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Uneven exchange for Fiji: Nothing reciprocal in Trump's on-again, off-again tariffs

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The Donald Trump administration has imposed a sweeping 32% tariff (half of what Fiji supposedly charges the US) on Fijian exports to the United States, part of a broader "reciprocal tariff" policy affecting more than 180 countries and territories. The White House justified this measure by claiming that Fiji imposes on the US a 63% tariff, based on alleged "currency manipulation and trade barriers." However, Fiji's Deputy Prime Minister and Minister for Finance, Professor Biman Prasad, has categorically rejected this assertion, stating that "Fiji does not have that level of tariff for any goods or country."

On 2 April, President Trump declared a "national emergency" related to trade deficits, initially imposing a universal 10% baseline tariff on all countries, with higher country-specific "reciprocal" tariffs for nations maintaining trade surpluses with the United States. While most Pacific island nations were subjected to the minimum 10% tariff, Fiji (32%), Nauru (30%) and Vanuatu (23%) were targeted with substantially higher rates. These punitive measures were subsequently placed on a 90-day pause on 10 April, temporarily replaced by a flat 10% tariff for all countries except China.

The economic asymmetry underlying these tariffs reveals a troubling disparity in trade policy application. According to official Fijian government data, virtually all US goods (96%) enter Fiji at zero duty or at just 5% tariff. Specifically, a little under three-quarters of US imports entered Fiji duty-free last year, 25% faced a modest 5% tariff, and less than 4% were subject to higher 15% and 32% duty rates. This stark contrast between Fiji's actual tariff structure and the punitive 32% blanket tariff imposed by the US raises serious questions about the empirical basis for the Trump administration's trade policy.

Third World Network (TWN) is an independent non-profit international research and advocacy organisation involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.

The **Pacific Network on Globalisation (PANG)** is a regional watchdog set up to ensure Pacific peoples' right to be self-determining. PANG mobilises movements and advocates based on substantive research and analysis to promote a Pacific peoples' development agenda.

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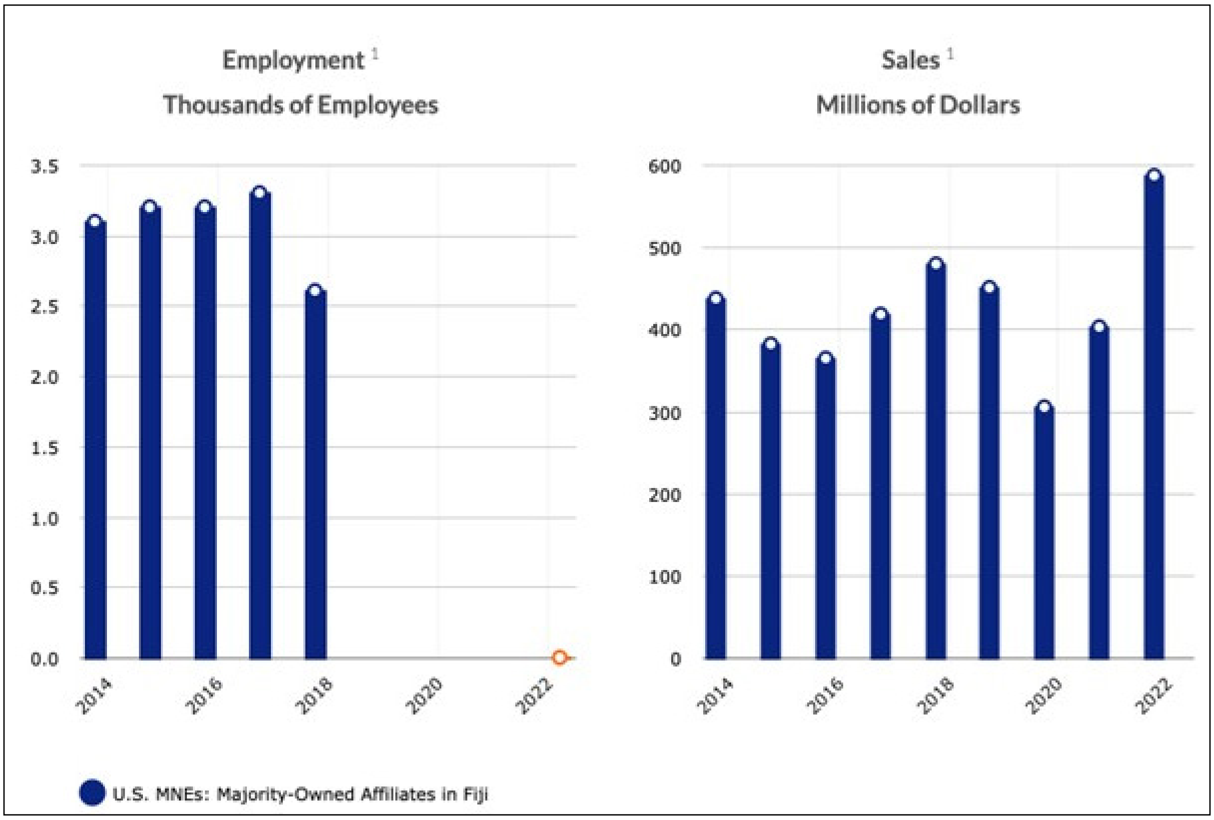
According to Trump's Executive Order, Fiji allegedly imposes a tariff rate of 63% on US imports. This figure is derived from dividing the US' latest (2024) trade deficit with Fiji by the value of its imports from the country – a highly specious formula for calculating tariffs, as many trade experts and economists have concluded. Data from the US Census Bureau show a trade deficit of $164.6 million and the US importing a total of $259.3 million from Fiji last year.

However, official data from the Fiji Bureau of Statistics, in its latest International Merchandise Trade Statistics 2024, published in March this year, show a dramatically smaller trade deficit for the US in 2024 of $27.5 million. As pointed out by the Finance Ministry in its official statement of 3 April, the trade deficit has been decreasing significantly from about $128 million in 2022 to $52 million in 2023 to $27.5 million in 2024, as Fiji more than doubled its imports from the US.

When recalculating using Fiji's official 2024 trade statistics within the US' controversial methodology, the resulting tariff rate which Fiji apparently imposes on US goods emerges as 12.85% – a stark contrast to the 63% based on US data sources. Following the US administration's stated policy of applying a 50% "discount" to such calculations – which would leave the tariff at 6.4% – Fiji should only be charged the baseline tariff rate of 10% rather than the 32% imposed.

The government and businesses in Fiji fear that the economic implications will be particularly acute. Prime Minister Sitiveni Rabuka has acknowledged the government "did not see it coming" and now faces "very, very tough decisions." The US represents approximately 10% of Fiji's total trade volume, with Fijian exports to the US approaching FJ$500 million annually for the past three years. More significantly, these exports constitute 7.7% of Fiji's GDP, making Fiji the most exposed Pacific nation to US tariff policy shifts. Key export sectors – including mineral water (Fiji Water), kava, fish products, sugar confectionery and wood artifacts – now face substantial market pressures.



Source: https://apps.bea.gov/international/factsheet/factsheet.html#632

By no means, however, is the trade deficit with Fiji detrimental to the US' economic and commercial interests. According to the US Bureau of Economic Analysis, "in 2022, Fiji-based majority-owned affiliates of US MNEs [multinational enterprises] sales were $586.0 million, up 45.4% from 2021," when the Fijian economy crashed due to the global pandemic lockdown. Notably, while their sales performance improved, they were also reducing their workforce from about 2,500 employees in 2018 to less than 1,000 after. (See graph.)

The regional implications of the US tariffs extend beyond Fiji. Analysts have identified potential second-order effects that could reverberate throughout the Pacific Island economies. A potential global economic recession triggered by extensive tariffs would disproportionately impact small island economies already vulnerable to external shocks. Tourism revenue is likely to decline as discretionary spending contracts in key source markets. Additionally, supply chain disruptions may affect essential imports of fuel, food, construction materials and medical supplies. These factors, coupled with increased inflationary pressure in import-dependent economies, present a concerning outlook for the entire region.

What's next?

Fiji's government has adopted a diplomatic yet resolute stance. The Finance Minister emphasised that they are "still trying to get more details on the exact rationale and application of the newly announced retaliatory tariff" and will "work with key stakeholders and US counterparts" to address the situation. The 90-day pause on country-specific tariffs provides a window for diplomatic engagement and policy recalibration.

The fundamental discrepancy between the Trump administration's claimed 63% tariff justification and Fiji's documented tariff structure (predominantly 0–5%), and the economic benefits reaped by US firms operating in Fiji, suggest potential diplomatic openings. If evidence-based policy considerations prevail, there appear to be substantial grounds for tariff revision when the 90-day pause expires. Given how President Trump has hastily walked back on his "reciprocal" tariffs, it may be best to wait and see, rather than to jump into giving more concessions and market access to the US, which would worsen Fiji's persistent merchandise trade deficit. Latest official trade data show its goods deficit deepening from FJ$2.7 billion in 2014 to FJ$4.45 billion in 2024.

For Pacific nations collectively, this episode highlights their structural vulnerability to unilateral trade policy shifts by major economies. With limited economic diversification and high import dependency, these island states possess minimal leverage in bilateral trade negotiations. The situation underscores the need for enhanced regional economic integration and market diversification strategies.

As this situation evolves, the disproportionate and WTO-illegal nature of these tariffs raises profound questions about the consistency, predictability and empirical foundations of international trade policy in an increasingly fragmented global economic order.

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