

APPENDIX TO FIJI SUBMISSION

AUSTRALIAN REVIEW OF POST 2005 TCF ASSISTANCE

AUSTRALIA FIJI TRADE

March 2003

INTRODUCTION

This Appendix has been prepared in support of the Fiji Submission (developed jointly by the TCF Council of Fiji and the Fiji Ministry of Commerce, Business Development and Investment) to the Productivity Commission's Review of Australia's TCF assistance arrangements.

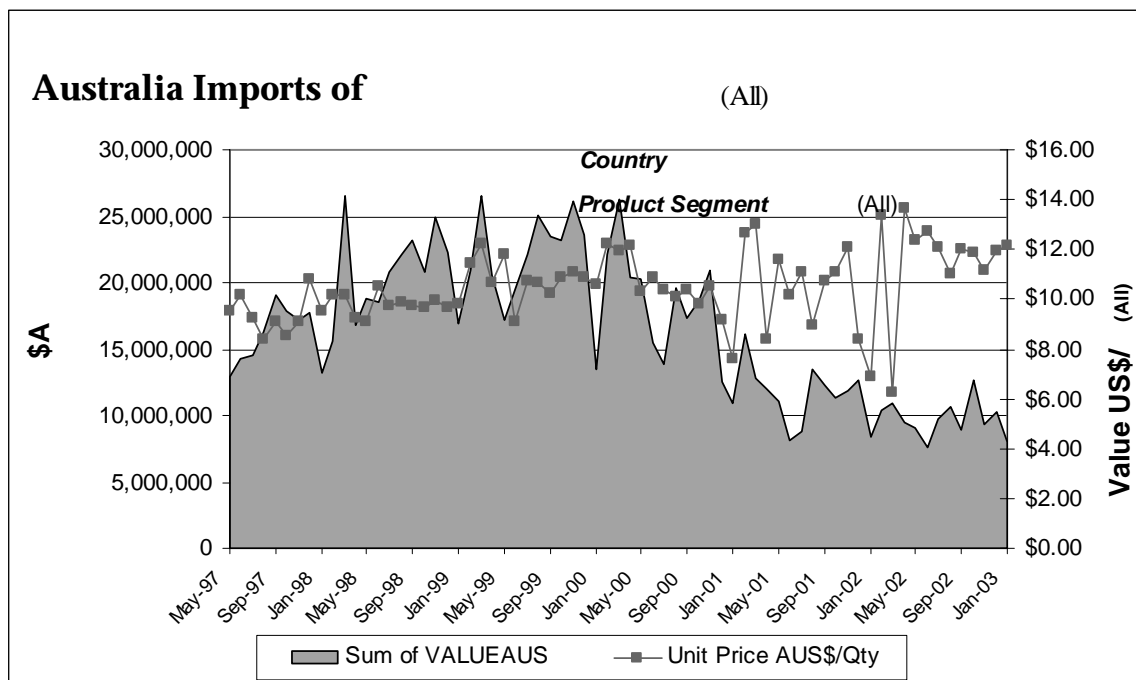
The purpose of this Appendix is to highlight trends in TCF trade between Australia and Fiji, since the Australian assistance arrangements were last reviewed in 1997 – especially at the more disaggregated product level. To avoid confusion, given that this document has been prepared for an Australian review, all graphs are presented from the Australian perspective.

AUSTRALIA'S TCF IMPORTS FROM FIJI

Australia's total imports of TCF goods from Fiji is depicted in Chart 1 below. As highlighted in the submission proper, this shows that the total value of Fiji's TCF exports to Australia have been on steady and significant downward trend since mid 2000 – whereas up until that point of time, imports had been steadily rising.

However, apart from some notable aberrations in early 2002, the average unit value of these exports has increased (by some 20%) on that prevailing in the 1990's. This is a reflection of both, the fact that the cost induced by the loss of the Import Credit Scheme has needed to be passed on to some extent, and the fact that Fiji make up is increasingly focussing on higher value products (and higher mix of wovens to knits).

Chart 1: Australia's Total Imports of TCF Products ex Fiji



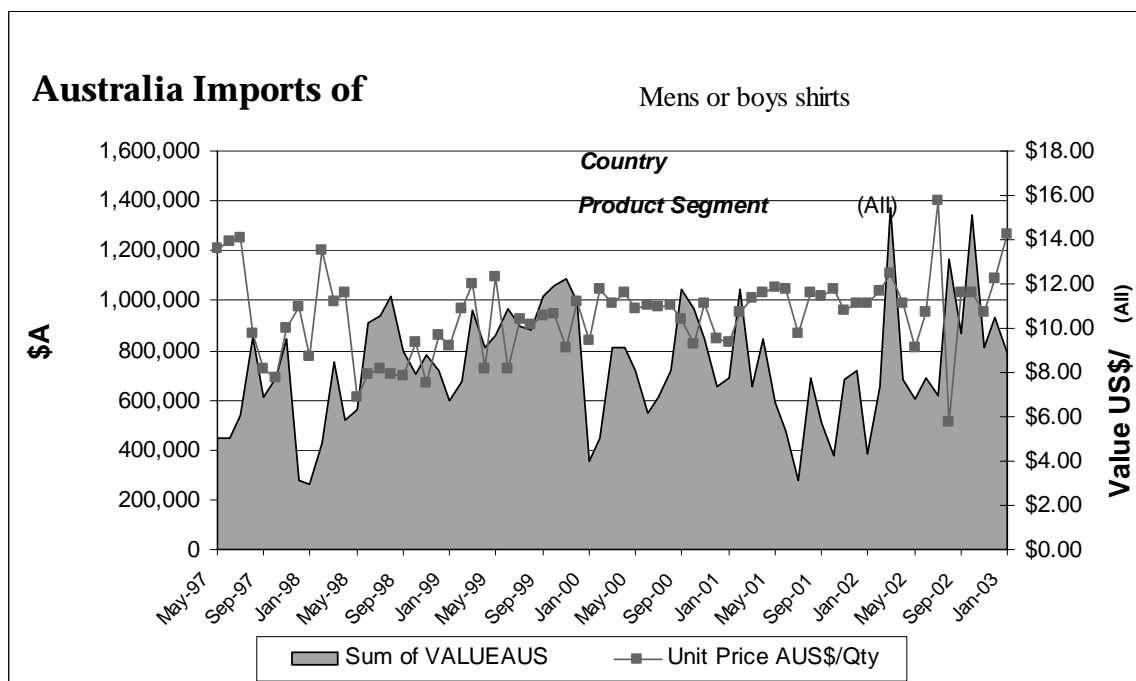
Source: Kreitals Consulting Group / TradeData

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Within the overall exports, there are a number of specific product lines that dominate (or once dominated). Principally these are shirts and blouses, suits, jackets and trousers/dresses, knitted jumpers, tracksuits, T-shirts and polo shirts, women's intimate apparel, bed linen and leather footwear. Trends in Australia's trade with Fiji in these areas are examined in greater detail below.

As highlighted in Chart 2 below, Fiji's exports of male woven shirts to Australia dropped considerably immediately after 1999/00. However, following a fall off in trade in late 2001, Fiji's trade activities in this area at least seem to have returned to (and in some months exceeded) to levels predominating in the late 1990's.

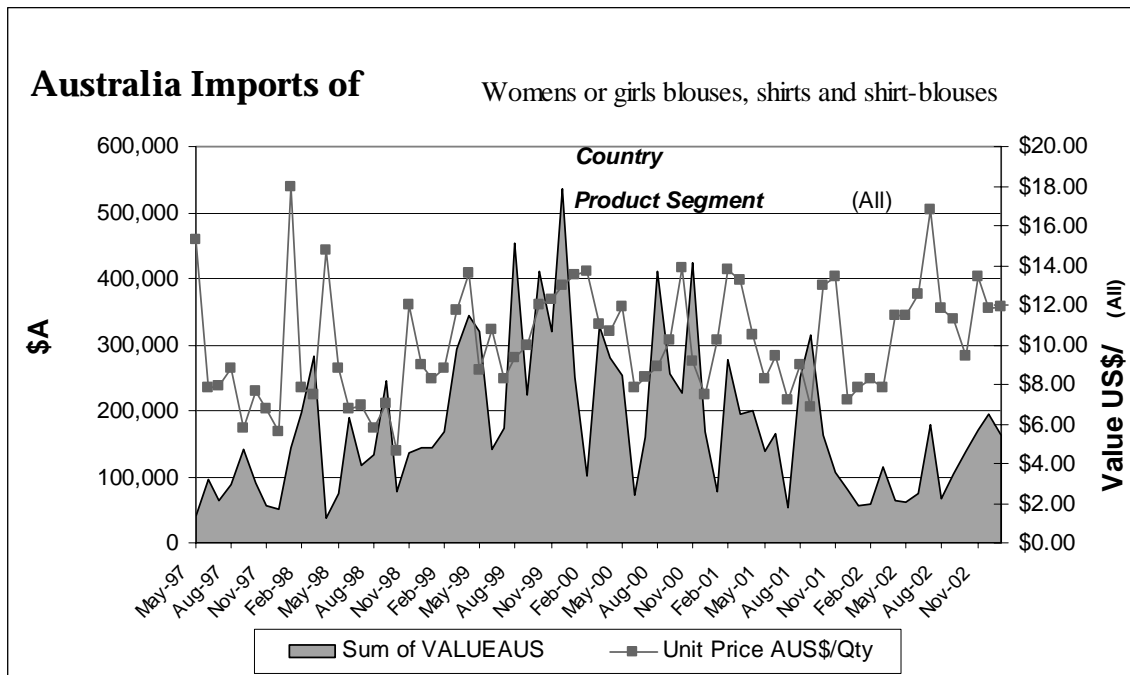
Chart 2: Australia's Imports of Men's Shirts ex Fiji



Source: Kreitals Consulting Group / TradeData

On the other hand, Fiji's exports of women's woven shirts and blouses has fallen off significantly since the peak in activity in 1999 – 2000 (see Chart 3 below). While at its peak, trade in women's shirts was still less than half of that in men's shirts, now it is only around 20% of trade levels recorded for the latter.

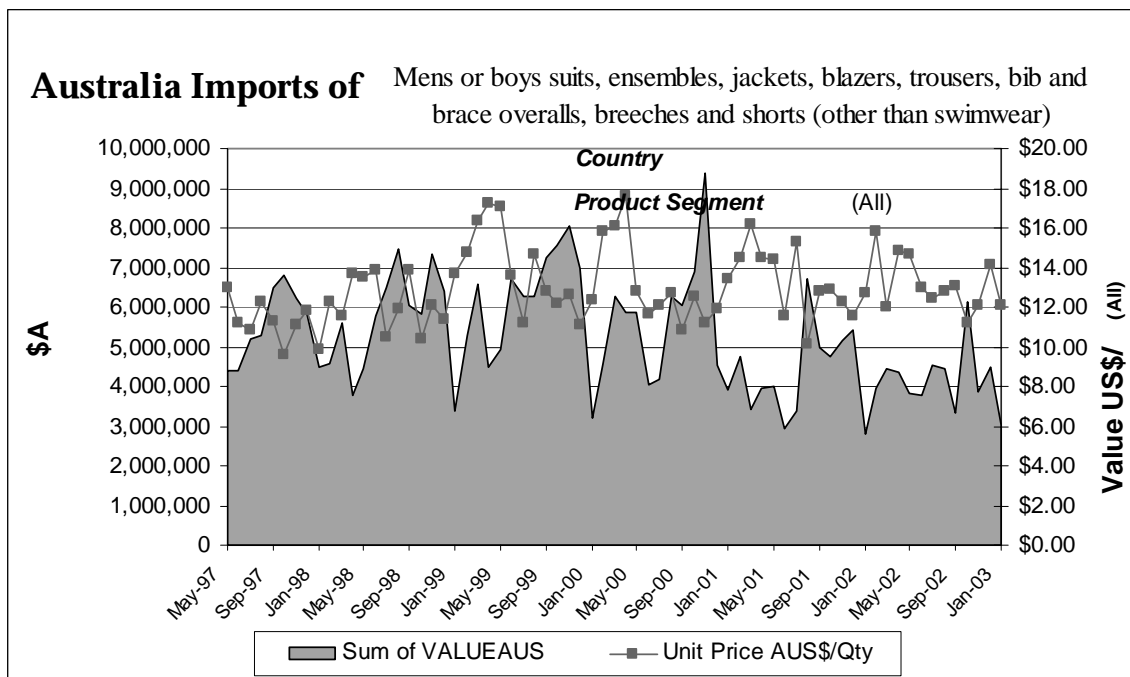
Chart 3: Australia's Imports of Women's Shirts ex Fiji



Source: Kreitals Consulting Group / TradeData

Chart 4 below shows that Australia's imports of men's suits, jackets, trousers, etc have declined appreciably since 1999/2000, but trade is still significant at around \$4 million per month.

Chart 4: Australia's Imports of Men's Suits, Jackets, Trousers, etc ex Fiji

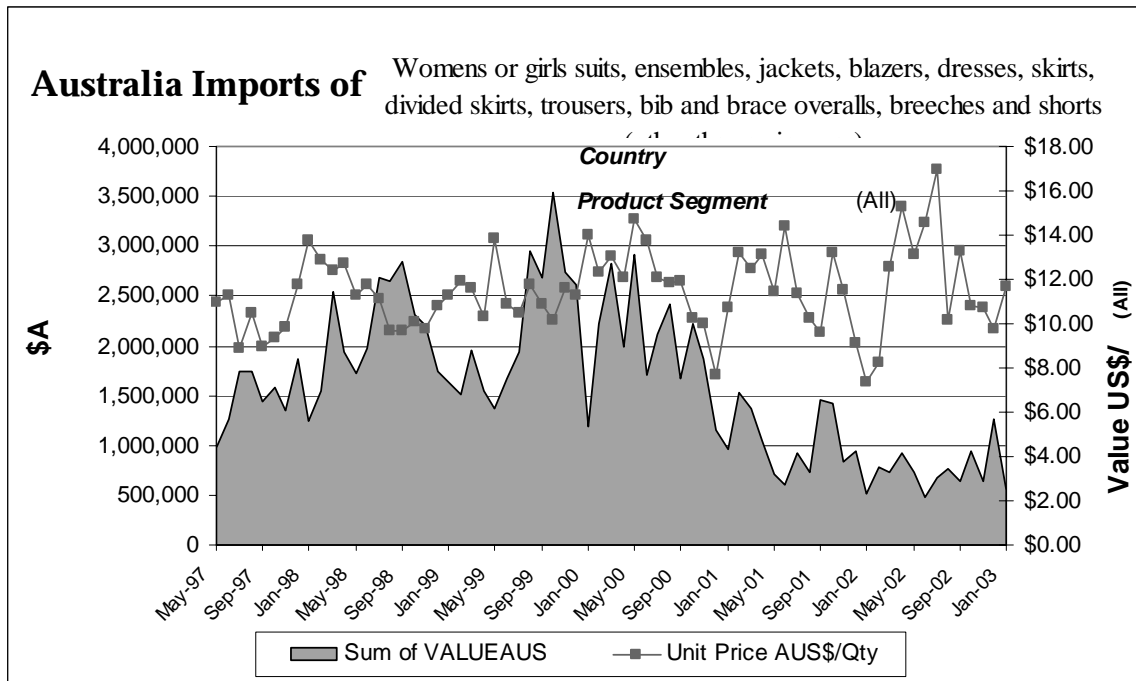


Source: Kreitals Consulting Group / TradeData

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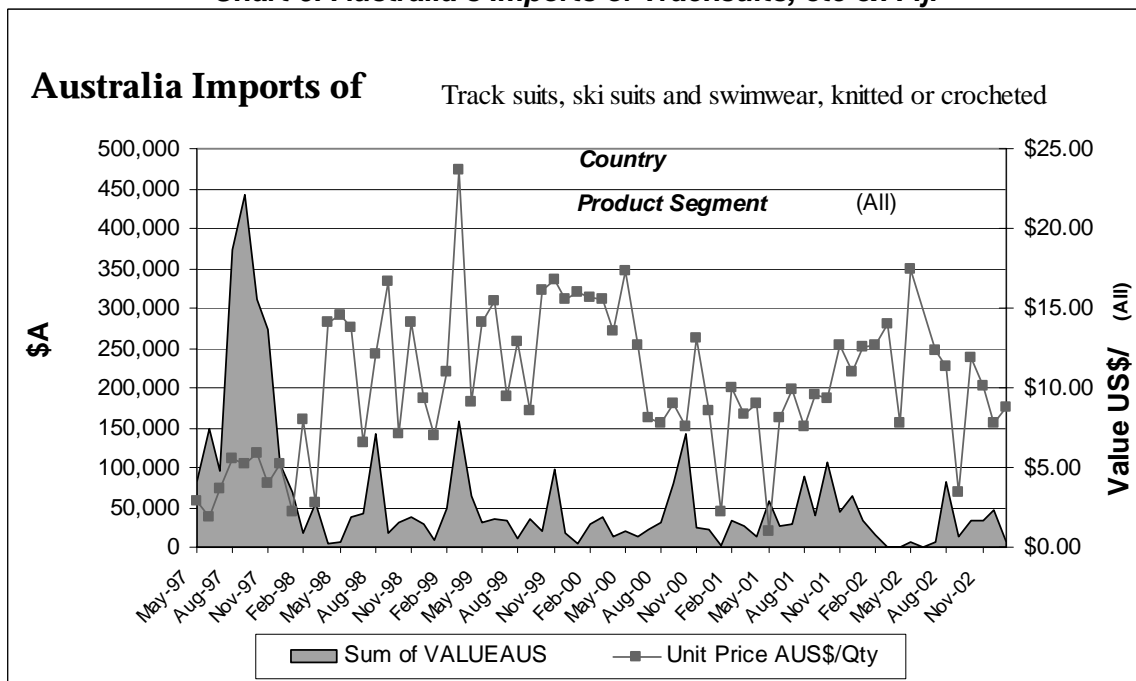
However, while trade in men's structured apparel seems to have stabilised at reasonable levels, the same does not hold true for similar women's apparel – as evidenced by Chart 5 below. Australia's imports of women's outerwear has fallen right away from the peak in 1999/00 – ie from a monthly peak of \$3.5 million to an average of \$750,000 a month now.

Chart 5: Australia's Imports of Women's Suits, Jackets, Dresses, etc ex Fiji



Source: Kreitals Consulting Group / TradeData

Chart 6: Australia's Imports of Tracksuits, etc ex Fiji

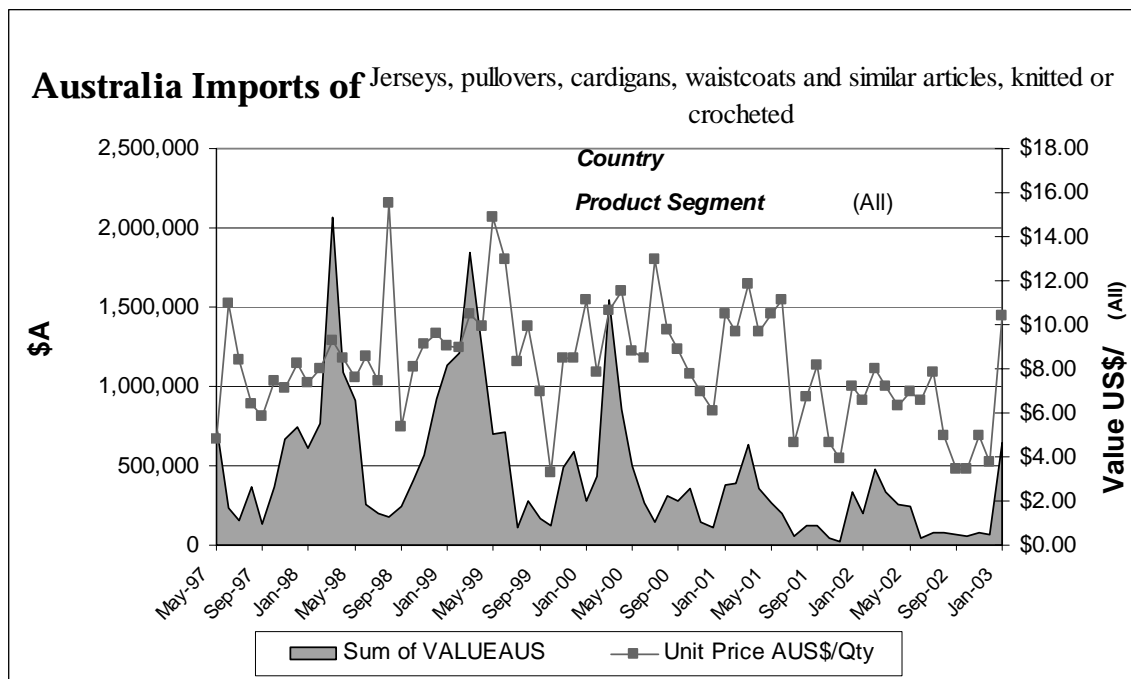


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Make up of tracksuits in Fiji, for subsequent export to Australia, was a major area of activity in the mid 1990's. But as can be seen from Chart 6 above, Australia's imports of this product line from Fiji had already cut back after 1997.

Fiji was also a major supplier of knitted jumpers to Australia during the late 90's, but this is no longer the case. As Chart 7 depicts, trade in this area peaks in May, but while this was at levels of more than \$1.5 million in the 3 years to 2000, it is now only a third of that.

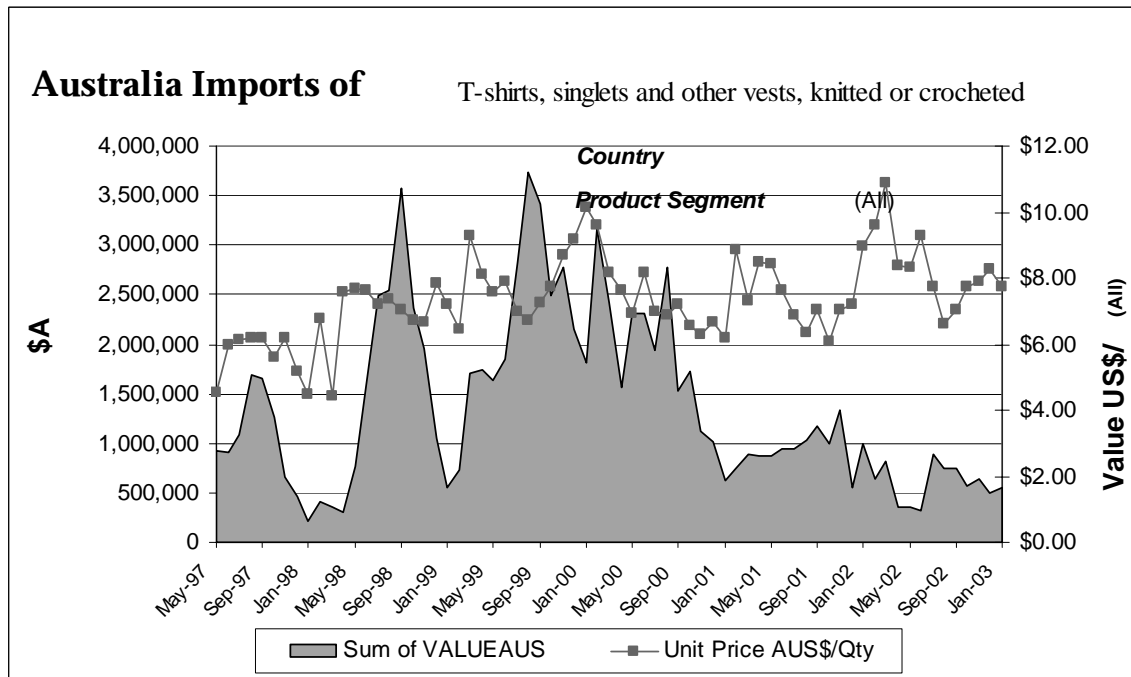
Chart 7: Australia's Imports of Knitted Jumpers ex Fiji



Source: Kreitals Consulting Group / TradeData

The make up of T-shirts is another area where considerable production activity has been lost in Fiji. Australia's imports of T-shirts from Fiji peaked in 1999/00, but as shown in Chart 8 below, this declined significantly once the Import Credit Scheme was terminated. However, Australia's imports are still around \$0.5 million per month, which is maintaining some demand for a small number of Lautoka based manufacturers.

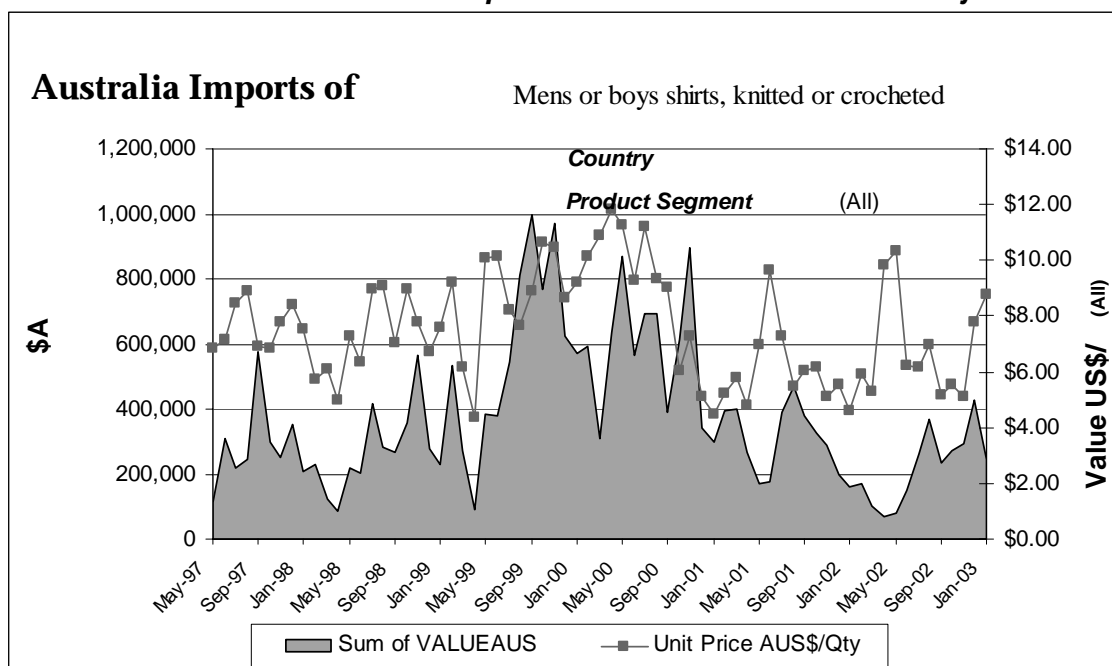
Chart 8: Australia's Imports of T-Shirts ex Fiji



Source: Kreitals Consulting Group / TradeData

Australia's imports of knitted polo shirts have also declined since the peak in 1999/00. However, these had never reached more than \$1 million per month, and trade levels now appear to be only marginally lower than those prevailing through most of the 1990's – see Chart 9 below.

Chart 9: Australia's Imports of Men's Knitted Shirts ex Fiji

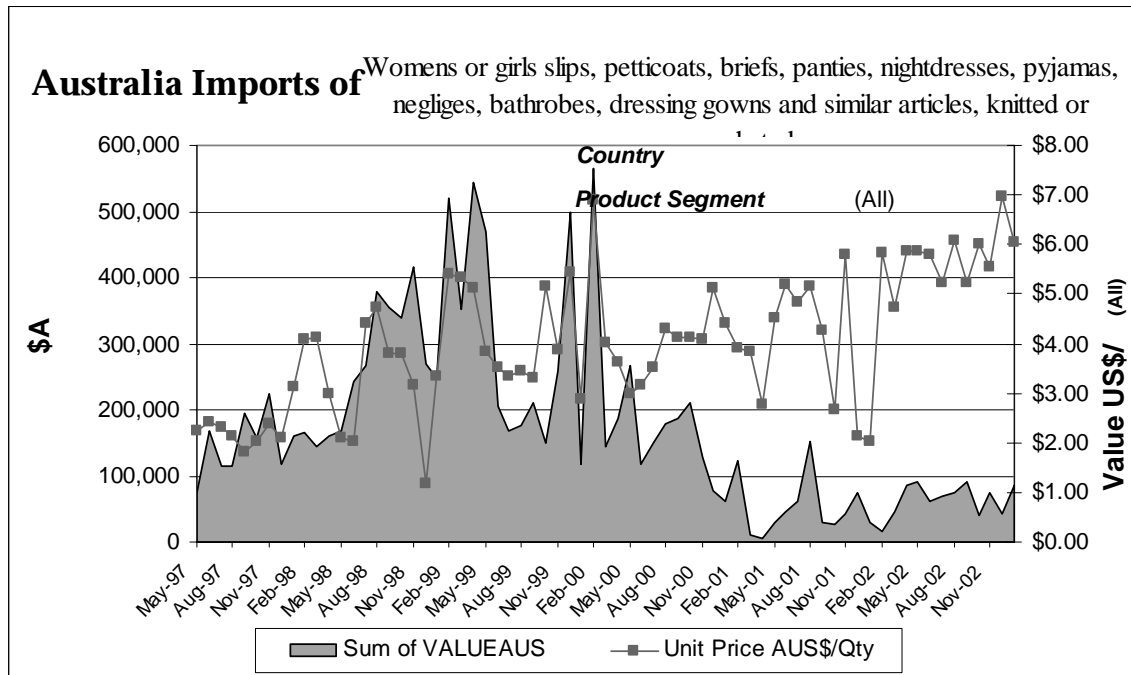


Source: Kreitals Consulting Group / TradeData

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Another area in which Fiji production (and consequent export to Australia) has fallen away significantly since the late 1990's is in women's intimate apparel (ie briefs, panties, slips) – see Chart 10. This can largely be attributable to the then Sara Lee owned group of companies ceasing to contract make up in Fiji, once they realised that the Import Credit Scheme would not be extended.

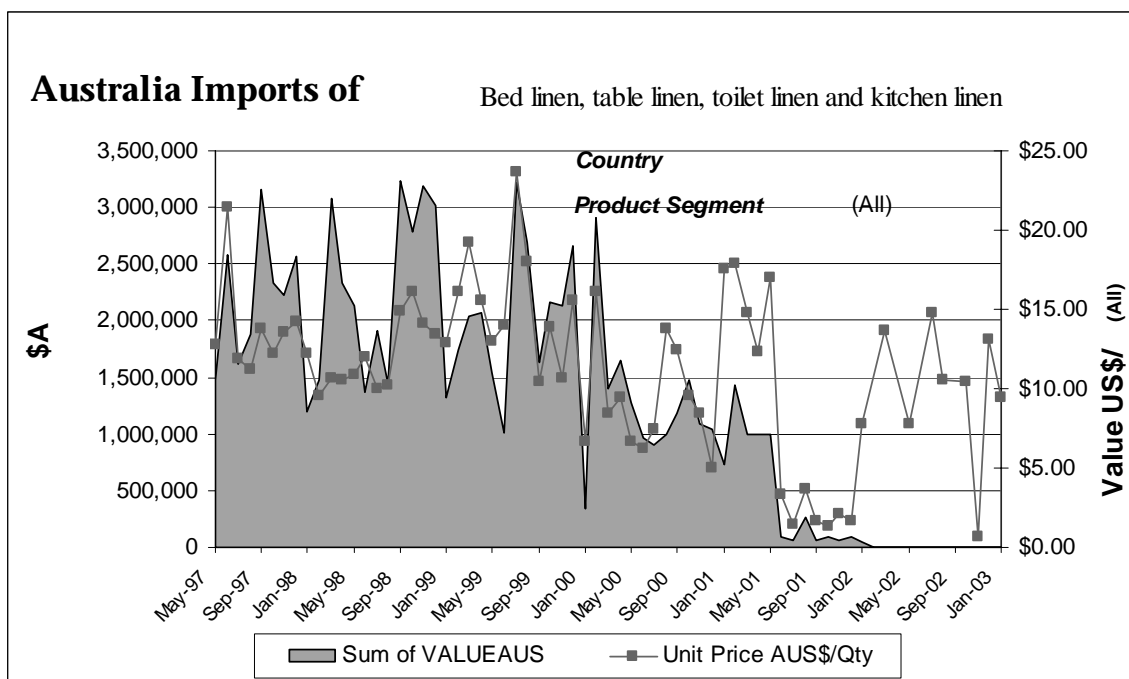
Chart 10: Australia's Imports of Women's Intimate Apparel ex Fiji



Source: Kreitals Consulting Group / TradeData

Bed Linen activity is another area which has virtually disappeared in Fiji, as dramatically represented at Chart 11 below. After recording average monthly exports to Australia in excess of \$2 million in the late 1990's, trade is virtually non-existent after 2001 (when the major manufacturer in Fiji closed down).

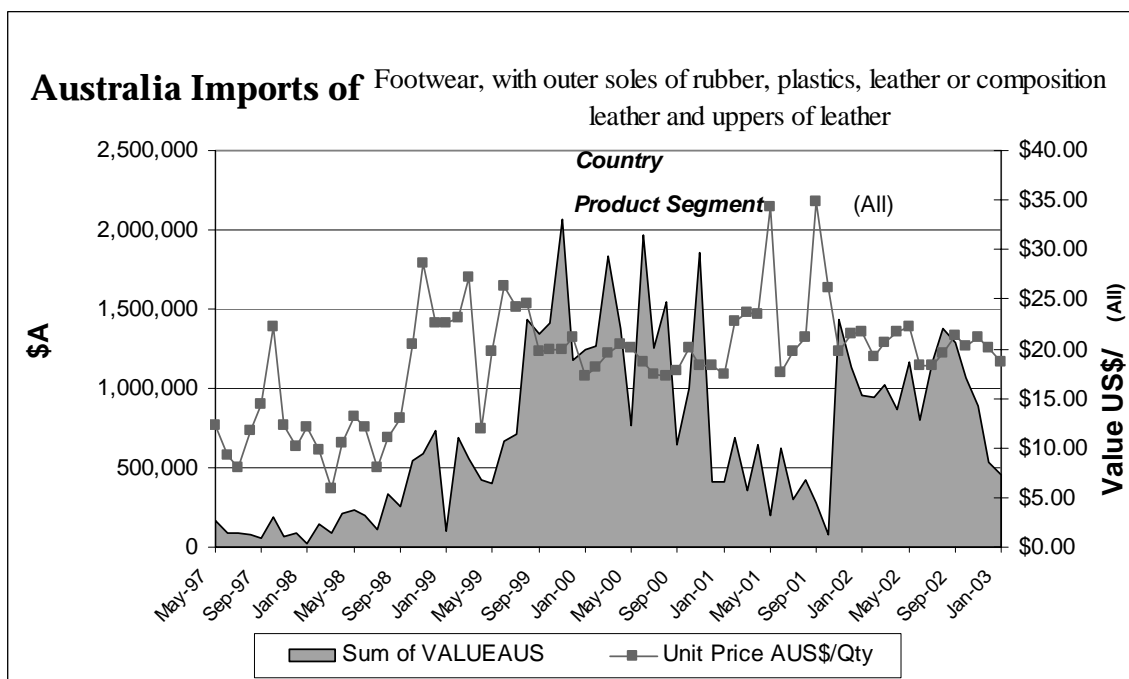
Chart 11: Australia's Imports of Bed Linen, etc ex Fiji



Source: Kreitals Consulting Group / TradeData

While Australia's imports of leather footwear are not as high now as the peak in 1999/00, Chart 12 shows that trade levels are still reasonable. Indeed, trade levels have experienced an obvious resurgence in this last year, after the poor performance in 2001.

Chart 12: Australia's Imports of Leather Footwear ex Fiji



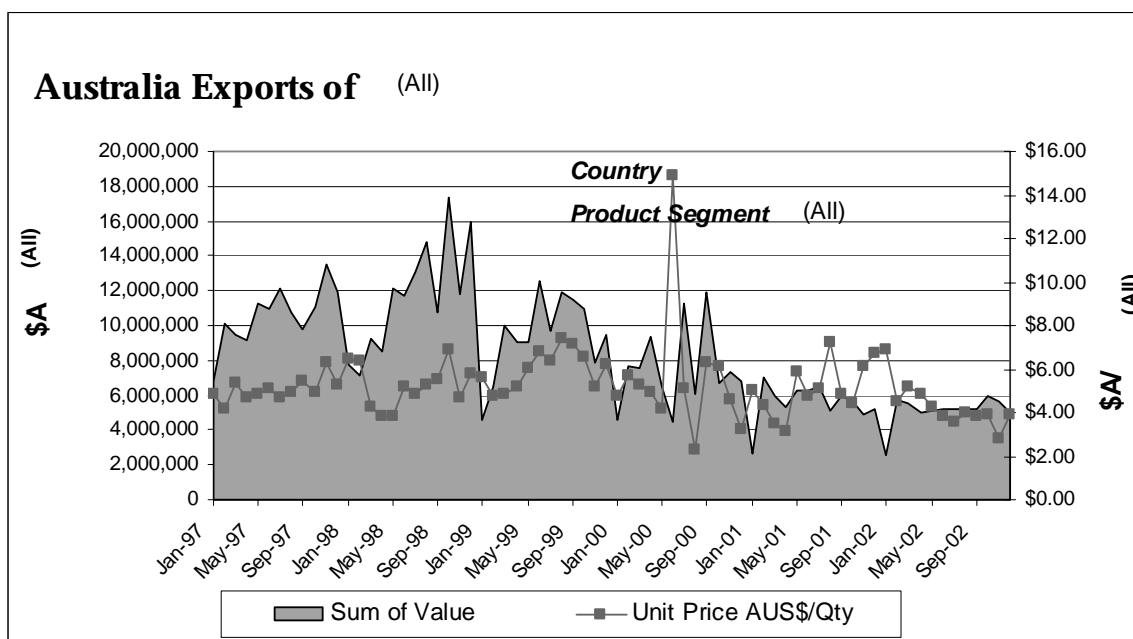
Source: Kreitals Consulting Group / TradeData

AUSTRALIA'S TCF EXPORTS TO FIJI

As would be expected, the longer term trend in Australia's exports of TCF products to Fiji is similar as that recorded for Australia's imports of TCF goods from Fiji. This is because Fiji relies on utilising Australian made intermediate products in its make up of the finished product. As Australia's demand for Fiji clothing and footwear has declined, so in turn has Fiji's demand for Australia's fabric and leather.

Chart 13 shows that Australia's exports to Fiji have steadily declined since peaking in 1998/99. However, the rate of decline does not appear to be as severe as that evident for TCF trade in the other direction.

Chart 13: Australia's Total Exports of TCF Products to Fiji



Source: Kreitals Consulting Group / TradeData

Woven Cotton Fabrics

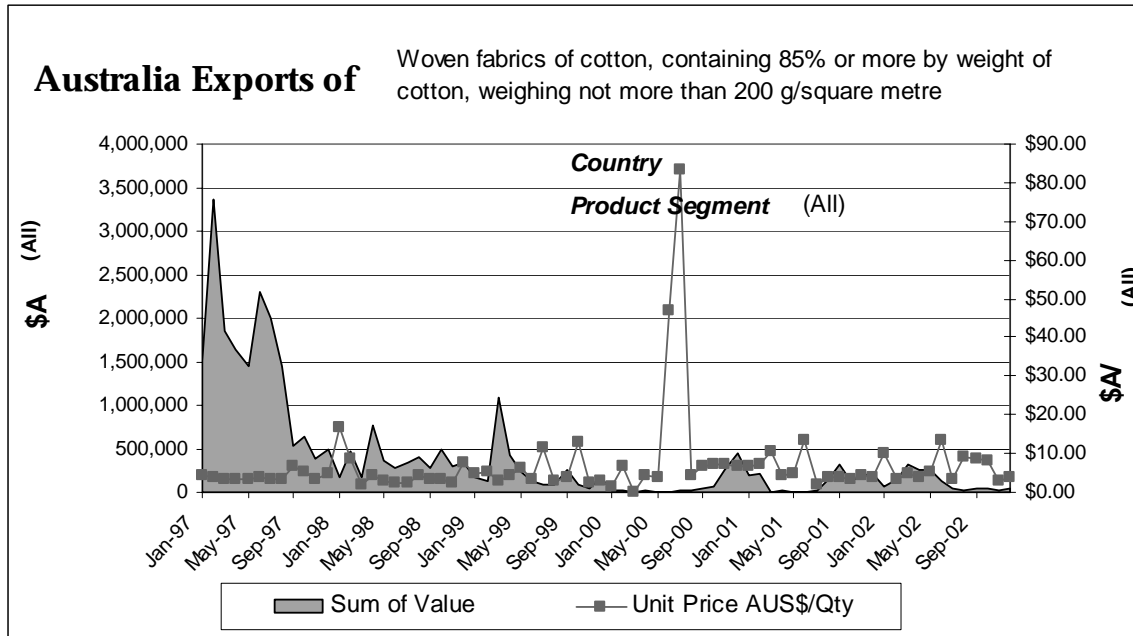
As demonstrated in Charts 14 to 17, Australia's exports of predominantly cotton woven fabrics have declined significantly since 1997. However, the trend varies considerably depending on the extent of cotton composition in the fabric and the weight of the fabric.

In 1997 (particularly early in the year), exports of cotton fabrics weighing less than 200 gsm were very significant. The most prominent exports were in cotton/cotton rich fabrics (ie greater than 85% cotton), with exports averaging around \$2 million per month in the year (see Chart 14). While exports of fabrics of cotton/man made fibre blend were not as significant, they still exceeded \$1 million per month in the early part of 1997 (Chart 16). However, as can be seen in both Charts, exports declined considerably after 1997, to negligible levels now.

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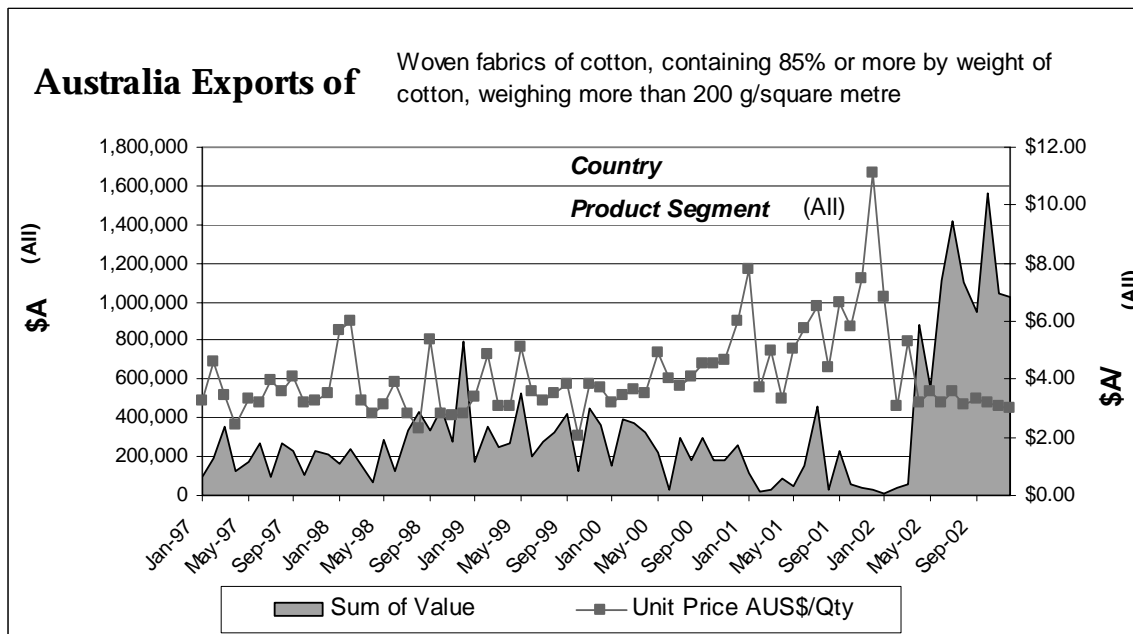
Interestingly though, Australia's exports of cotton rich fabrics, exceeding 200 gsm in weight, have increased significantly in the last year, exceeding \$1 million per month since May (and peaking at over \$1.5 million in October 2002) – see Chart 16.

Chart 14: Australia's Exports of Lesser Weight Woven Cotton Fabrics to Fiji



Source: Kreitals Consulting Group / TradeData

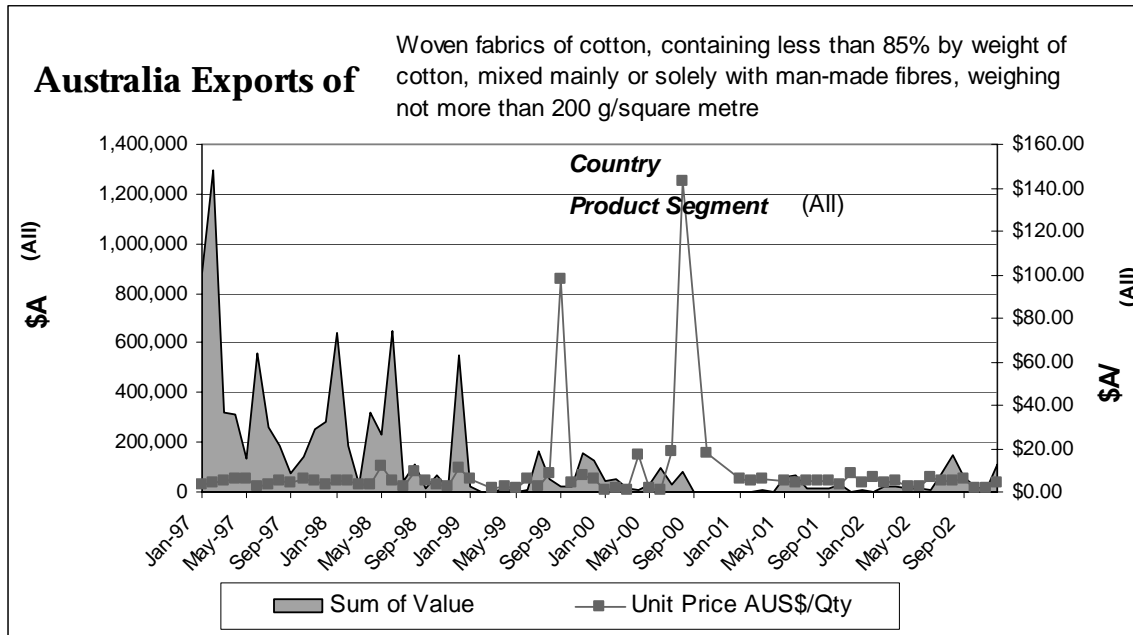
Chart 15: Australia's Exports of Heavier Weight Woven Cotton Fabrics to Fiji



Source: Kreitals Consulting Group / TradeData

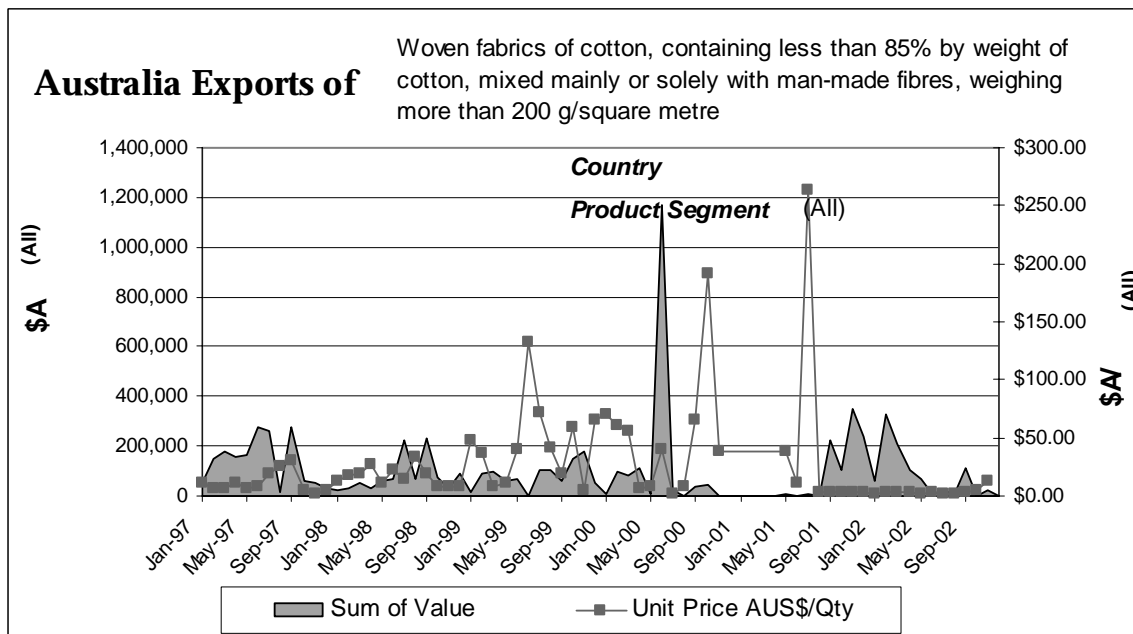
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Chart 16: Australia's Exports of Lesser Weight Woven Cotton/MMF Fabrics to Fiji



Source: Kreitals Consulting Group / TradeData

Chart 17: Australia's Exports of Heavier Weight Woven Cotton/MMF Fabrics to Fiji

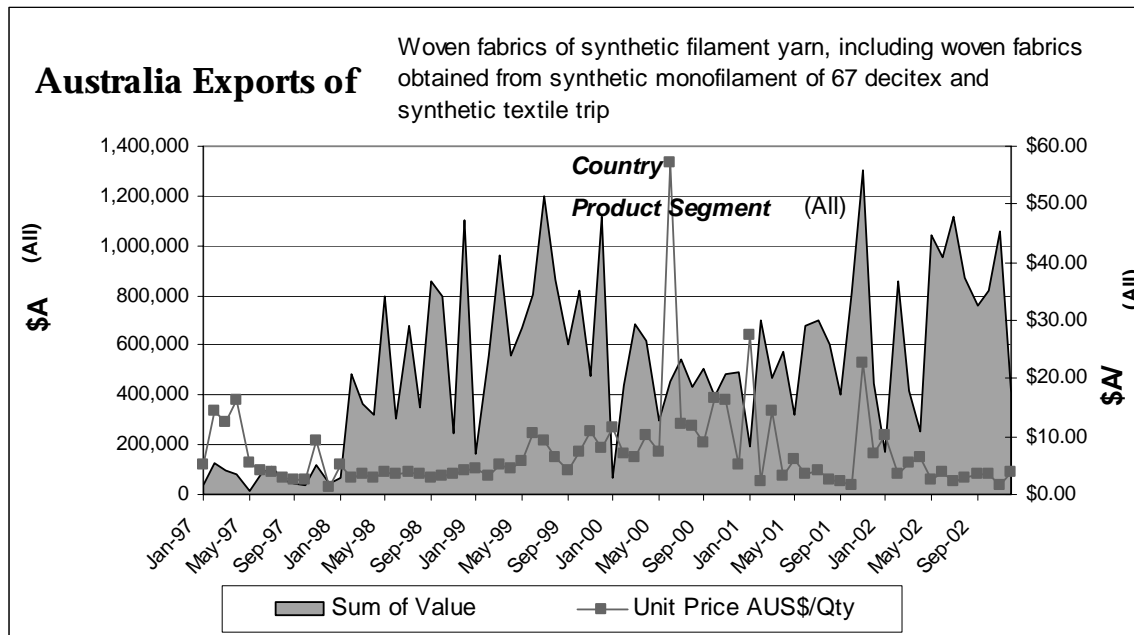


Source: Kreitals Consulting Group / TradeData

Woven Man Made Fibre Fabrics

While Australia's exports of cotton fabric have fallen away since 1997, to a partial extent this has been offset by an increase in exports to Fiji of woven fabrics of filament man made fibre. Chart 18 shows that exports of this fabric picked up in 1998, peaked in 1999/00 and seems to have revived to a similar level of activity in the last year (albeit at low average unit values).

Chart 18: Australia's Exports of Woven Synthetic Filament Fabrics to Fiji



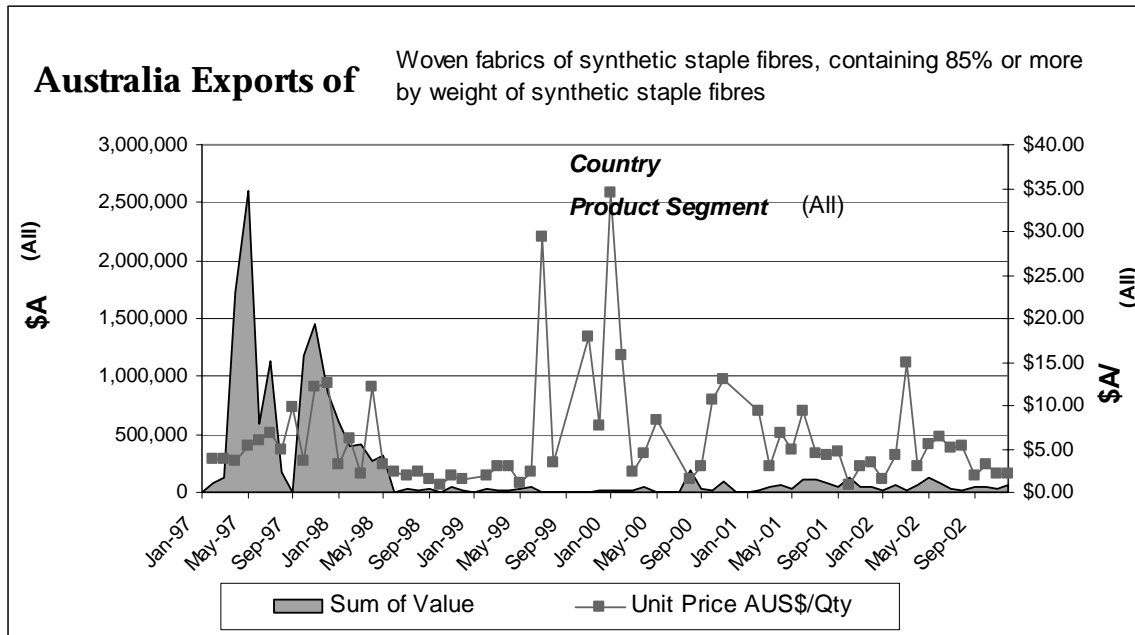
Source: Kreitals Consulting Group / TradeData

However, for all other categories of woven manmade fibre fabrics, the trend in trade has been similar to that of cotton fabrics overall.

Exports of woven synthetic staple fabrics (polyester) have virtually disappeared since 1998 (Chart 19). Similarly exports of lighter weight woven polycotton fabrics have declined to negligible amounts after peaking in 1998/99 (Chart 20).

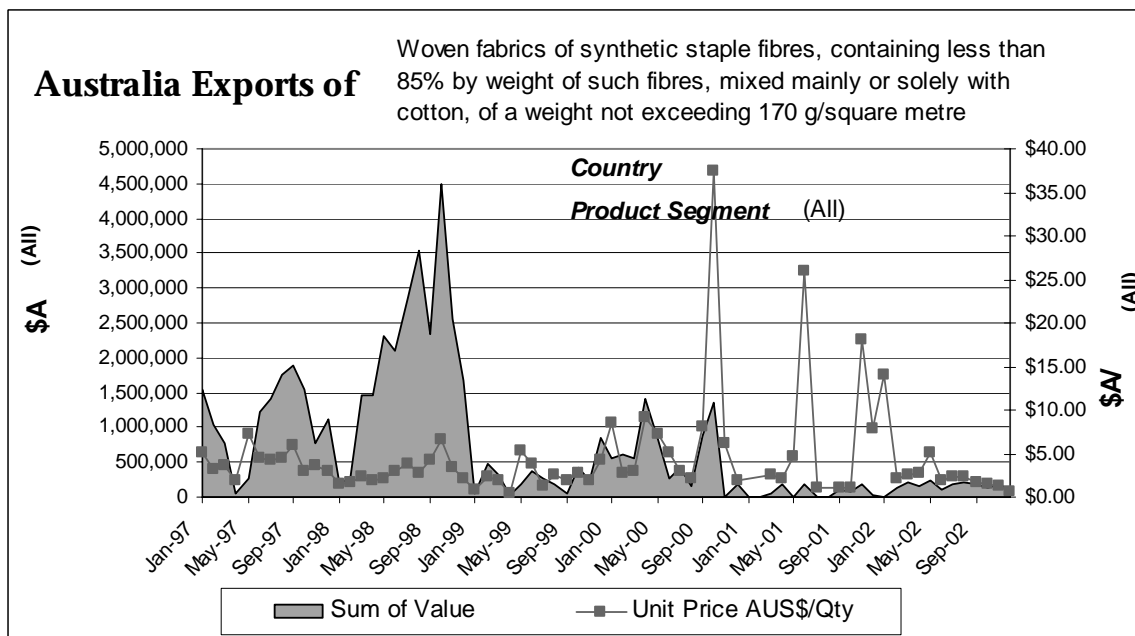
Only woven fabrics of man made fibre blends (probably polyviscose in the main) recorded any reasonable levels of export since 1997, but this too has diminished significantly since the end of the Import Credit Scheme in September 2000 (see Chart 21).

Chart 19: Australia's Exports of Woven Synthetic Staple Fabrics to Fiji



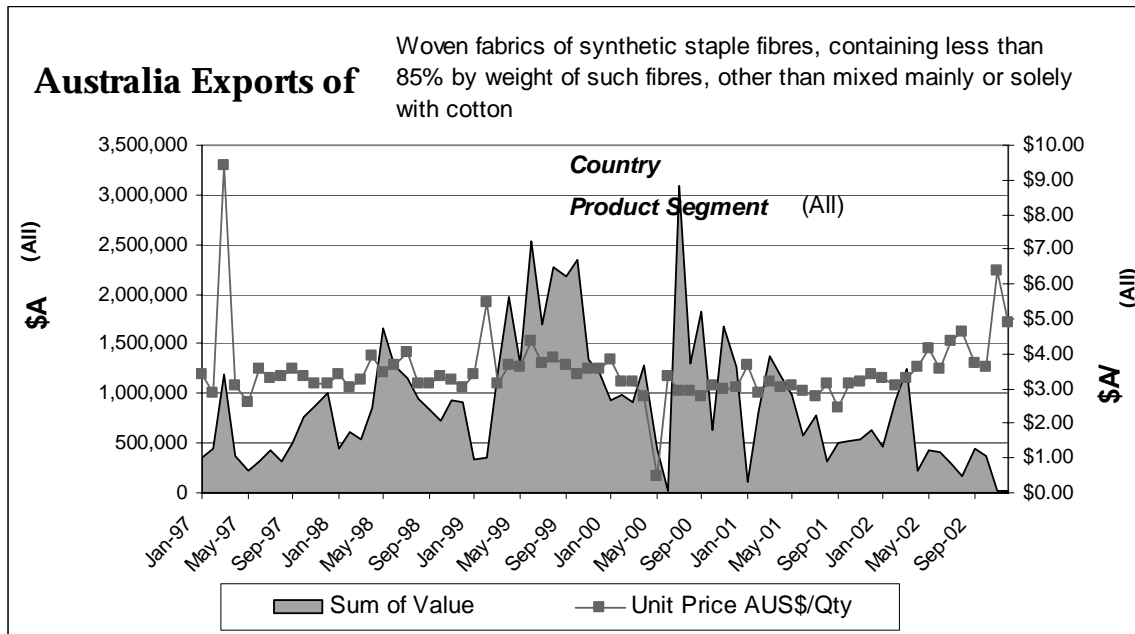
Source: Kreitals Consulting Group / TradeData

Chart 20: Australia's Exports of Lighter Weight Woven Poly Cotton Fabrics to Fiji



Source: Kreitals Consulting Group / TradeData

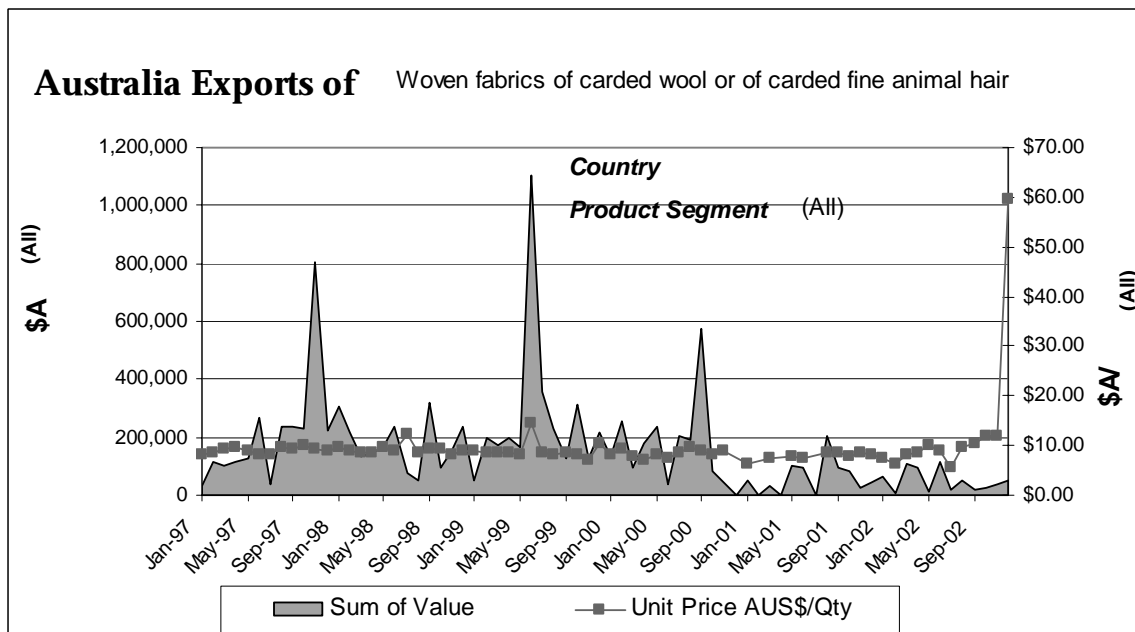
Chart 21: Australia's Exports of Woven Staple MMF Blend Fabrics to Fiji



Source: Kreitals Consulting Group / TradeData

Woven Woollen Fabrics

Chart 22: Australia's Exports of Woven Woollen Fabrics to Fiji



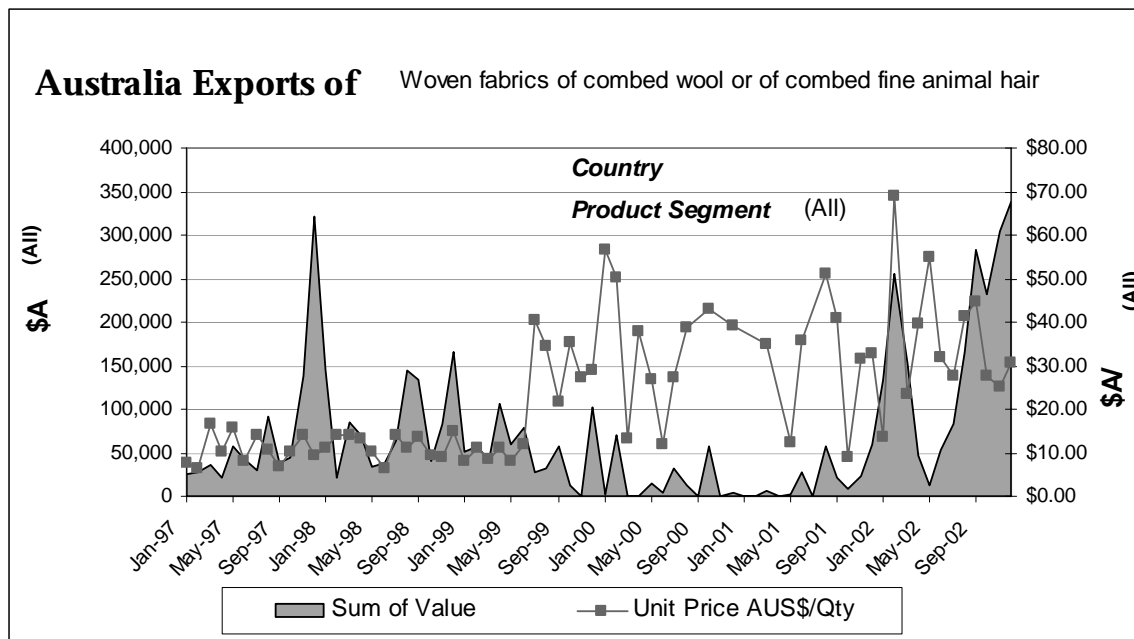
Source: Kreitals Consulting Group / TradeData

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Australia's exports of woven woollen fabric to Fiji, while never high, did experience the occasional peak in response to seasonal demand. However, since a peak of \$600,000 worth of exports in September 2000 (the last month of the ICS), export activity has been negligible (as illustrated in Chart 22 above).

On the other hand, Australia's exports of worsted fabric to Fiji (Chart 23) have had a resurgence in recent months, with trade levels in the latter half of 2002 greater than ever before (albeit still at relatively very low levels).

Chart 23: Australia's Exports of Woven Worsted Fabrics to Fiji



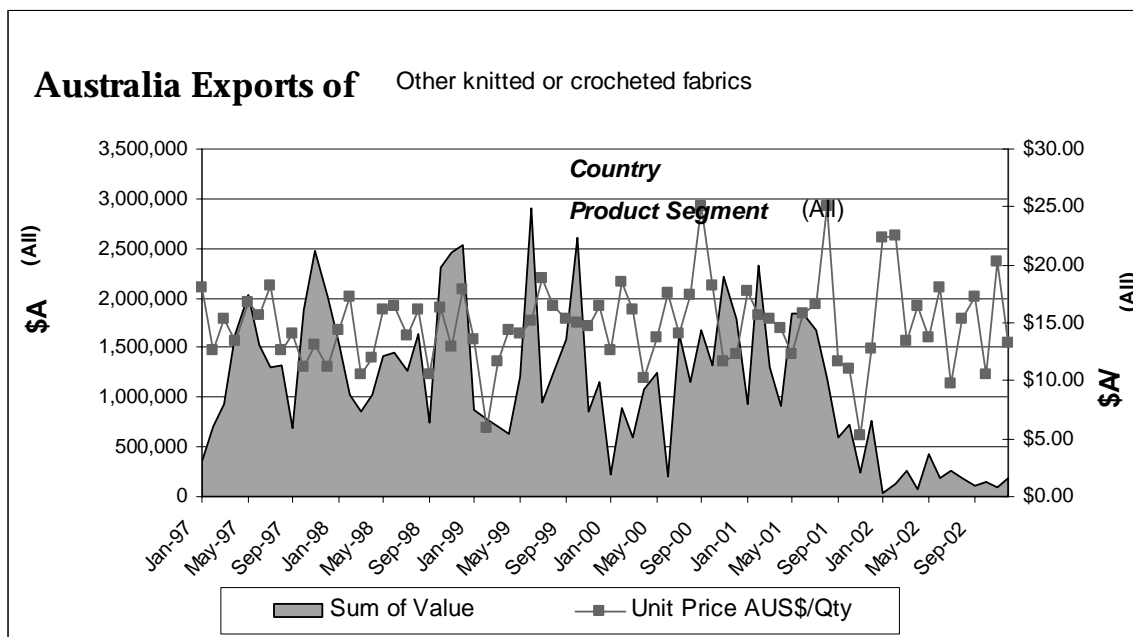
Source: Kreitals Consulting Group / TradeData

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Knitted Fabrics

Australia's exports of knitted fabrics (other than pile fabrics) held up reasonably well the first year after the termination of the ICS, despite a lot of conjecture by the Australian industry to the contrary at the time. However, it soon became evident that the replacement S-TCF Scheme offered very little (indeed no) incentive for the knits sector (as the MLAC threshold at 35% is much too high). Consequently trade in knits fell off dramatically after 2001, as illustrated by Chart 24 below.

Chart 24: Australia's Exports of Knitted Fabrics to Fiji



Source: Kreitals Consulting Group / TradeData