s dependence on the Sugar Industry
During this research it is clear that Fiji is dependent on its Sugar Industry, mostly for the reason that a large part of the population is directly or indirectly dependent on the industry. Other reasons are that sugar has remained the main export in Fiji since 1883 and that the industry still remains the major earner of foreign exchange (The Fiji Sugar Corporation LTD 2009). All the respondents also agree that Fiji is dependent on the Sugar Industry.

Mr. Saran emphasised the rural sector, where people that are underprivileged do not have alternative resources of livelihood, as the part of the population most dependent on the Sugar Industry. Therefore Fiji has two choices; either the country puts all possible efforts into improving the industry and making it sustainable, otherwise Fiji has to find alternative sources of livelihood for all people dependent on the industry. Mr. Gucake thinks that the Government has to make sure that the industry is revived to a level where it becomes viable and remains sustainable, for the reason that there is no other agricultural commodity that can match sugar in that kind of industry state.

Mr. Gucake said that since Fiji is dependent on the Sugar Industry, they have to make sure that it becomes viable and remains sustainable. The implications that would occur if the industry will not sustain would lead to a disaster for Fiji as a whole and it would lead to a lot of difficulties for the Government to handle, for instance the social problems that Mr. Gucake mentioned. But, despite this fact it is also important to find alternative sources of livelihood. Fiji can not only rely on the sugar; they have to diversify and expand their export base (this will be discussed further under the section about trade).

5.2.3 Fiji’s dependence on the support
Of course there is a reason for the EU to support Fiji and therefore there must also be some differences when the country does not receive the support, since both the EDF and the Sugar Accompanying Measures, according to Mr. Stantejsky, are on hold. The analysis shows that there are a lot of differences in the industry, but it is difficult to determine how much the differences in the Sugar Industry are due to the default of the support or due to other factors affecting the industry.

It is mainly the two local growers and the SCGC that agree upon that the default of support from the EU has affected the Sugar Industry very badly. An interesting part is that the two respondents from the EU do not have the same opinion regarding the importance of this matter. Mr. Stantejsky said that the industry most likely would have been better off with the support, since they would have been able to do investments. Mr. Habib on the other hand stressed that the default of support from the EU has significantly affected the industry. The
The reason for their divided opinions is that Mr. Stantejsky also emphasise other factors that could have impacted the differences, while Mr. Habib sees the default of support as the main factor.

The local growers pointed out the decline in production as the biggest difference, which is strengthened by Mr. Saran at the FSC. He said that hardly anything from the fund that was coming from the EU was towards the millers, and it affected the cane production in terms of a decline in production. The local growers also points to the fact that they really benefitted from the support, since they used to get better prices. The SCGC also believes that the poor and small rural farmers have been affected very badly from the price reduction followed after the removal of EU’s preferential price. Mr. Habib at the EU strengthens this by saying that the sugar price reduction with 36% is the most essential difference in the industry today. The SCGC also said that the revenue has been fluctuating, which is a natural but unfortunate side effect from the decline in production.

The analysis has shown that Fiji at this state is a little too dependent on the support from the EU, but a very important aspect is that the default of support from the EU is not the reason for all the problems facing the Sugar Industry today. The support could of course have improved some of them, but as Mr. Gucake and Mr. Saran said there are many other more fundamental issues, like the land problem, that are affecting to a higher extent. The fundamental issues have to be solved first in order to be able to fully utilize the support from the EU. The positive aspect is that Fiji to some extent is aware of their dependence, since Mr. Gucake said that Fiji should accept the situation and not wait for a support that might not come.

Mr. Stantejsky said that the sugar assistance money would have been useful for Fiji since they are in a process of restructuring the Sugar Industry. If they get additional financial means to build up the industry they would also be able to export more sugar, leading to a bigger capacity to earn money from sugar exports. But as Mr. Stantejsky continued, Fiji can not fully deliver because the Sugar Industry is not modern enough. The receipts from the Sugar Protocol reach a total of 50-60 million Euros annually, which are about ten times of the resources that the EDF National Indicative Program provides (European Commission 2007). This shows the importance of the Sugar Industry and how much it needs support, from the EU’s point of view.

A positive thing is that the Government, as Mr. Gucake explained, puts aside six million FJD this year to plant 6000 hectares of cane. This, together with the Government subsidies for fertilizers with 14.5 FJD of the total cost of 45 FJD (32%), as Mr. Chandra mentioned, are positive signs showing that Fiji is taking action and not only waiting for the support from the EU. As mentioned, the industry needs to upgrade in order to increase the production, which requires enormous investments. FSC already has big debts after the mill upgrade and the Government has other sectors in the country to look after as well. For this reason, the industry needs the fund from the EU or any other possible donor to be able to do the necessary improvements. Since there is no other obvious donor for Fiji today and it is crucial that the industry does get the support required, Fiji is dependent on the support from the EU.
To achieve high productivity, a company has to adopt the appropriate strategy, structure and control systems (Hill et al. 2007). The FSC is at the moment exploring different initiatives and programs to restructure operations that include improving mill reliability, reorganising of harvesting and transport operations and increasing the growers’ confidence (The Fiji Sugar Corporation – Annual report 2009). This is another very positive part that shows that the Sugar Industry wants to survive and is searching for the strategies most suitable to achieve higher productivity.

5.3 Trade

Trade is an important element for Fiji’s development in order to grow and become more competitive. This is based upon the fact that international trade is a supporting determinant of economic prosperity, and that the free trade and globalisation all over the world are influencing external trade and relations that gradually more determine the growth and development of Fiji (Fiji Government Online Portal 2009). Fiji has in the previous decade implemented trade relations that have an export oriented and outward looking approach (Fiji Government Online Portal 2009).

In addition, Fiji’s trade balance has been very negative for the last years (Fiji Islands Bureau of Statistics 2009), which strengthens the fact that they should increase their exports. Mr. Habib explained that the global economic crises affected Fiji’s growth in terms of its ability to sustain and balance imports and exports. If Fiji could stabilise their trade balance it would bring a lot of benefits like for instance an increase in the dependence on domestic values instead of dependence on other countries and their markets. This is based on the fact that a perfectly equilibrated trade balance makes the GDP dependent only on domestic values, like for instance consumption and investments (Piana 2006).

As stressed before, investments are required in many areas and not any less when it comes to diversification. The fact that exports prod the diversification of production to increase the possibilities to serve the foreign markets and to obtain capital to pay for imports (Michel 2008) strengthens the fact that investments are required for Fiji to diversify its export base. Fiji first and foremost should try to develop their trade with the other Pacific countries as much as possible, since it would strengthen them and hopefully help them develop further as a country and hence increase their exports and imports with other regions in the world as well.

Fiji’s sugar is sold to the EU on the preferential market and to the local market but, as Mr. Gucake said, this and the last year the United Kingdom got everything and Fiji had to import sugar for local consumption. Mr. Saran do believe that there is an opportunity for the sugar to be traded to the world market, but Fiji does not have sufficient amount of sugar for the preferential market and even less for the world market. If the Sugar Industry manages to increase the production, Fiji does not have to fear surpluses since Tate & Lyle in the UK wants all of Fiji’s sugar.
In addition, Fiji has secured access to the EU market and there are, as Mr. Saran explained, other markets available in the world which the FCS is continuously exploring. One of the most important determinants of the world sugar market and trade is the level of world consumption (Gudoshnikov 2004), and in the end of September 2009 the growth of sugar production was too low to have any possibility to cover the world consumption of sugar (Indian Sugar Mills Association 2010). Due to this fact it is certain that the demand can not be met by the production neither in Fiji nor the world. This is positive for Fiji for the reason that there should not be any problems to sell sugar, once the production is increased.

The biggest producers of sugar in the world are Brazil and India (Food and Agricultural Organization) and, according to Mr. Saran, the world market is also dictated by those two countries since it is their production that mainly affects the world market. The remarkable thing about the world market is that most sugar is produced and consumed in the same country; only about 25% is traded internationally (ACP Sugar Group), which corresponds with Mr. Saran who said that the actual trading of sugar in the world market is very small. This information strengthens the fact that competing on the world market should not be the goal for Fiji. The best option is instead to continue to sell their sugar to the EU, especially due to the fact that EU is the single biggest market for exports and imports (European Commission 2007), but also because of the other positive factors discussed.

Mr. Habib explained that they search for different ways to add value and to improve their trading relations. For instance they are trying to get Fair Trade certification for their sugar, in order to bring in additional benefits as increased price for their sugar which would gain the whole industry, which also the SCGC mentioned. Certification is a very positive thing to aim for and even though the SCGC thinks that this is far away, it could only benefit the industry if they keep developing the cooperation with the Fair Trade Labelling Organisation.

5.3.1 The EU and different trade agreements

Fiji’s trade can be stimulated in several ways through the cooperation with the EU, according to Mr. Stantejsky. Without signing the EPA, Mr. Gucake explained that Fiji would have to pay 90 dollars per tonne for freight. This strengthens the importance of the cooperation with the EU even more. It is a big saving for Fiji and it explains why Mr. Stantejsky said that Fiji can not afford to go through the open market into Europe because of the European duty costs.

The fact that EPAs include trading agreements that helps to gradually remove barriers to trade and are intended to integrate the ACP-countries into the global economy (EU-upplysningen) is of high relevance for the Sugar Industry in Fiji since trade barriers is a big obstacle for the trade and export of sugar. The special focus with the EPAs is to enhance competitiveness and increase the value and volume of trade in goods and services (European Commission 2007), and it is vital for the reason that Fiji needs to enhance its competitiveness regarding sugar.

Over the recent decades, there have been considerable shifts in the trade patterns in the Pacific region and today Fiji has an increased import and a wider range of exports distributed
globally. It is through the PICTA that Fiji gradually should establish a free trade area in an attempt to deal with the globalisation (European Commission 2007). All in all, there are only advantages for Fiji and the Sugar Industry regarding both the EPA and the PICTA. Mr. Stantejsky thinks that increased economic integration would provide a great opportunity for the Pacific Islands, and it is through the PICTA that the EU helps financing projects to increase regional integration. Due to the fact that regional economic integration is the best way to move towards successful integration into the global economy (European Commission 2007) it gives Fiji the opportunity to improve trade with other countries and regions of the world and it increases their chances to be more competitive on the sugar market.

The globalisation to be an important change in the world we live in today, in the aspect that the world is getting smaller since there is an increase of products being imported and exported all over the world daily. For Fiji, which is a small and remote country, this is an advantage since they need to increase their trade. One major distinguisher between the Pacific region and the Caribbean or African regions’ remoteness is the enormous expanse of ocean that separates and isolates the Pacific islands (European Commission 2007). Mr. Stantejsky described that the distance to the Pacific countries, but also to the centres of the world, is a problem for trading in general since it is expensive to bring goods in and out. This is another reason why it is important for Fiji to continue its cooperation with the EU, the ACP-countries and PICTA in order to take advantage of the globalisation.

One important issue that both the EU and Fiji needs to pay extra attention to is that every country is different; especially Fiji that is a developing country in the Pacific, compared to the EU which consists of several industrialised countries with different cultures. West-European models to build welfare are not easily transferred to other countries and cultures (Sida), which emphasises the fact that one thing that is successful in the EU might not work at all in Fiji. According to Mr. Stantejsky, the EU is aware of this fact and is questioning if it is possible to establish a well functioning regional integrated common market in the Pacific Region. Despite this potential problem, there are many advantages for Fiji to develop their relations with the other ACP-countries based on the earlier discussion regarding regional integration.

Mr. Gucake and Mr. Saran are not of the same opinion regarding the affects of the default of support from the EU; Mr. Gucake thinks that it may have affected the export of sugar, in terms of the reduction in production. Mr. Saran on the other hand does not think that the default of support has affected Fiji’s trade and export of sugar saying that Fiji is only required to export whatever they produce. This is an interesting fact and in the sense that if the production had not decreased Fiji would be able to export more. Mr. Saran’s statement shows this as well; even though the default of support may not be the main thing affecting Fiji’s trade, it indirectly affects it in terms of not being able to produce to the maximum level.

5.4 The Government
Due to the fact that if the Government policies influence one or more of the four attributes described in Figure 3.2: The Determinants of National Advantages, they can influence
competitive advantage in an industry (Porter 1990). Mr. Saran explained that the Government owns 68% of the FSC. This has both positive and negative aspects. Given that the Government is the main owner of the FSC, they also have a lot of influence. This opens up for quicker changes, but it can also have negative impacts since Governments do not always see what is best for the industry long term.

This is based on the fact that for an industry it often takes more than a decade to create competitive advantage, which is in conflict with the political time where a decade is like an eternity. The most common and profound error in Government industry policies is the ones that transmit static, short term cost advantages but unconsciously undermine innovation and dynamism (Hill et al. 2007). The analysis shows that this is not a problem that occurs to a big extent in the case of Fiji. The following discussion about the reform programs that the Government in Fiji is working on, confirms this.

A number of reform programs, mainly initiated from the Government, are being implemented in the Sugar Industry and the Mill Upgrade Program represents the most essential event of 2009. The reduction of the EU sugar price is still being one of the most important driving forces for the reform of the Sugar Industry (The Fiji Sugar Corporation – Annual report 2009). The reform programs that the Government has initiated play a significant role for the industry’s progress and future. The Government in Fiji has shown that they have the ability to put in reforms for both short and long term purposes, which is a great advantage for Fiji and the Sugar Industry. The subsidy for fertilizers, as Mr. Chandra and the SCGC mentioned, is an example of a more short term solution for the growers to be able to handle the increased prices. The Mill Upgrade Program is on the other hand a reform with big investments for long term purposes, which is vital for the industry to sustain.

The SCGC pointed out that if the farmers technical advisory services were increased, farm productivity would also increase. This is another part that the Government should emphasise, since the central goal of government policy toward the economy is to position a nation’s resources with high levels of productivity (Porter 1990). Based on this fact, increased farm productivity would benefit the farmers in the long term, increase both their efficiency and productivity and gain the whole industry and hence the nation. The bonus of three dollar per tonne that the Government paid the growers last year, which Mr. Sogendra Singh mentioned, is a good way to encourage the growers to produce as much as they can in order to increase their productivity. Of course the level of quality has to be maintained and all in all this is something that the whole industry benefits from.

Mr. Saran said that the Sugar Industry has been heavily politicised, and that the Government tries to change this by putting a lot of effort in removing politics from the industry. Mr. Gucake also told us that the former SCGC had to be solved to remove politics from the industry, and that the new council is appointed by the Government in contrast to the other one that was elected by the growers themselves. The Government is on the right way by trying to remove politics from the industry, since politics and industries has to be separate things but of course not isolated from each other. The big issue with resolving the SCGC is the growers’
poor possibility to influence and make their opinions heard; they are the fundaments of the industry and they should have a bigger role and a better possibility to influence the industry than they have today.

Mr. Gucake and the SCGC said that the Government also has made some wrong decisions. As Mr. Gucake explained, due to the price reduction the Government had to review and remove some of the institutions in the industry that did not add any value. This is positive and a way to increase efficiency and profit in the industry, but unfortunately the farmers suffer from the removal of the farm advisers. According to the local farmers, their main support is advising, and Mr. Gucake said that the new farmers really need advisory services and that the removal of the farm advisers was a cut in the wrong place. Lack of information could be a reason for this to occur, since if the Government does not have sufficient information to base decisions on their efforts and investments can easily become useless and even worsen the situation. The growers have a difficult situation as it is today, with the land problem and other issues, and the farm advisers have to be back in place to make the industry efficient and competitive in all sectors.

Even if the Government can make a vast difference, the Sugar Industry does not stand or fall because of it. But it does have an important role, based on the fact that to achieve productivity growth an economy must be continually upgrading and it is the Governments role to stimulate this kind of upgrading (Porter 1990). Mr. Gucake explained that the Government needs to increase the funding in absence of the EU funding to improve the Sugar Industry, which shows their awareness that Fiji can not be dependent on the support from the EU and they need to act on their own.

5.5 Competitiveness

The importance of nations has increased in the current situation in the world with growing global competition (Porter 1990) and to be able to answer the research question it was essential to evaluate Fiji’s position on the international as well as on the national market.

From Mr. Saran’s point of view, the only international competition is between Fiji and the other ACP-countries on the free market in the EU where the countries compete about getting as much quota allocation as possible in order to get maximum value out of the preferential price. To get as much quota allocation as possible is of big importance for Fiji as well as for the other ACP-countries, but to get as much quota as possible should anyhow not be the only thing to strive against, since there are a lot of other building blocks that are of high importance to achieve a competitive advantage. For instance, efficiency, quality, innovation and customer responsiveness are four factors that influence a company’s ability to build and sustain a competitive advantage (Hill et al. 2007), and these are all of high importance for Fiji to improve. These factors are therefore discussed throughout the analysis where quality is the one discussed next.
Quality is an important issue that has to be taken into account, from the very start of sugar production until the sugar is ready for consumption. This is especially due to that quality is one of the four factors that influence a company’s ability to build and sustain a competitive advantage. When it comes to quality, a product is said to have superior quality if the customer gets a greater value in its attributes than in rival products (Hill et al. 2007). Mr. Saran also made clear that improving the quality of sugar is an important task, and to a high extent the FSC tries to put in measures in the field to ensure that they do what they can to reach the required level of the quality of the sugar. He also explained that 75% of the quality is dependent upon the quality of cane coming through and that the factory itself has got a very little opportunity to change and affect the quality of sugar. For that reason, it is very important that the growers also put a lot of emphasis on the quality of the sugar cane, in order for Fiji to obtain as high quality sugar as possible and hence a greater value for the customers.

The Government can also influence quality, since strict standards for product performance, product safety and environmental impact pressures companies to improve quality, upgrade technology and provide features that respond to consumer and social demands (Porter 1990). This is a possibility for the Government to support the Sugar Industry, without any funds. As discussed under the section about trade, Fiji is trying to get fair trade certification which is positive in terms of quality.

Even though innovation is seen as the most important building block of competitive advantage since it provides the company with uniqueness and therefore makes the company able to differentiate itself from its rivals (Hill et al. 2007), Fiji’s main focus first of all should be to improve the production. Once the problems within the industry are solved and the production is back on a profitable level, we find it crucial to be innovative to get an advantage compared to their competitors.

### 5.5.1 National competitive advantage

The analysis regarding competitiveness is from now based on Figure 3.2 described in the frame of references. The figure consists of the determinants of national advantage, which are the reasons why a nation achieve international success in a particular industry (Porter 1990).

- **Factor conditions:** Upgrading of the skills is an important aspect of the efficiency in the industry, as Mr. Saran said. Especially since the skill level, according to SCGC, has gone down. The FSC puts a lot of emphasis on educational resources today, since competent workforce is essential in order to get required performance out of the machines, as Mr. Saran explained. This is very positive, but also the growers’ education needs to be improved so that the whole industry’s level of skills is strengthened due to the fact that factors such as skilled human recourse, is necessary to support a nation’s competitive advantage (Porter 1990).

For the reason that industries benefits from constructive support forms from the Government like investments in educational institutions (Porter 1990), the Government of
Fiji should support the industry with relevant education. According to Mr. Gucake, education is the portfolio that the Government supports with a lot of money, around 200 million FJD. This is very positive, but unfortunately Mr. Gucake could not say how big part, if any, of this is allocated for the Sugar Industry.

Nations facing selective disadvantages in the more basic factors, like lack of local raw materials and high land costs, can be prodded and forced to innovate and upgrade to be able to compete (Porter 1990). This concurs with the case of Fiji, due to the fact that they do have a lack of raw material for sugar production. As mentioned several times before, the production of sugar cane in Fiji has reduced and there are several reform programs in order to upgrade the sugar cane production.

- **Demand conditions:** Both Mr. Gucake and Mr. Saran are of the opinion that the home demand does not really influence the Sugar Industry in Fiji, due to the fact that the locals more or less take what they get. This can be seen as a disadvantage since the composition and character of home demand has significant impact on how companies interpret and act on buyer needs and that demanding buyers pressure the industry to innovate faster, resulting in a competitive advantage for the nation (Porter 1990). To achieve this, the industry showing their customers that they are open-minded for what they request is of high importance, in order to get the customers more demanding.

Mr. Gucake as well as Mr. Saran also told us that confectionary companies and Coca-Cola Company has special requirement for refined sugar. Mr. Gucake notified that the Prime Minister had asked the FSC about establishment of a local refinery to meet the demand, but the investments required are probably not feasible. He also said that the FSC is not in a healthy financial situation to be able to support this kind of investment. Mr. Saran on the other hand said that it is not really commercially possible to produce refined sugar for that small market and therefore they have to import it. Despite the fact that the FSC at the moment do not have the possibilities to invest in this kind of business, Fiji could have big potential for further development within the Sugar Industry by meeting this demand. By establishing a local refinery, the demand would increase and consequently also the exports. Even though it is costly to start up this kind of business it would profit Fiji in the long term.

The analysis has shown that Fiji has to work harder in order to meet their customer’s demand, due to the fact that to achieve better customer responsiveness a company has to do a better job than its competitors when it comes to identifying and satisfying the needs of its customers (Hill et al. 2007). As mentioned before, even though the demand for refined sugar at this point of view is very small, it can increase. As Mr. Saran said, it still raw sugar for general consumption, which is the main demand and it represents 95% of the total consumption. Of course Fiji’s primary goal should be to meet this demand, but it would be beneficial to open up for new market possibilities as well.
• **Related and supporting industries:** Where the Sugar Industry get the production inputs from is important, especially since Fiji is such a small and remote country. It is also important due to the fact that domestic suppliers provide the most cost-effective inputs and when all the supplier industries themselves are global competitors, the nation’s companies gain the most competitive advantage (Porter 1990). The mix of different suppliers, domestic and international, is an advantage since the risk is spread and it gives many benefits as just described.

Fiji’s production inputs are both domestic and international, but mostly domestic according to the FSC and the SCGC who both see advantages with this mix. Mr. Saran explains that given that the production inputs are largely domestic, it helps Fiji since the prices are more stable. When end-users and suppliers are located close to each other, they have the benefit of quick and constant flow of information with the short communication lines and a continuous exchange of ideas and innovation (Porter 1990), which are advantages that Fiji benefits from.

• **Firm strategy, structure and rivalry:** The aging farmers and the lack of interest in the Sugar Industry, which both the SCGC and Mr. Chandra described, is a big problem in Fiji. Therefore it is crucial to make sure that people in the industry have the right skills and get the education needed, in order to make the industry more attractive and as efficient as possible. This is based on the fact that which type of workplace gifted people choose influence a nations’ success to a large extent, since nations are more likely to be competitive in areas that people admire or rely on (Porter 1990).

The analysis has shown that there is no national competition in Fiji, since there is no competition between either the growers or the millers and also because, according to Mr. Saran, the FSC is the only one with the license to import and export sugar. The growers are, according to the SCGC, mostly individual farmers, but since they help each other there is not much competition. Both the local growers’ explained that between the growers there is rather cooperation than competition, due to the fact that the growers in Fiji have good relations and help each other as Mr. Chandra explained.

The SCGC explained that the growers and millers are separate, but work together to move the industry forward. Cooperation between the different growers and millers are of big importance for Fiji, they have to strive against the same goals in order to achieve profit and to move the industry in the right direction. But due to the fact that domestic rivalry forces companies to move beyond advantages of being in a specific country and thereby gain more sustainable advantages (Porter 1990), it would be good if there was at least some national competition.

Cooperation is of course very positive in many aspects, but competition would do the Sugar Industry good since cooperation and competition to some extent can mutually work together. To play the thriving supportive role for national competitiveness, the Government should encourage change, promote domestic rivalry and stimulate innovation (Porter
Therefore the Government can and should influence the national competition and open up for some rivalry among the growers and millers, because that would benefit the whole industry.

5.5.2 The effects of the default of support

Mr. Saran explains that the objective with the EU’s support is to improve Fiji’s competitiveness and due to this fact, he thinks that if the infrastructure had been improved, the fundamental issues to increase the cane production would have come online. The FSC, the SCGC and Mr. Sogendra Singh believes that Fiji’s competitiveness has changed because of the default of support from the EU, due to the fact that the production has gone down. The SCGC also think that it has caused poverty in the rural communities where people are unable to meet their aims, and that the prices have gone up badly after the default of support. The analysis has shown that the decline in production as well as the increased prices are two main factors that indicates the fact that the default of support actually has affected the industry and therefore also Fiji’s competitiveness.

Mr. Stantejsky on the other hand could not say with certainty that Fiji’s competitiveness has changed, but he believes that the Sugar Industry would only improve with the support since the money could have been spent on for instance adaptation measures and education. The support could considerably benefit the sector, and without it the situation just remains as it was before. Mr. Stantejsky also mentioned that the Sugar Industry still gets some support from the Government of Fiji, so the industry does not collapse only because the EU does not provide the funds. This is an important point of view, because it once again strengthens the fact that Fiji can not just wait for support, they have to act on their own and find other solutions.

Mr. Chandra is the only one who does not think that Fiji’s competitiveness has changed because of the default of support from the EU. This is a consequence of Mr. Chandra comparing the Sugar Industry to tourism, not to other sugar producing countries around the world. This is a very interesting approach, which shows that we have different views of the world and in many cases the local growers produce more for their own survival rather than for the country as a whole.

5.5.3 The future of the Sugar Industry in Fiji

Most of the respondents are of the opinion that the Sugar Industry in Fiji has potential to be sustainable and that it will continue to be a very important aspect of the economy in the future. But there are a lot of problems, for instance the land leases, that has to be solved. Mr. Saran says that the industry has the potential, but it is hard to get back to the levels in the past. Talking about the past, Mr. Habib would like the Sugar Industry in Fiji to come back to its glory days; to the time when they were actually rated amongst the top five best sugar producers in the world. That was in the 1970’s or early 80’s. At that time Fiji also had one of the most modern sugar research institutes, and the world learnt from them. This shows that
Fiji has big potential, being such a small country in the forefront of the industry. However, it is important not to think too much of the past, the future has to be in focus using the past as a spur.

Mr. Stantejsky also mentioned that the overall importance of the industry for the economy as a whole has declined in recent years and is expected to decline further in the future. Mr. Gucake has however a good feeling about the future of the Sugar Industry and thinks that it will increase. He also emphasises that the Government has act, and as mentioned before this is a very important point of view.

Mr. Habib on the other hand thinks that the future at this state looks a little gloomy, saying that: “We have a lot of determined people who want to turn it around, but it is like one hand is tied behind your back” (Mr. Habib 2010-05-11). Mr. Sogendra Singh thinks that the future of the industry is uncertain and bleak and Fiji will not be the major sugar producer in the years to come. He also says that the old mills will break down and the SCGC has to get back in place to be able to improve. Mr. Sogendra Singh as well as the SCGC made clear that without assistance the future is very uncertain. This has to do with the fact that the SCGC does not receive any support; it is totally funded by the cane farmers.

The analysis has shown that a lot of people in Fiji are, directly or indirectly, dependent on the Sugar Industry. This is something that the SCGC emphasises, with a large part of the people dependent on the industry it has to be sustainable to avoid chaos due to all the problems that would arise. When asking Mr. Habib if he think it is possible for the Sugar Industry in Fiji to get back to its glory days, he answered that nothing is impossible. He means that they have to hang on and keep fighting until they find a solution. “It will take long, it will be bloody and it is going to be hard” (Mr. Habib 2010-05-11).

5.5.4 Possibilities to compete on the world market

The respondents’ opinions are divided regarding whether Fiji has any possibilities to compete on the world market or not. Mr. Saran says that Fiji has a distinct possibility, but that Fiji is not quite there with the sugar cane production. Mr. Gucake means that the Sugar Industry in Fiji has to raise the efficiency and lower the cost of production to be able to be competitive and that Fiji has possibilities to be competitive without the support from the EU, with the reforms. Further, Mr. Saran believes that Fiji is an insignificant country on the world market and that they must meet their quota allocation to the EU, to be able to sell to the world market price on the world market.

Mr. Habib on the other hand thinks that it is practically impossible to compete on the world market under the current status. He means that they need assistance, but he does not know wherefrom. The Government is doing whatever they can, but as Mr. Habib explained: there are limitations to what the Government can do; they can not allocate more than a specific sum to support the Sugar Industry, because they need to look after the other sectors as well.
All in all, according to these statements nothing is impossible. There are a lot of opportunities for Fiji to compete on the world market, but it is a long way to get there. All the reforms and restructures have to be done accordingly, and everybody within the industry has to work against the same goals. According to the information from the SCGC Fiji has the advantage by having fixed markets, they are not left with any stand-over and can sell whatever they produce. It is good that there already is a market that is demanding enough sugar, and as long as it continues like that we do not see any meaning in striving for the world market. First of all Fiji has to make sure that they can get back to their maximum level of production, in order to sell as much as possible to their existing market.

Mr. Gucake says that the reduction in the industry has not resulted in any supplement products for Fiji and he means that the diversification for the growers has to increase; they can not rely on only one crop. Mr. Stantejsky said that Fiji has a comparative advantage not only in sugar. Tourism is also an important part of Fiji’s economy, and Mr. Stantejsky also added that Fiji is strong in fishing and the mahogany industry. Due to the fact that there are possibilities for Fiji to compete in other areas as well; they should not only rely on the Sugar Industry. Fiji has the workforce, and tourism is one area that definitely can be more developed. As Mr. Gucake clarified, tourism contributes with FJD 700 million as oppose to sugar which is FJD 238 million. He also explained that the agricultural products that could supplement cane could be the export of kava, taro and other vegetables, and even though none of them are big enough to match sugar in terms of quantity and industry state Fiji should try to increase the exports wherever possible.
6. Conclusions

This final chapter presents the conclusions which will give an answer to the research question. The conclusions are based on the analysis presented in the previous chapter. This is followed by recommendations and finally the methodological criticism is discussed.

6.1 The Sugar Industry in Fiji and its global competitiveness

By conducting this Minor Field Study enough knowledge has been achieved to make conclusions in order to answer the research question:

- Which possibilities does Fiji have to compete on the global market of sugar without the support from the EU?

- **The Sugar Industry in Fiji and the EU:** The first conclusion is that Fiji is more dependent on the Sugar Industry than on the support from the EU. Since such a huge part of the population is dependent on the Sugar Industry for their livelihood, Fiji has no other choice than to make sure that the industry will remain sustainable. The EU is however Fiji’s most important development partner and the cooperation with the EU benefits Fiji in several ways, especially in terms of trade and in order to make Fiji more competitive.

- **Trading agreements:** In order for Fiji to increase their competitiveness it is crucial not only to continue their cooperation with the EU, it is also important to maintain the cooperation with the other ACP-countries as well as the regional economic integration through the PICTA. The regional integration is the best way to move towards successful integration into the global economy and it is a great opportunity for Fiji to get an improved position on the world market.

- **Fiji’s dependence on the support:** The sugar assistance money from the EU would have been very useful for Fiji since they are in a process of restructuring the Sugar Industry. If they would get additional financial means to build up the industry they would also be able to export more sugar, leading to a bigger capacity to earn money from sugar exports. Since there is no other obvious donor for Fiji today and it is crucial that the industry gets support, the conclusion is that Fiji is dependent on the support from the EU.

- **Possibilities to compete on the world market:** When initiating this research, competing on the world market was an important aspect. But the analysis has shown that, even though Fiji has the possibility to increase their competitiveness on the regional as well as on the international market, there is no need for Fiji to strive after the world market today. Fiji has the advantage of having fixed markets and can therefore sell whatever they produce. In view of the fact that there is a market demanding all the sugar that Fiji can produce, the
primary goal for Fiji should rather be to get back to the maximum level of production in order to sell as much as possible to the existing market.

6.2 Recommendations
Based on the analysis and conclusions of this research, we will give a number of recommendations for the Sugar Industry in Fiji that we believe is crucial for its sustenance:

- Solve the land problem in order to be able to increase the number of farmers and hence the overall productivity in the industry.

- Continue and develop the cooperation with the EU and the other ACP-countries.

- The relation with Tate & Lyle in London should be well taken care of in order to remain long term and to be developed even further.

- Fiji should do whatever they can in order to increase their exports, not only in terms of sugar but in other industries as well.

- The Government should aim to fulfill their commitments to the EU in order to get the support from the EU. Simultaneously Fiji has to do whatever they can themselves in order to decrease their dependence on support.

- In order to increase the national competitiveness, domestic rivalry has to be created.

6.3 Methodological criticism
One complication when constructing the frame of references has been the poor availability of literature. The library at the University of Fiji as well as the Western Regional Library in Lautoka, were unfortunately very small with limited supply. We could therefore not achieve all the information required in form of secondary data, and as a result we had to use the Internet to a higher extent than planned. Since secondary data might have been collected in other purposes, it is important to review its origin and trustworthiness (Bryman & Bell 2005). For this reason, we put extra emphasis on verifying that the sources were reliable and to ensure the validity of the information.

In Fiji we were introduced to new words and concepts, regarding the Sugar Industry, which we were unaware of before we came to Fiji. This taught us that no matter how well you try to prepare yourself on beforehand you will always face some kind of problems. Even though we tried to prepare ourselves for the interviews, for instance by writing big parts of the frame of references, there were still some words and expressions that we did not recognize during the interviews. Therefore, one thing we could have done better regarding the interviews would have been to extend our vocabulary with words related to the Sugar Industry; that would have
eased our interviewing and decreased the risk of misunderstandings. In that way we would have obtained even more of the interviews.

Mr. Gucake had only worked at the Sugar Ministry for one year and was not able to give us all the answers to our interview questions. As he promised to give us complementing information by e-mail we hoped that we could get all the information requested. But since we did not receive the complementing information as promised, even though we stressed its importance several times, there is a lack of information regarding the Government’s point of view in a few areas that would have been interesting to analyse further.

Moreover, since we did not meet the most appropriate person at the EU (the person in charge of the sugar sector was out of the country at the time we visited Suva) we had to have a complementing interview regarding the questions focusing especially on the Sugar Industry. Even though we did not meet the most appropriate person right away, Mr. Stantejsky who we first met gave us a lot of valuable information and with the good complementation from Mr. Habib, we got all the information requested in the end. In addition we also got an extra person’s point of view, resulting in an even wider empirical part.

After concluding this thesis we have realised that our interview questions were far too many and we have been forced to exclude some of the answers when processing the data. Even though we could not use all the primary data gathered in the empirical part or the analysis, it gave us a deeper understanding about the Sugar Industry. Without using this knowledge as a basis, we would not have been able to understand the Sugar Industry in Fiji enough to be able to answer the research question.

One thing that has to be taken into consideration is the fact that it is hard to ingress in an industry in a foreign country during a period of only two months. There are a lot of aspects that has to be covered in order to get everything from the right point of view. Due to the fact that we did not have more time to immerse ourselves even more in the Sugar Industry, we did not get a comprehensive picture of the industry. On the other hand, we had the advantage of being objective researchers that had no personal involvement in the industry.

6.4 Further research

Due to the limited period of time, we could not take all different perspectives into consideration when analysing the Sugar Industry in Fiji. Other interesting areas that we can suggest for further research are:

- How can the land problem be solved?
- Which alternative sources of livelihood could be developed in order to supplement the Sugar Industry in Fiji?
- How much effort is put in Research and Development (R&D) within the industry?
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Appendix 1

Interview questions
Sugar Ministry, Fiji Government

Introducing questions
1. What is your position at the Sugar Ministry?
2. How long have you been working here?
3. Which are the main functions of the Sugar Ministry?

Economy
4. What is the current state of the economy in Fiji?
5. How big is the active workforce in Fiji?
6. How big part of the active workforce does the Sugar Industry provide employment to?
7. Does Fiji receive aid from any countries or organizations?
   - If yes, which ones?
   - How much?
   - How much is distributed to the Sugar Industry?
8. What did the former support from the European Union (EU) consist of?
9. Which industries have been most effected from the default of support from the EU?
10. To which extent does Fiji depend on the support from the EU?

The Sugar Industry
11. What does the reform program for sugar consist of?
12. To which extent is Fiji dependent on the Sugar Industry?
13. How big part of Fiji’s total income comes from sugar?
14. Which other important income sources does Fiji have?
15. How has the default of support from the EU effected the Sugar Industry?
16. Which are the most essential differences in the Sugar Industry today, compared to when Fiji received aid from the EU?
17. In what way does the Government support the Sugar Industry?
18. What does the Government do to improve the Sugar Industry?
19. In what way does the Government support education?
20. Are there any special investments for education within the Sugar Industry?

Sugar export
21. To which countries does Fiji mainly export its sugar?
   - Value and volume for each country?
22. Does Fiji have sufficient amount of sugar to support its own country?
23. How big is the home demand for sugar in Fiji?
24. Does the home demand influence the Sugar Industry in Fiji?
25. How has the default of support from the EU effected the export of sugar?

Competitiveness
26. Which countries are considered competitors on the world sugar market?
27. Which possibilities does Fiji have to compete on the world sugar market?
28. What are the special conditions of a small island like Fiji compared to the competitors?
29. Despite from sugar, what other industries can Fiji compete with on the global market?
30. Has the reduction in the sugar-industry resulted in any supplement-products for Fiji?
   - Diversification?
31. Which industries will Fiji focus on in the future?
32. What is the current situation of foreign investment?
33. Has the situation of foreign investment changed because of the default of support from the EU?
34. In what way does the Government influence the level of foreign investment?
35. Which advantages does the Sugar Industry in Fiji have compared to its competitors?
36. Compared to the competitors, what kind of disadvantages does the Sugar Industry in Fiji have?
37. What kind of opportunities does the Sugar Industry in Fiji have?
38. What kind of environmental threats does the Sugar Industry in Fiji face?
39. Has Fiji’s competitiveness changed because of the default of support from the EU?
   - If yes, in what way?
40. What do you think the future of the Sugar Industry in Fiji will look like?
   - National / international, other industries, new markets?

41. Is there anything you would like to add?
42. Is it possible to contact you, if we need complementing information?
Interview questions
European Union’s (EU’s) head office in Suva, Fiji

Introducing questions
1. What is your position at the EU’s head office in Suva?
2. How long have you been working here?
3. Which are the main functions of the EU’s office in Fiji?

Cooperation between the EU and Fiji
4. What is the current state of the economy in Fiji?
5. What is the current strategy for the ACP-countries?
6. When was the cooperation between the EU and Fiji established?
7. What does the cooperation between the EU and Fiji consist of?
8. In what way has the cooperation changed since it first started?
9. In what way does the cooperation gain the EU?
10. What year did Fiji receive aid from the EU for the first time?
11. For what reason did the EU give aid to Fiji?
12. What did the former support from the EU consist of?
13. What are the reasons for not giving aid today?
14. What does the development program for Fiji consist of?

The Sugar Industry
15. How big part of the former aid was distributed to the Sugar Industry?
16. To which extent is Fiji dependent on the Sugar Industry?
17. How has the default of support from the EU effected the Sugar Industry?
18. To which extent does Fiji depend on the support from the EU?
19. Which are the most essential differences in the Sugar Industry today, compared to when Fiji received aid from the EU?
20. What kinds of programs are created especially for the Sugar Industry in Fiji?
21. Is the Sugar Protocol still valid?
   - If yes, what does the Sugar Protocol consist of?
22. What does the regional free-trade area (the PICTA) focus on regarding Fiji?
23. Which factors influence the sugar prices?

Competitiveness
24. In which areas does Fiji have a comparative advantage?
25. What possibilities does Fiji have to compete on the world sugar market without aid from the EU?
26. How does Fiji’s location as an isolated island effect its competitiveness on the world sugar market?
27. How can the cooperation with the EU stimulate Fiji’s trade?
28. Which advantages does the Sugar Industry in Fiji have compared to its competitors?
29. Compared to the competitors, what kind of disadvantages does the Sugar Industry in Fiji have?
30. What kind of opportunities does the Sugar Industry in Fiji have?
31. What kind of environmental threats does the Sugar Industry in Fiji face?
32. Has Fiji’s competitiveness changed because of the default of support from the EU?
   - If yes, in what way?
33. What do you think the future of the Sugar Industry in Fiji will look like?
   - National / international, other industries, new markets?

34. Is there anything you would like to add?

35. Is it possible to contact you, if we need complementing information?
Appendix 3

Complementing questions
European Union (EU) in Lautoka, Fiji

Introducing questions
1. What is your position at the European Union?
2. How long have you been working here?

Cooperation between the EU and Fiji
3. What is the current state of the economy in Fiji?
4. What are the differences between the Sugar Protocol and the new agreement, the EPA?

The Sugar Industry
5. What is the current state of the Sugar Industry in Fiji?
6. To which extent is Fiji dependent on the Sugar Industry?
7. How has the default of support from the EU affected the Sugar Industry?
8. Which are the most essential differences in the Sugar Industry today, compared to when Fiji received aid from the EU?

Competitiveness
9. What possibilities does Fiji have to compete on the world sugar market without aid from the EU?
10. Which advantages does the Sugar Industry in Fiji have compared to its competitors?
11. What do you think the future of the Sugar Industry in Fiji will look like?
   - National / international, other industries, new markets?

12. Is there anything you would like to add?
13. Is it possible to contact you, if something is unclear?
Interview questions
Millers, the Fiji Sugar Corporation Limited

Introducing questions
1. What is your position at Fiji Sugar Corporation (FSC)?
2. How long have you been working here?

The FSC
3. Which are the main functions of FSC?
4. How is the ownership between the different shareholders allocated?
5. What does FSC do to improve the efficiency in the Sugar Industry?
6. What does FSC do to improve the quality of sugar?
7. What does FSC do to develop new market opportunities?
8. Which are the customers of FSC?
9. How does FSC build long-term relationships with its customers?
10. How are the relations between the different millers in Fiji?

The Sugar Industry
11. What is the current state of the Sugar Industry in Fiji?
12. Productivity, equipment standards, efficiency?
13. How can the mill productivity increase?
14. To which extent is Fiji dependent on the Sugar Industry?
15. With how much does the Sugar Industry contribute to the Gross Domestic Product (GDP)?
16. How has the default of support from the EU effected the Sugar Industry?
17. How much resources are distributed to education of the millers?
18. Does the millers have sufficient workforce with appropriate skills?
19. What is the current standard of infrastructure in Fiji?
20. Are the production inputs domestic or international?
21. What are the advantages of having domestic/international production inputs?

Sugar export
22. How big part of Fiji’s total export does the Sugar Industry generate?
23. How has the default of support from the EU effected the export of sugar?
24. To which countries does Fiji mainly export its sugar?
25. Value and volume for each country?
26. Does Fiji have sufficient amount of sugar to support its own country?
27. How big is the home demand for sugar in Fiji?
28. Does the home demand influence the Sugar Industry in Fiji?

Competitiveness
29. Is there any national competition on the sugar market in Fiji?
30. Which countries are considered competitors on the world sugar market?
31. Which advantages does the Sugar Industry in Fiji have compared to its competitors?
32. Compared to the competitors, what kind of disadvantages does the Sugar Industry in Fiji have?
33. What kind of opportunities does the Sugar Industry in Fiji have?
34. What kind of environmental threats does the Sugar Industry in Fiji face?
35. Which possibilities does Fiji have to compete on the world sugar market?
43. What are the special conditions of a small island like Fiji compared to the competitors?
44. Has Fiji’s competitiveness changed because of the default of support from the EU?
   - If yes, in what way?
45. What do you think the future of the Sugar Industry in Fiji will look like?
   - National / international, other industries, new markets?
46. Is there anything you would like to add?
47. Is it possible to contact you, if we need complementing information?
Interview questions
Growers, the Sugar Cane Growers Council

Introducing questions
1. What is your position at the Sugar Cane Growers Council (SCGC)?
2. How long have you been working here?

The SCGC
3. Which are the main functions of the SCGC?
4. How do the SCGC encourage development in the Sugar Industry?
5. What does the SCGC do to improve economic growth?
6. What does the SCGC do to improve the social being of growers?
7. Does the SCGC receive any support from different institutions or organisations?
8. If yes, what kind of support?

The Sugar Industry
9. What is the current state of the Sugar Industry in Fiji?
10. Productivity, equipment standards, efficiency?
11. How can the farm productivity increase?
12. To which extent is Fiji dependent on the Sugar Industry?
13. How has the default of support from the EU effected the Sugar Industry?
14. Which are the most essential differences in the Sugar Industry today, compared to when Fiji received aid from the EU?
15. What value does the Sugar Industry generate each year?
16. What is the current number of active growers in Fiji?
17. Does the growers have sufficient workforce with appropriate skills?
18. How much resources are distributed to education of the cane growers?
19. How is the ownership in Sugar Industry structured?
20. Family-owned? Public-owned?
21. Which obligations do the cane farmers have to the industry?
22. Are the production inputs domestic or international?
23. What are the advantages of having domestic/international production inputs?

Competitiveness
24. How are the relations between different growers in Fiji?
25. Cooperation or competition?
26. Do all the growers work under equal conditions?
27. Same support, education, prices?
28. Which advantages does the Sugar Industry in Fiji have compared to its competitors?
29. Compared to the competitors, what kind of disadvantages does the Sugar Industry in Fiji have?
30. What kind of opportunities does the Sugar Industry in Fiji have?
31. What kind of environmental threats does the Sugar Industry in Fiji face?
32. Has Fiji’s competitiveness changed because of the default of support from the EU?
33. If yes, in what way?
34. What do you think the future of the Sugar Industry in Fiji will look like?
35. National / international, other industries, new markets?

36. Is there anything you would like to add?
37. Is it possible to contact you, if we need complementing information?
Appendix 5

Interview questions
Local Grower, Lautoka

Introducing questions
48. How long have you been working in the Sugar Industry?
49. How is your farm structured?
   - Any employees? Family-owned?
50. What is the size of your growing area?
51. How much sugar do you produce each year?

Working conditions
52. What is your opinion about the Sugar Cane Growers Council (SCGC)?
53. Does the SCGC contribute to improvements in the Sugar Industry?
54. What kinds of working conditions are there in the Sugar Industry today?
55. How has the working conditions changed since you started working with sugar?
56. In what way does the SCGC influence the working conditions for the growers?
57. Which obligations do the cane farmers have to the industry?
58. What kinds of supports are available for the growers?

The Sugar Industry
59. What is the current state of the Sugar Industry in Fiji?
   - Productivity, equipment standards, efficiency?
60. How can the farm productivity increase?
61. To which extent is Fiji dependent on the Sugar Industry?
62. How has the default of support from the EU effected the Sugar Industry?
63. Which are the most essential differences in the Sugar Industry today, compared to when Fiji received aid from the EU?

Competitiveness
64. How are the relations between different growers in Fiji?
   - Cooperation or competition?
65. Do all the growers work under equal conditions?
   - Same support, education, prices?
66. Which advantages does the Sugar Industry in Fiji have compared to its competitors?
67. Compared to the competitors, what kind of disadvantages does the Sugar Industry in Fiji have?
68. What kind of opportunities does the Sugar Industry in Fiji have?
69. What kind of environmental threats does the Sugar Industry in Fiji face?
70. Has Fiji’s competitiveness changed because of the default of support from the EU?
   - If yes, in what way?
71. What do you think the future of the Sugar Industry in Fiji will look like?
   - National / international, other industries, new markets?

72. Is there anything you would like to add?
73. Is it possible to contact you, if we need complementing information?
Linnaeus University – a firm focus on quality and competence

On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.

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