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# **Placing the Pacific in the Global Economy: Carving Sustainable Niches for Economic Development**

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## **Introduction and Overview**

We present here the final report on the IDRP project titled **Placing the Pacific in the Global Economy: Carving Sustainable Niches for Economic Development**. In order to do this we first repeat the original abstract. Following this we reiterate the aims and objectives. This is followed by a detailed analysis of each of the objectives in separate sections. Whilst the report here is comprehensive there are further results that are on-going as scholarly papers and presentations are currently being written – details of these are also provided.

## **Original Abstract**

It is our contention that in order to promote local sustainable economic development in the Pacific the search for economies of niche as opposed to economies of scale in agro-exports is crucial. Attaining this will involve the strategic development of the potential economic value of place and uniqueness in a saturated global market of increasingly homogenised products (Murray, 2006). Doing this requires two things: 1) Understanding past attempts to promote niche agro-exports and analysing their success and failures; and 2) Identifying sectors where there is potential for niche ‘place-based’ exports and assessing the requirements for sustainable growth. This research will assess the impacts of niche place-based products in the Pacific paying particular attention to key sectors in Fiji and Samoa. Grounded case studies of kava and water in the former and coconut oil and noni in the latter will provide lessons that can be applied to the future development of niche place based products. The research will identify a range of such potential products and identify the impediments to sustainable social, economic and environmental sustainability in those sectors. As such there are valuable empirical, policy-based and theoretical lessons that will be gleaned from this research.



## **Key Aims and Objectives**

**The project has two central aims:**

- A1) To analyse the socio-economic and environmental impacts of niche agro-export product development in the Pacific to date through the exploration of key case studies
- A2) To assess potential ‘place-based’ niche agro-exports and to analyse the requirements for the development of sustainable economic sectors in this area

**Building from these aims there are four linked research objectives:**

- O1) To assess the socioeconomic and environmental impacts of niche agro-export development in the Pacific through an extensive literature review
- O2) To undertake two case studies of attempts to develop place-based niche exports in Samoa through the examination of Samoan coconut oil and Samoan noni
- O3) To undertake two case studies of attempts to develop place-based niche exports in Fiji through the examination of Fiji kava and FIJI Water
- O4) To assess the common requirements for place based niche products in the Pacific and the future of socially beneficial, environmentally sound and economically sustainable ‘place-based’ niche products in the region

***Subsequent to a list of research outputs and a summary of the findings this work reports on each of these objectives chronologically.***

## Research Outputs and Multipliers

### Articles published:

Murray, W., Overton, J., (2011) 'From commodities to place-based niche products: making Globalised places in Asia and the Pacific', Asia and the Pacific, in GMSTEC proceedings of the international conference on sustainability in the great Mekong Sub region, KMUTT, Bangkok, Thailand.

Overton, J., Murray, W., (2011) 'Places, Products and Sustainable Rural Development: Geographical Indications and Niche Marketing', GMSTEC proceedings of the international conference on sustainability in the Greater Mekong Sub region, KMUTT, Bangkok, Thailand.

### Articles directly related to project completed or nearing completion:

Murray W E, Overton J, Naidu V and Jones C “Weaving Niche Production into Pacific Economies: The Social, Economic and Environmental Impacts of FIJI Water” to be submitted to Contemporary Pacific *First draft completed*

Murray W E, Overton J, Pene C and Jones C “Niche agro-exports and sustainable development in Samoa –the case of noni” to be submitted to Geographical Journal *First draft completed*

Murray W E, Naidu V, Overton J and Pene C “Carving a sustainable niche in the Pacific in agro-exports” aimed at Economic Geography *Draft near completion*

Overton J and Murray W E “Fictive Place – the use of geography as a factor of production” aimed at Journal of Rural Studies *Draft near completion*

Murray W E, Overton J and Jones C “Water everywhere – artisanal water and Pacific economic development” aimed at Australian Geographer *Draft near completion*

### Articles building on concepts uncovered in project published and completed:

Murray, W., Overton, J., 'Defining regions: The making of places in the New Zealand wine industry', in Australian Geographer, Vol. 42, No. 4, December, (2011), pp. 419-433.

Murray W E (2012) ‘Globalisation and rural space’ in Daniels, P. Bradshaw, M. J., Sidaway, J. DS and Shaw, D. Human Geography – Issues for the 21st Century, 3rd edition. Edward Arnold, London.

### Presentations:

Overton JD and Murray WE (2012) ‘Geography and Fictive Place’, Invited Research Seminar, Geography Programme, Victoria University, Wellington, March 27th.



Murray W E, Overton J and Jones C “Niche agriculture in the Pacific – carving out a sustainable niche” to be presented at the New Zealand Geographers Biennial Conference, Napier November 2012.

**Masters theses related to the project:**

Jones C (2012) “Weaving Niche Production into Pacific Economies: The Social, Economic and Environmental Impacts of FIJI Water”, Victoria University of Wellington Masters in Development Studies Thesis. This work gained a Distinction and an A grade.

Plant M (under preparation) “Place making in the Pacific – the role of Geographic indicators for niche agriculture in Samoa”. Masters in Development Studies Thesis., Work is on-going and the field component of this work has been completed.

**Broader multiplier benefits to date:**

- Incorporation of work into lectures is on-going and feeding into the structure of courses in Postgraduate development studies, and undergraduate courses at Victoria including Geographies of Globalisation (GEOG316) and Worlds of Development (GEOG212).
- Invitation by Oxfam hold meetings that compare and contrast the findings of this project and a number of their in similar areas. We are in discussion to plan a seminar for November 2012.
- Use of literature and findings to leverage a Marsden Fund proposal for 2014 which investigates this work in more depth and widens the geographic analysis to developing locations in the Pacific Rim.
- A section in the Routledge book Geographies of Globalization (2nd ed.) (Murray, 2013) has been prepared which uses the case study examples. This text has been adopted in over 100 universities globally.

## Summary of Findings

### Background and General Comments

- The development of sustainable exports is key in the Pacific, but this has proven difficult within the context of the free market model. Agriculture is still very important as an employer and as a productive sector is often the only viable alternative.
- Commodity production is not suitable for the Pacific in agriculture. This has been shown empirically in many studies. It is virtually impossible to develop the required economies of scale.
- There is a need to search economies of niche rather than scale – and place based niche production offers some promise, at least in theory.
- There are many examples of niche production occurring now some of which are examined here including Samoan noni and virgin coconut oil, as well as Fijian kava and FIJI water.
- Niche production has been successful in some cases and provided exports – and this is generally the case when it is based on local products skills and knowledge and operates appropriately with respect to local social and environmental systems. As such, appropriate niche production and export is a positive thing that should and can be encouraged.
- However, place based production is not immune to boom bust cycles, changing preferences and Dutch disease effects, and problems associated with over-dependence and specialisation.
- Furthermore, our work reveals that local workers and environments have been exploited in some cases in non-sustainable ways.

## **The Advantage of Pacific Island Countries and Territories for ‘Place-Based’ Production**

- For niche production, PICs have only a few advantages. These are largely based on:
  - Tradition/culture
  - Environmental characteristics
  - Images of isolation and exoticism
  - Small scale
  
- It is imperative that these advantages are recognised, regulated and protected as there is a danger that they will be exploited and appropriated. Indeed there are already signs that these are being exploited by global capital (through use of trademarks and copyrights to place).
  
- Place-based production offers an appropriate strategy – a set of global recognised regulations that recognises local intellectual property embedded in place names. Indeed this is one of very few opportunities to protect the local in the global. Crucially, this involves developing a GI (Geographical Indication)<sup>1</sup> framework where GIs become a proxy for local knowledge, local environment and cultural capital.
  
- But place-based GI strategy must be seen alongside a complementary regulatory framework (including intellectual property, communal tenure and cultural protection).

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<sup>1</sup> A Geographical Indicator is a trade name or brand that is defined with specific reference to a geographical locality or region. As such, the name is associated with particular geographical elements associated with both environment and culture, which may include traditional techniques, climate or other such markers that can be seen as unique to a particular place. See section 4.1 for an elaboration and history of the concept.

## Objective One

*To assess the socioeconomic and environmental impacts of niche agro-export development in the Pacific through an extensive literature review*

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### 1.1 Introduction

This section explores recent developments and its fashioning of ‘economies of niche’ in the Pacific region. This is achieved by reviewing the liberalisation of the Pacific’s core sector - agriculture - and analysing current debates on niche production. By exploring these concepts, an understanding of how niche products are being woven into Pacific economies can be achieved. We conclude by arguing there is a need to gain greater awareness of the niche model and how it is impacting the Pacific on a local scale.

### 1.2 Economic reform and its impact on the Pacific

“Neoliberal” reform (promoting economic deregulation, free markets and the “rolling back of the state”) was introduced to Pacific Island Countries (PICs) much later than elsewhere in the developing world. Since the 1980s, PICs have altered their approach to development to embrace the shift towards economic deregulation and submit to changing conditions of international aid (Wartho and Overton, 1999). “Salvation for the economies of the region lies in opening themselves up to international forces” and parting from the MIRAB model<sup>2</sup> (Firth, 2000: 185). Accordingly, New Zealand and Australia who were leading aid donors to the region, suggested to Pacific leaders “that neoliberalism is not only the simplest neutral solution to Pacific ‘problems’ but is inevitable anyway” (Bargh, 2001: 252). It was argued that such reforms would stimulate foreign investment and economic success, and once prosperity was achieved at the top-level it was then assumed to ‘trickle down’ to local communities (Slatter and Underhill-Sem, 2009).

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<sup>2</sup> In the mid-1980s, Geoff Bertram and Ray Watters (1986) began to draw on the ‘MIRAB model’ to describe the nature of Pacific economies. The theory is based on the elements of Migration, Remittances, Aid and Bureaucracy that characterized some Pacific states.

PICs adopted such reforms “with few, if any, questions or reservations” (Emberson-Bain, 1994: ii). However, the full effect only started to surface in the early 1990s along with concerns about its appropriateness. Firth has previously noted that the Pacific “should fear the full effects of open global competition and understand the implications for the people of the region of what is happening” (2000: 186). Issues about vulnerability, dependency and fragile nature of Pacific economies have thus been highlighted (Connell, 2010 and Naidu, 2009).

Firstly, isolation and distance have led to the development of unsustainable export systems. The increasingly globalised nature of the world and countries’ openness to international forces, has highlighted the significant challenges PICs face when competing and trading in the global market due to their isolation from major markets, lack of economies of scale<sup>3</sup> and the scarcity of local innovation (Slatter, 2006). With these challenges, PICs have been steadily producing ‘enclave economies’ where an overreliance on one industry (commonly tourism) is occurring. With these enclave economies, unemployment and marginalisation are two characteristics becoming an increased threat to various Pacific nations (Connell, 2006).

Secondly, Nabobo (2002) argues PICs struggle to intertwine ‘old’ traditions with the ‘new’ neoliberal frameworks. As such, neoliberal market reforms have been labelled a ‘cultural eroding process’ that favours Western business practices and fails to incorporate ‘old’ traditions (ibid). Examples include approaches towards land and social structures. In PICs, more than 75 percent of the population have semi-subsistence livelihoods, based on traditional communal land-owning systems (Fairbairn-Dunlop, 1991). Neoliberal agendas have increased the pressure to convert land tenure from traditional communal ownership to individual private property (Overton, 2000). With regard to social structures, neoliberal policy demands the ‘rolling back of the state’. Yet in PICs, the line between state and society is often blurred due to the islands ‘smallness’ and social togetherness. Hence, when transferring power to ‘foreign influence’ – an influence often not connected nor educated in traditional Pacific ways – potential for conflict and corruption can emerge (Bargh, 2001). Neoliberal reforms can fail to “perceive any activity beyond that which takes place in the market place” as the

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<sup>3</sup> Refers to the cost advantages that an enterprise obtains due to expansion (Koshal, 1972).

economic interests primarily lie with foreign investors rather than the local people (Bargh, 2001: 261).

Economic and structural reform in the Pacific has attracted a body of literature debating its merits. At present, PICs are at a juncture in their economic development. The process of economic reform cannot be reversed but some of its impacts are proving to be negative. Such problems are evidenced in the Pacific's core industry, agriculture.

### **1.3 Liberalisation of Pacific Agriculture**

Agriculture is central to many PICs economies. Although many PICs have high rates of rural-urban migration, populations within the region are still predominately rural. Within these rural communities, agricultural production has both a subsistence and monetary value. In the most recent survey available, it has been estimated that about 70 percent of the region's population relies on subsistence farming which cultivates a wide range of crops including taro, cassava, coconut, sugar, kava and mangos (UNDP, 1999: 79). These communities are dependent on this sector for income generation, the distribution of social amenities, and the generation of foreign exchange. Subsistence farming is central to many Pacific communities and has resulted in the virtual absence of serious food shortages and provided a vital social safety net for its inhabitants.

To transform the Pacific's agriculture sector into a 'real production' model, policymakers during the 1980s/90s advised the region to replace subsistence farming with monoculture production of cash crops for external markets (Storey and Murray, 2001). This change in focus encompassed four core principles: (1) have the region work together in order to maximise future opportunities, (2) improve efficiency and productivity by deregulation and privatisation, (3) successfully administer land that is 'owned' by indigenous groups, (4) and encourage and support the private sector to take the lead in developing the agricultural industry (ibid). With these measures, policymakers hoped to generate fiscal prosperity and transform Pacific economies to be "commercially active in a Western sense" (Skully, 1997: 32 and Bargh, 2001).

In theory liberalisation of the agricultural sector *should* have aided economic growth in PICs. Although the industry was reshaped by policymakers with the promise of

prosperity and vibrancy, today the meagre agro-export industry of these nations has failed to deliver on their expectations:

“The transition from subsistence based island societies to monetised growth-orientated economies has not proved to be a smooth one resulting in fundamental changes to the structure of Pacific societies without the establishment of self-sustaining economic growth” (UNDP, 1994: 11)

Indeed, international reform has arguably led to the serious decline of the region’s hitherto most successful agriculture – sugar in Fiji – as a result of the demise of European and other trade preferences for that product. Similarly, agricultural commodity production in the Pacific in products such as cocoa and coffee has failed to compete with large-scale producers feeding the global market.

The underlying failure of the agricultural industry has been traced to the attempt of inserting local sectors into the global economy without the competency to compete efficiently within larger markets. Subsequently, issues relating to being uncompetitive in the face of external competition, the reduction in protective tariffs, misunderstandings of the global market and lack of a common-front approach have plagued PIC agricultural industries (Connell, 2010; Slatter, 2003, Overton, 1999). With key trading agreements, such as the Lomé Convention<sup>4</sup> being dissolved, the safety-nets that once provided the protection to key agricultural industries have left PICs vulnerable in the global market. Accordingly, the reshaping of Pacific economies has proven challenging and perhaps ‘over-adventurous’ for these small-scale economies. The failure of core crop industries, exacerbated in many cases by natural limitations, such as Tongan squash pumpkin, Cook Island passion-fruit and Niuean taro, are just a few monocultures that have been characterised by the above issues (Murray, 2001). To overcome these ever-emerging problems associated with the liberalisation of agricultural industries, PICs are being encouraged to focus on the commoditisation of niche products.

## **1.4 Niche Production in the Pacific**

As understanding of the challenges facing the Pacific in an increasingly globalised world grows, new strategies in order to bolster the region’s economic buoyancy have

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<sup>4</sup> The Lomé Convention is an international aid and trade agreement between ACP (African, Caribbean and Pacific Countries) and the European Union. It is aimed at supporting the ‘ACP states’ efforts to achieve comprehensive, self-reliant and self-sustained development (University of East London, 2011).



been suggested. One of these strategies is niche production (Kemp et al., 1998). ‘Niche products’ can be defined as: “a process of carving out a small business sector by specialising” (Shani and Chalasani, 1993: 58). Because policies of the past 20-30 years encouraged PICs to become outward-orientated economically, specialisation was suggested as a means to obtain comparative advantage and transform agricultural sectors into high quality and valued agro-exports; and by doing so reduce vulnerability and further simulate sustainable economic growth (AusAID, 2009).

Geographic writings, pioneered by post-developmentalists Gibson-Graham (2002) and Barker (2008), delve further into this discussion suggesting that niche production is a form of ‘glocalisation’<sup>5</sup>; where two tendencies (local and global) work in tandem and what is considered local, is produced within and by, globalising discourses. Hence, niche products can be argued to be founded on both a hybrid of local and global traits. Being glocalised signifies that ‘place’ or ‘locality’ becomes an essential component of the niche marketing strategy (Connell, 2006). As Overton notes “the creation of these niche markets commonly involves stressing local environmental conditions, as well as factors such as traditional or artisanal means of production and local heritage” (2010: 5). Thus, ‘place’ becomes a means to “package and promote putative qualitative characteristics of a product” (ibid). As a result, the stereotypical imagery associated with a certain ‘place’ can be optimised to perceive taste, distinctiveness and quality (Connell, 2006). Within the Pacific this technique has been executed to stabilise fragile economies from the accelerated intrusions of global neoliberal forces.

#### **1.4.1 Neoliberalism or New Found Glocalised Alternatives?**

Niche markets have been viewed as potential vehicles to promote economic development and neutralise the challenges of lack of scale. With this in mind, two arguments have emerged regarding this tactic: firstly, niche production is seen as a contemporary strand of ‘free markets’/globalisation and secondly, as an alternative glocalised version, thus a new economic paradigm in its own right (Murray, 2010). This polarisation has been characterised by the diverse methods that are used to manufacture niche products. Niche products can either be produced by large

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<sup>5</sup> Glocalisation describes the complex interaction between globalising and localising tendencies (Dicken, 2000). Such a term helps us to appreciate the “interrelatedness of geographical scales and, in particular, the idea that while the ‘local’ exists within the ‘global’, the ‘global’ also exists within the ‘local’” (ibid: 459).

multinational companies such as U.S owned FIJI Water or facilitated by localities as with noni juice from Samoa. This mixture of top-down and grassroots management has revealed that there are two existing frameworks in regards to niche production.

With regard to FIJI Water, the company mirrors the core characteristics of multinational corporates providing foreign investment, yet it optimises on local discourses by using Fiji's tropical imagery to promote its brand. Conversely, locally produced niche products, such as noni juice are influenced by traditional community structures but still actively participate in the global economy. They are usually family operated, cultivated on communal land and are based on an indigenous work ethic (Cretney and Tafuna'i, 2004). By doing so, the branding and full operation of the product is owned at a local level. With these two cases it is evident niche production can be scrutinised within different operating frameworks.

#### **1.4.2 Advantages of Niche Production in the Pacific**

The advantages of niche production can be compounded into three arguments: (1) stimulation of economies (2) connection of rural communities to the global market and (3) increased product value. Firstly, the development of 'exotic' niche products has been argued to restimulate economic development. Thematically, this method encourages consumers to pay premium for a 'slice' of a commodity that provides a quality exclusive or considered exotic to the consumer. AusAID's *Pacific Economic Survey* further reinforces that niche production is:

“increasingly important for commodity exporters. Identifiable, high-quality commodities attract higher prices at market. Product differentiation, through branding, certification programs and value-adding, offers potential for improving returns to farming communities. Exporters are also finding success by using agricultural products in new and innovative ways” (2009: 34).

The rationale behind this niche marketing strategy is to increase the resilience of the PICs economies. This is achieved by creating a product that is competitively positioned in the global market and encapsulates a quality that other products fail to embrace. Arguably, by producing successful and unique niche products characterised by the Pacific's exotic 'place' it would attract foreign markets and investment. Once niche product businesses gathered economic momentum, it was predicted that this new fiscal

prosperity would eventually “promote diversity and reduce the need to obtain economies of scale” (Murray, 2010: 2). This is particularly evident in companies such as Pure Fiji and Samoan Coconut Oil, whom have managed to occupy a unique gap in the market and globalise their product contributing significantly to their nation’s economies – for instance, in 2008, Pure Fiji contributed over FJD\$5 million to the Fijian economy and for the Samoan economy coconut oil contributed just over ST\$1.8 million (AudAID, 2009; Frodey and Nadiu, 2008; Samoan Central Bank, 2011). Products such as these are rapidly growing in demand throughout Europe, North America and Australasia due to their exclusivity (Cottingham and Winkler, 2007). By generating such wealth, niche products can be significant contributors to their nations’ economies.

Secondly, global companies in the Pacific can work along rural communities usually disconnected from the global market. Producers commonly require local agricultural skills and labour. By working with these rural communities or hiring them for manual labour, it can help to inject a new lease of wealth into areas struggling to obtain such opportunities. In particular, women have been known to weave baskets for the beauty-care company, Pure Fiji, earning them an independent income by relying on their traditional skills (Cretney and Tafuna’i, 2004). Additionally, the creation of one niche product can have a domino-like effect where other local and rural industries such as transport systems can benefit from their presence.

Finally, niche production can increase the market value of products, particularly if they are certified as organic. The use of pesticides in the Pacific is usually expensive but this has proven to be an advantage for Pacific niche producers. Having this chemical-free stance allows producers to obtain organic certification allowing their products to increase in fiscal value by an average 20 percent (Cretney and Tafuna’i, 2004). But while these positive impacts exist, literature suggests there is an increasingly adverse side to this niche product phenomenon.

### **1.4.3 Disadvantages of Niche Production in the Pacific**

Overton (2010) proposes niche production will suffer from similar ramifications as the liberalised Pacific agricultural sector suggesting specialising is not necessarily ‘a way

out' of the economic challenges facing the region. The varieties of problems associated with niche production have been pinpointed to:

“Vulnerability associated with dependence on rapidly evolving external customer tastes, the anti-development social-economic and environmental consequences of rapid commercialisation, and the out-flow of profits given the often associated foreign capital investment and the fact products are generally processed externally” (Murray, 2010: 2).

Further problems include: *increased competition* from competitors who may start to sell similar items to the same market, capturing customers and driving prices down; *overproduction* resulting in increased environmental damage and saturation of the market; *lack of entrepreneurial skills* associated with Western business practices; and *top-down development* where fiscal prosperity at a top-level does not 'trickle down' to local communities (Mundy and Mathias, 2010). Success in niche production of one product in Small Island states may also led to specialisation in that product and a lack of diversification of their economies. As such, the focus on one core product results in vulnerability and dependence. This dependence is further exacerbated with the Pacific region's vulnerability to natural disasters and crop-diseases which can devastate crops, communities and infrastructure overnight (Rapaport, 1999: 360). With these arguments it is evident there are areas where “pitfalls of non-sustainability that exist” in the niche production model (Murray, 2010: 3).

Current debates on niche production primarily focus on the models impact at a top-level, but explorations of niche production on a local scale are relatively rare. Over the past decade an abundance of niche products have emerged in the Pacific that optimise on the imaginative discourses of the region. Policymakers, donors and lenders throughout this period have continually promoted niche production as a tool for sustainable economic development, despite academics exposing flaws in the models' potentially harmful nature (AusAID, 2009; Overton, 1999). Recently, Murray and Overton (2010) have readdressed such concerns, proposing that a greater understanding on the attempts to promote niche agro-exports is needed – in particular their social, economic and environmental impact on a local scale. By exploring this gap, we aim in “keeping the conversation going” in this topical yet complex field (Bennett, 2009: 249; Evans, 2010).

## **1.5 Summary of Literature**

The economic dynamics facing PICs have fundamentally altered in the past 20-30 years as global forces and economic reform has forced relatively small economies to participate in a competitive and complex global economy. This has highlighted the various challenges for Pacific economies largely concerning distance to markets, lack of economies of scale and scarcity of investment. A drive to a more commercial model for the Pacific's largest industry, agriculture, has proved challenging. To counteract these problems PICs have turned towards niche marketing to differentiate their products and catch the eye of global markets. Debates regarding the effectiveness of this approach have revealed there are both costs and benefits that have eventuated.

## Objective Two

### *To undertake two case studies of attempts to develop place-based niche exports in Samoa through the examination of Samoan coconut oil and Samoan noni*

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Samoa is a Polynesian state in the Pacific Islands with a resident population of around 180,000. The majority of economic activity occurs on the two largest islands: Upolu and Savaii, in which Upolu is the most populated. The Samoan language, culture and traditions are strong and are encapsulated in the concept of *fa'a Samoa* which pervades much of the social and economic life of the country. In Samoa, agriculture is critical both for domestic production of foodstuffs and for export of products such as taro and tropical fruit. In this report, two agricultural products that have started to employ niche marketing strategies will be analysed: Samoan virgin coconut oil and noni<sup>6</sup> juice.

One should further note that the information within this report was collected quantitatively and qualitatively. With regard to the qualitative component, the information provided was on a confidential basis and 'in confidence' that the opinions of respondents would not be published or presented without their consent.

### 2.1 Case Study One: Samoan Noni Juice

The noni tree (*Morinda Citrifolia*) is a tropical plant, indigenous to many areas of the Pacific and Asia. Its fruit can be eaten, made into a beverage, or processed into capsules, oils and heat rubs. But the most popular and commercial way of consuming the fruit



Plate 2.1.1: Noni in its fruit form

is via its juice. Noni juice is widely produced commercially across the Pacific Islands including nations such as Fiji, Niue and French Polynesia, and the focus on this study, Samoa. In French Polynesia noni is produced in sachets, a drink that combines noni with other flavours such as banana. Noni juice has been used for centuries across the

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<sup>6</sup> Noni is sometimes known in Samoa as 'nonu' and some companies involved in its production use this name. However we use the term 'noni' which is more commonly accepted across the Pacific region as well as in Samoa.

region as a traditional treatment for various medical conditions and has been argued to reduce the risk of cancer and increase athletic endurance. Noni is a fruit that is found abundantly throughout the Pacific region and tropical areas in general, with some nations even considering the plant as a pest. As such, the fruit may be grown in plantations but is also commonly harvested from wild plants. This is the case particularly in Samoa:

“which means the fruit is very natural, no farming is needed, noni fruit grows abundantly 365 days of the year throughout Samoa in the pure volcanic soil thousands of miles away from the nearest industrial continent” (Noni Samoa, 2012).

The juice is gathered either by the traditional drip-extraction method and/or by pressing the juice from the pulp (Newton, 2003). The juice’s taste strength is also varied by altering the length of aging (fermenting) in the tanks to vary the



Plate 2.1.2: Nonu Extraction and Bottling Tanks

intense flavour of the beverage (Nelson and Elevitch, 2006). Noni

juice has a very bitter taste which makes it hard to consume in its original form. To overcome this and make the product palatable some companies add honey or other fruit juices to counteract its bitterness and off-putting smell.

### 2.1.1 Historical Analysis

The noni plant first caught the attention of the global market when Hawaiian Herbert Moniz, owner of Herb’s Herbs provided the fruit in a powered capsule. His product sparked interest in the medical properties of the fruit and in 1996 Tahitian Noni International started manufacturing the fruit in juice form and using abstracts to create beauty care-products specifically

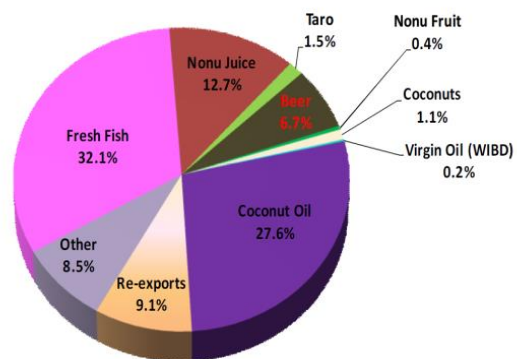


Plate 2.1.3: Samoa’s Export Composition 2011-2012 (Central Bank of Samoa, 2012)



tailored towards to the Western market. Today, there are approximately 300 companies marketing noni juice products in a global market with the industry estimated at more than US\$2 billion. Raw materials to meet the global demands for noni are primarily sourced from Polynesia.

Since 2004, noni juice exports have been a core industry for Samoa's agricultural sector (Figure 2.1.3). Since its beginnings, the noni industry in Samoa has been developed through private sector drive and facilitation; with no specific government support having been accorded (Hoff, 2008). Indeed, the government has no particular policy on noni and remains largely passive towards the industry's needs. Participation in the industry by several experienced agri-business entrepreneurs has been vital to the success of the processing and exporting of noni products (ibid). Their willingness to innovate and take risks has been invaluable for the development of the noni industry. Today, the juice is one of the nation's leading exports with the total value generated by the noni value chain to the Samoan economy estimated:

“to be around SAT\$ 33.5 million (US\$ 13.4 million) and of this, the farmer's share of total value has been around 24% whilst the processors share has been around 76%. In 2005, the peak year of production, approximately 3,800 tonnes of fruit was processed to export around 1.5 million litres of juice and 167 thousand kg of dried fruit products” (Rogers et al., 2009: 6)

However, in 2008 the Noni industry in Samoa started to rapidly decline (see Figure 2.1.1, 2 and 3) due to the following issues:

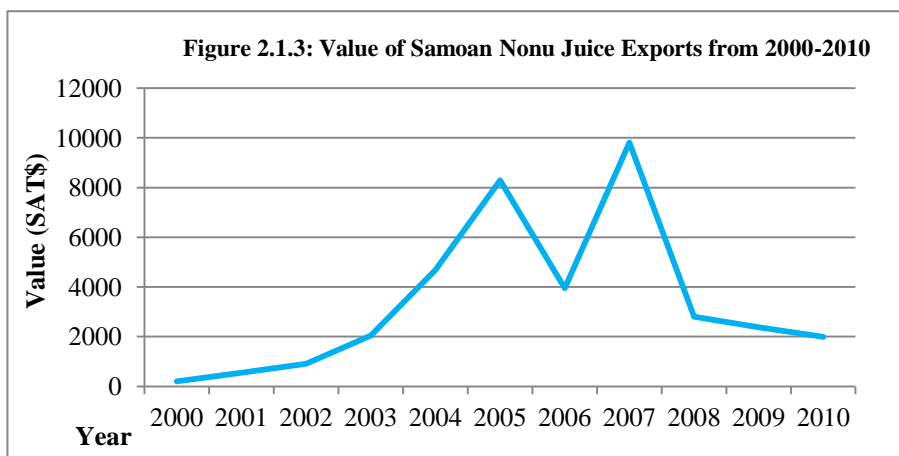
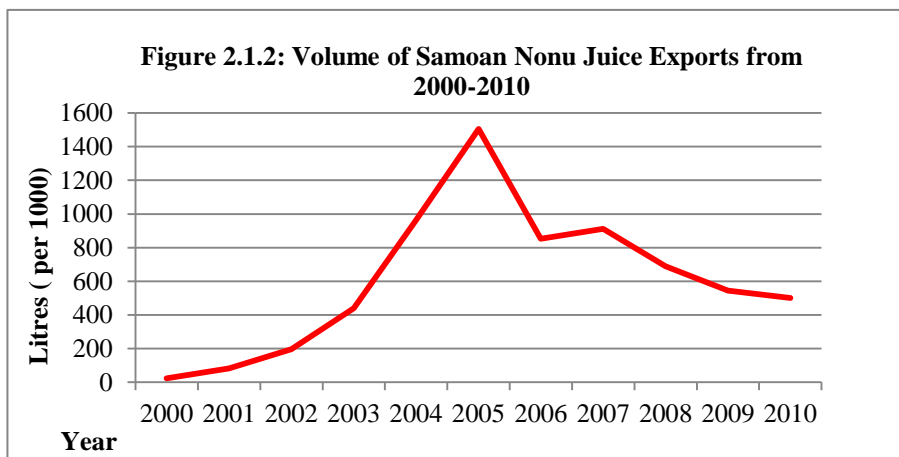
1. The general international decline for juice due to the global recession
2. Irregular supply as much of the fruit was being supplied mainly by an existing stock of trees growing wild around the country
3. Pesticides were found in some of the marketed 'organic' juices
4. Initial advantage based on widespread availability of noni which grows prolifically in Samoa was eroded through increased competition from new suppliers worldwide

5. Lack of rigorous scientific evidence on claimed health benefits for noni products.

Accordingly, the above inefficiencies and inconsistencies remain major factors challenging the competitiveness of the Samoan product on the global market (Rogers et al., 2009). Today, noni producers in Samoa are aiming to counteract such weaknesses and threats and focus on the industry's strengths and opportunities (see Figure 2.1.4 for an in-depth analysis of these strengths and issues).

Figure 2.1.1: Samoan Noni Juice Export By Commodity (In SAT\$ Thousand)												
During Period		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Measurement											
	Volume (1000 litres)	23	83	196	440	966	1506	852	911	690	544	501
	Value	206	550	910	2041	4686	8296	3945	9817	2799	2379	1990
	Unit Value (SAT\$)	8957	6627	4641	4638	4852	5509	4630	4188	4058	43271	3973

Source: Central Bank of Samoa (2011)



**Figure 2.1.4: Key Factors Affecting the Future of the Noni Juice Industry (Sources: Rogers et al., 2009 and Personal Comm., 2011)**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>▪ Noni is easily propagated, grows profusely and fruits year-round in Samoa</li> <li>▪ Perennial tree-crop with potential to enhance environment</li> <li>▪ Easily integrated in traditional mixed farming system</li> <li>▪ Currently requires no external inputs and low management to sustain a yield</li> <li>▪ No serious pest and disease problems to date</li> <li>▪ A low risk commercial crop with easy entry and exit for village farmers</li> <li>▪ Significant area of land certified organic</li> <li>▪ Noni processors certified for organic production</li> <li>▪ Value chain development is private sector driven</li> <li>▪ Relatively simple processing to add value</li> <li>▪ Experienced processors/exporters operating</li> <li>▪ Industry initiatives to form Noni Association and maintain operational standards and quality of products</li> <li>▪ No quarantine issues for export products</li> <li>▪ Geographical compactness of Samoan islands and relatively good infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited knowledge on horticultural management of the tree to maximise and sustain yields and improve productivity</li> <li>▪ Not a priority crop for government research and extension services</li> <li>▪ Limited capacity at both farm level and processor level to efficiently dry fruit</li> <li>▪ Lack of coordination in production, processing and marketing</li> <li>▪ Limited market intelligence</li> <li>▪ Limited capacity for product promotion in export markets Trade issues not well understood by the industry</li> <li>▪ No clearly defined government policy</li> <li>▪ Lack of scientific evidence for some claimed benefits of noni</li> <li>▪ Some producers also willingly admit that the taste of noni juice ‘is not the best’</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>▪ Agronomic research and extension to improve farm productivity</li> <li>▪ SROS support for product development and quality analysis</li> <li>▪ Expansion of organic production/certification</li> <li>▪ Branding and possible fair trade label</li> <li>▪ Diversification of products</li> <li>▪ Trade facilitation support under EPA, PACER- PLUS and other development partner programmes</li> <li>▪ Support for improved fruit drying technology</li> <li>▪ Support from proposed NEA for market intelligence, penetration and promotion</li> <li>▪ Improved coordination and integration of value chain</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increased competition on international market coupled with falling prices</li> <li>▪ Loss of consumer confidence/interest in noni products</li> <li>▪ Failure to meet market SPS standards</li> <li>▪ Possible negative health issues due to lapse in food quality standards</li> <li>▪ Depressed farm production due to outbreak of pests/diseases or other natural disaster</li> <li>▪ Increased opportunity cost of rural labour</li> <li>▪ Macroeconomic weaknesses including high inflation and appreciating REER</li> </ul>

## 2.1.2 Trade Trends

Trade trends of Samoan noni juice can be broken down into two sections - direct exports and company-based exports:

### *Direct Exports*

From 2000 to 2005, noni juice exports globally dramatically increased, particularly to the United States (U.S), Japan and Australia (see Figure 2.1.5 and 6). Because of the perceived health benefits of the product and effective marketing campaigns, Samoan noni juice exports to these nations was a highly profitable business venture. As such, Samoan noni juice was readily available in supermarkets, pharmacies and (only in Japan) in specially designed noni bars (Personal Comm., 2011). In 2005, in the peak year of production, around 1.5 million litres of juice was exported which is equivalent to about 3 million kilograms of fresh fruit processed (ibid). However, since 2005 this figure has been consistently decreasing where in 2010 only 500,000 litres were exported. Such a decrease has been primarily pinpointed to the lack of rigorous research on proving the fruit's health benefits:

“Noni has gradually more stimulated the interest of medical science, with 145 papers published since 1994 and 55 just since 2006. Despite the large marketplace for Noni juice products and research developments, the nutrient and photochemical profiles of Noni have not been broadly studied. Moreover, many health claims made in Noni Juice advertising are not supported by scientific study in human clinical trials; only one cancer study completed under NIH peer-review in 2006 has been conducted, the results of which remain unpublished” (Digg, 2009)

### *Company Based Exports*

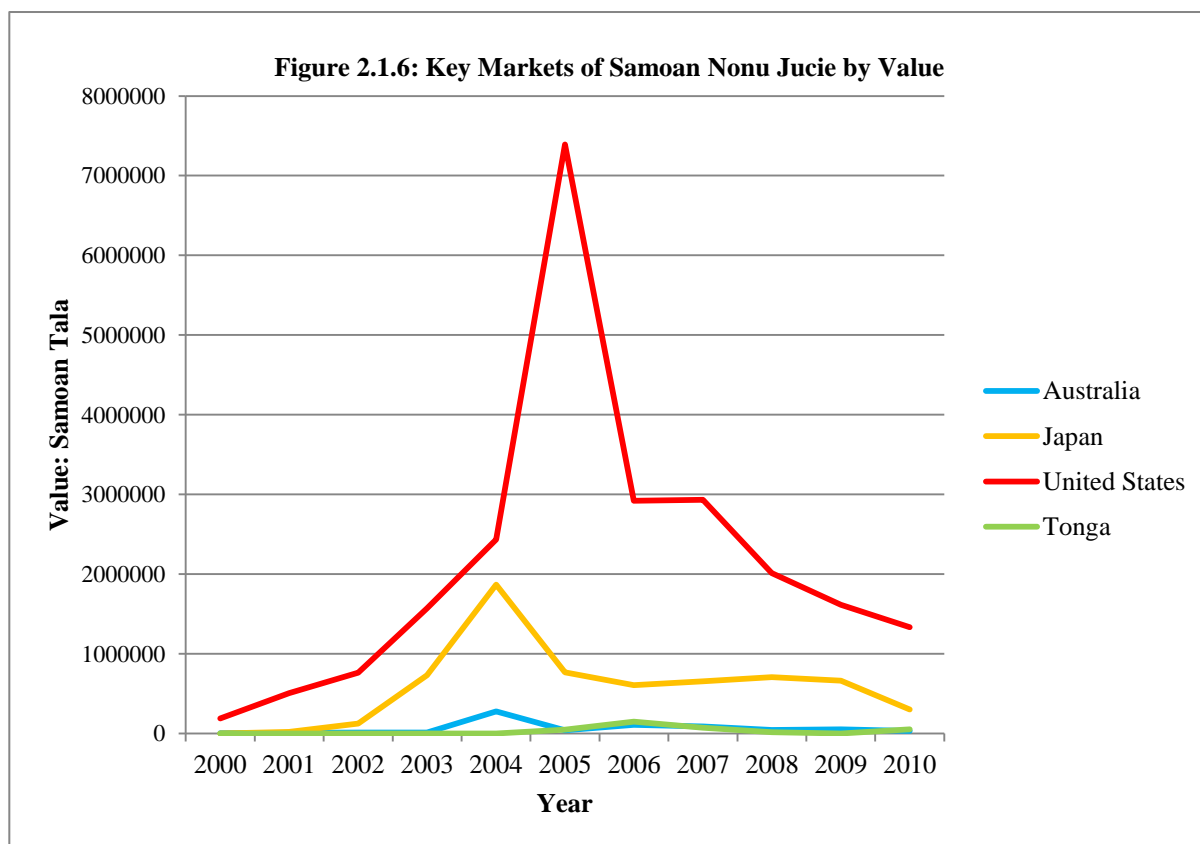
As Figure 2.1.5 and 6 also reveal, Tonga is also a key importer of Samoan noni juice. This relationship can be pinpointed to the Tongan company: Pacific International Ltd. The company specialises in the processing and bottling of noni products, but imports juice to meet the demands of production. Therefore the company also has branches in Samoa, Papua New Guinea and Fiji through which it sources the juice, repackages and then exports products to pharmaceuticals, and distributors in Japan.

**Figure 2.1.5: Samoan Noni Juice Export Value by Country (In Samoan Tala by Thousands)**

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Am. Samoa	122	326	20	281	24016	34069	25620	22250	11937	4255	3760
Australia	3351	7327	11676	14205	275612	38359	108493	90204	43495	51037	32739
Austria	425	0	0	0	0	0	0	0	0	0	0
Canada	0	0	0	348	0	0	0	0	0	0	0
Germany	3355	5100	4845	20035	0	0	0	0	0	0	267538
Italy	0	0	0	0	0	0	0	2789	0	0	0
Japan	0	19746	123153	731712	1866640	766363	605443	654526	705756	662738	301734
Korea	0	0	82	0	0	0	0	0	0	0	0
Netherlands	0	6633	397	485	26775	0	0	0	0	0	0
New Zealand	5580	4939	5733	3225	52777	19848	24897	1892	0	3060	0
Romania	0	0	15	425	0	0	0	0	0	0	0
Solomon Islands	0	0	0	0	0	0	0	4747	8925	0	0
Switzerland	0	0	170	0	0	0	0	0	0	0	0
Taiwan	0	0	0	0	5001	0	110347	0	2846	44554	0
Tokelau	0	0	0	0	0	0	0	34850	0	0	0
Tonga	0	0	0	0	0	46538	149855	72548	14280	0	50753
United States	193029	505911	763620	1570980	2435230	7390503	2920202	2933356	2011353	1613354	1334062
Vanuatu	0	170	0	0	0	0	0	0	0	0	0
<b>Total Export</b>	<b>205871</b>	<b>550152</b>	<b>909682</b>	<b>2041694</b>	<b>4686051</b>	<b>8295678</b>	<b>3944857</b>	<b>3817160</b>	<b>2798592</b>	<b>2378999</b>	<b>1990585</b>

Source: Samoan Central Bank, Personal Comm. (2011)

**Figure 2.1.6: Key Markets of Samoan Nonu Jucie by Value**



### 2.1.3 Local Social, Economic and Environmental Impacts

Over time, six companies have emerged to dominate the Samoan noni juice trade:

- CCK Trading Limited: Samoan owned (1995)
- Noni Samoa Enterprises: Samoan owned (1997)
- Samoan Noni: Samoan owned (2006)
- Pacific International Limited: Japanese owned (Unknown)
- RNL SAMMI LTD: Korean owned (1960)
- Pure Pacifika: New Zealand owned (2011)<sup>7</sup>

and now this global industry, the manufacturing of noni juice has become heavily intertwined into the everyday lives of local Samoan communities. All six producers are located in Samoa's capital, Apia, but collect noni from various family-groups<sup>8</sup> across Upolu and Savaii. In this section, the local impacts of the noni industry will be examined through the opinions of two companies CCK Trading Limited and Noni Samoa.

#### *CCK Trading Limited*

CCK Trading is one of the smaller noni juice producers in Samoa. The company currently exports around 400-500 litres of juice a month (including to the local market) and is steadily growing (Personal Comm., 2011). The company works with family groups primarily on Upolu and use their own trucks to collect the fruit. Employment contacts between the families and CCK Trading Limited are all verbal as the company believes it is not the cultural norm to enter into formal contractual arrangements (ibid). The average family produces around 250kgs of noni fruit monthly and receives cash in hand for the product (ibid). The prices for the fruit fluctuate greatly and are directly influenced by the global market. In June 2011, the company was paying ST\$2.70 per-kg for sundried noni (ibid). From the company's perspective the industry has had two positive outputs for the local families: (1) the company has provided an income to families living in rural areas of Samoa (2) this new income has helped build and

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<sup>7</sup> Pure Pacifika are also engaged in nonu production in Niue and run a nonu plantation and processing operation there.

<sup>8</sup> In Samoa, companies prefer to work with families rather than villages – as society is built on family networks rather than village ones.

improve housing. CCK Trading Limited have thus far had little trouble with farmers and found working with families the “quickest and fastest” way of gathering noni.

### *Noni Samoa*

Noni Samoa Enterprises is the largest noni juice producer in Samoa. The family owned company started in 1997 and began exporting around 20 litres of juice to a company in the U.S in 1999. In 2005, this escalated to around 100,000 litres. However, such progress stagnated in 2006 as the company suffered from internal issues. Consequently, “a lot of product had to be disposed of, leaving Noni Samoa Enterprises in serious strife” (Personal Comm. 2011). But, with “a lot of hard work and belief in the product” their business has started to recover (Ibid). In 2011, the company was exporting around 20,000 litres of noni juice a month, with new markets in U.S and Japan (who alone import 6,000 litres of juice every three months). Noni Samoa Enterprises works in the Upolu district with a wide range of families on the island. The noni fruit is produced by families in small cultivated plots, collected from wild plants growing on/around farm land and ‘backyards’ (Rogers et al., 2009). The company also hires a District Representative, who visits the families each Monday to remind them about noni collection. On a Monday, the families place the noni fruit on the side of the road ready for the trucks to collect. The families are all paid in cash and they currently receive ST\$0.50 per-kg but, in 2005 it reached as high as ST\$0.80 per-kg (Personal Comm., 2011). The company estimated that they can gather between 1,500 kg to 9,000 kg of noni fruit every week.

Noni Samoa Enterprises has various social, economic and environmental impacts on local communities. The company intertwines both *palangi*<sup>9</sup> and Samoan models of trade contributing to their businesses success. Being too *palangi* focused, according to members of the company, “does not work in this country, you need to know when to push, but you have to understand people work differently here. Once you understand that, you can then start a business” (Personal Comm., 2011). Noni Samoa Enterprises heavily incorporates this aspect of *fa’a Samoa* into their business. They help their employees/farmers in four ways: (1) scholarships for students – paying for school uniforms and fees (2) committing to environmental programmes such as *Siosio’Maga* to

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<sup>9</sup> *Palangi* is the Samoan/Polynesian phrase meaning ‘White Person’ or ‘Western’.



help reduce deforestation (3) providing employees with food boxes and gifts (4) offering bonuses each month (around ST\$1,000 for most improved employee). Overall, the blend of *palangi* and Samoan business practices has allowed Noni Samoa Enterprises to function successfully at both a local and international level.

### ***Implications***

Although Noni Samoa and CCK highlight the positive impacts, they also take into consideration, along with current literature, that there are clear implications the industry has had upon local communities in Samoa. There are three main issues that have arisen: (1) labour availability (2) lack of information and (3) lack of industry coherence.

### ***Labour Availability***

The constant fluctuation in noni fruit prices has caused some friction amongst farmers in Samoa. Inconsistency and low prices for noni fruit has resulted in farmers questioning whether collecting noni is financially sustainable. In Samoa the minimum wage is set at ST\$2.40 per hour (Roger et al, 2009). In the early years of the noni market, farmers were reportedly paid ST\$1 per kg for noni fruit, yet when the market dipped, the price dropped to ST\$ 0.20 per kg; a price many farmers considered unsustainable to justify the collection of noni (ibid). Today, the price per kg has risen again to ST\$0.50 (Personal Comm., 2011). Although this rise has occurred there still is an imperative need for economic development in the noni trade to financially secure farmers; so they are not victims of the global markets sporadic fluctuations.

### ***Lack of Information***

A culture of “entrepreneurism with associated skills in business practice is not widespread in Samoa, particularly in traditional rural village societies” (Rogers et al., 2009, p.34). The key industry drivers in the noni sector have largely come from ethnic and/or family backgrounds which have a developed business culture (ibid). Therefore, the ability for farmers to understand the hurdles in the global market and how to overcome them is constrained by the limited knowledge about economic development in rural areas. The lack of supply and sharing of information is possibly one of the weakest areas in the development of the noni industry. There is little information available to farmers on tree management, improved production technology, or on the gross margin and returns to effort under different management systems (ibid). As a

consequence, they have been unable to fully capitalise on their businesses opportunities and can suffer from the distribution of poor-quality fruit and mismanagement as a result.

### *Lack of Industry Coherence*

Previously, all noni juice companies in Samoa were Samoan owned or had established local business partnerships. However, in early 2011 a New Zealand owned and operated company - Pure Pasifika - started production. This has caused some issues among the other noni juice producers. The other five manufactures belong to the Samoan Noni Association which according to their president Garry Vui:

“creates regulations and guidelines within the industry. The association sets standards that companies have to meet. We want good-quality noni juice to be exported, no matter what the brand. The association is also about helping each other out, so if one company does not produce enough juice on time we can call upon each other to help fill the order” (Personal Comm., 2011)

The association has created a sense of community in the noni juice industry. However, Pure Pacifika have refused to become members of the network (ibid). As such, problems with the company have emerged, particularly from its treatment of local families. For instance, the Noni Association have reported there is an over-supply of noni fruit as the company, Pure Pasifika, which encouraged an expansion in production, stopped buying large volumes from the end of 2011. Furthermore, the company has reported that “there are plans to develop a 200ha plantation” and therefore, move away from the traditional model of working with families (Scherer, 2001). While Pure Pasifika have instigated such issues Vui has suggested that his company, Noni Samoa Enterprises, would step in to make up for Pure Pasifika’s inconsistency:

“we have ordered up to 20,000 pounds from my company per month for the next six months so let’s advice the public out there not to get angry, that there is a positive. Use the fruit that you’re not using, chop it up and dry it in the sun, and then we’ll buy the chips off you” (ibid)

Vui further explained that Pure Pasifika has not explained why it ceased to purchase noni from local families but has expressed “confidence it will start buying again this year” (ibid). Other noni companies see New Zealand based Pure Pasifika as “healthy competition” but are simultaneously fearful that their actions will tarnish Samoa’s noni

reputation (ibid). There are various noni juice producers in Samoa who primarily work together but foreign influences are starting to change the dynamics of the industry.

Thus the noni industry in Samoa presents an example of apparently successful niche agricultural production. It draws on a raw material that is common locally and can be gathered readily by local families, it can be processed locally into a high value product that has an international demand, and it can trade on its Pacific origins as a traditional good. Yet its path of further development may not be smooth. It will have to provide better evidence of its supposed health benefits, organic credentials and possibly place or origin, it will have to contend with increasing competition and fluctuating and probably diminishing prices, and it will face a tension between continued use of household gathering of wild fruit with increasing interest in plantation-based production.

## 2.2 Case Study Two: Samoan Coconut Oil

Throughout the Pacific, the coconut tree (*cocos nucifera*) has often been called ‘the tree of life’. Perhaps more than any other single plant, the coconut tree has helped sustain life in the Pacific Islands:

“easily cultivated, highly adaptive, stalwart, and quite at home in Samoa’s tropical climate, the coconut tree was certainly crucial to Samoans in pre-European times. Nearly every part of the tree could be used by islanders; the trunks, leaves, mid ribs, husk fibres, shells and nut themselves were all utilized for sustenance” (Hoff, 2008: 7).

The coconut can produce a range of products from copra<sup>10</sup>, bio-fuel, juices, and soaps to oil. However, Samoan Virgin Coconut Oil is one of the most distinctive and most successful niche products that have been exported from the Samoa.

As with noni, Virgin Coconut Oil is produced throughout the Pacific region. Fiji and Tonga have emerging industries but French Polynesia is perhaps the most notable regional producer. Here, producers have gone as far as using the French *appellation d’origine* regulations to specify and protect the brand of Tahitian *monoi*, a product which infuses virgin coconut oil with the perfume of the *tiare* flower and other fragrances such as sandalwood. *Monoi*, as a cosmetic product, is thus a critical example

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<sup>10</sup> Copra is the dried kernel (meat) of the coconut and is produced mostly by sun-drying the coconut meat.

of niche agricultural production in the Pacific for aims at a high value-added good which embeds notions of place of origin, traditional methods and local products in a brand that is now protected by international law as a form of local intellectual property. Samoa seems to be following a parallel track with its Virgin Coconut Oil industry but it is developing in a different form.

### 2.2.1 Historical Analysis

The global demand for coconut oil was evident in colonial times, when in the early part of the 19<sup>th</sup> century, coconut oil became an attractive alternative from then commonly used whale oil to make soaps, cosmetics and cooking oils. The result was a massive increase in coconut planting throughout the Pacific, including Samoa (Hoff, 2008), to produce copra which could then be exported and produce oil. Throughout much of the 20<sup>th</sup> century copra exports increased. However, by the 1980s and 1990s, coconut production and exports fell dramatically, nearly to the point of collapse around the turn of the 21<sup>st</sup> century. But, today this situation is not nearly as bleak. New coconut-related industries are emerging, and industries that had faded are beginning to remerge as viable economic contributors: “the coconut tree is beginning to be re-examined as a source of economic livelihood” (Hoff, 2008: 9). One particular product that has dominated this coconut renaissance is Samoan Virgin Coconut Oil (VCO).

In Samoa, VCO has become a global commodity distinctly linked to the nation. VCO is different from other conventional coconut oils<sup>11</sup>, as the product is extracted directly from fresh coconut meat without the use of high heating or chemicals – see Plate 2.2.1 (Cretney and Tafuna’i, 2004). Accordingly, this form of extraction is known as the ‘wet process’ whilst traditional coconut oil, mainly from copra, is known as the ‘dry process’. However, machinery to carry out

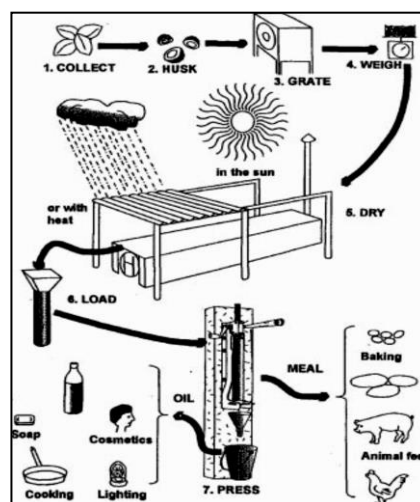


Plate 2.2.1: Production of Coconut Products (Cretney and Tafuna’i, 2004)

<sup>11</sup> Here it is important to make the distinction between ‘copra oil’ – formally known as ‘coconut oil’ – and ‘virgin coconut oil’ (Hoff, 2008). The latter is extracted from copra that has been dried over a period of days by heating. Raw copra oil is generally unclear and in need of refining, belching, and deodorizing before it can be used for human consumption. It is often referred to as “low-grade coconut oil” (ibid, p.20). Conversely, VCO is procured directly from fresh coconut meat via a process of pressing and separation of water. VCO is therefore purer, cleaner, and worth more than copra oil (ibid).

this intensive extraction wet process has only recently been developed. In the early 1990s, engineers from Australian National University developed the Direct Micro Expelling Press (DME) and have explained:

“DME gets its name from that fact that it is Direct in the sense that it ‘strikes oil’ within an hour of cracking open a nut. It is Micro since it is a small (family farm) scale operation employing 4 to 6 adults to operate to Expelling the oil. The DME process is very easy to learn. It simply involves grating the flesh out of fresh mature coconuts; weighing out a batch and drying it on a purpose-built shell and husked fuelled drier; and, pressing out the oil in a manual press” (Etherington, 2005: 57)

Therefore, the time and workload to extract VCO has been dramatically reduced through the invention of the DME. In comparison to coconut oil, which is mainly used in producing bio-fuels, VCO is much more valuable as it can be processed into cosmetics, insect repellents and other so called “value-added products” (Hoff, 2008, p. 20).

In Samoa, Women in Business Development Incorporated (WIBDI) are the main NGO that have embraced this DME technique. WIBDI was established in 1991, with the objective to assist Samoan women and youth to develop sustainable livelihoods. In 1996, WIBDI saw a “desperate need to create an industry in rural Samoa” (Personal Comm., 2011) as the nation saw a drastic decline in the price for copra, Samoa’s previous major export commodity (Cretney and Tafuna’i, 2004). To fill the void left by copra, WIBDI started investing in VCO projects throughout Samoa. With funding provided from a myriad of agencies such as AusAID, Oxfam New Zealand, United Nations Development Programme, New Zealand Ministry of Foreign Affairs and Trade, and the Canada Fund, technological equipment was distributed to families to start producing VCO. Today, WIBDI works in both Upolu and Savaii, with 16-18 families producing the oil.

### **2.2.2 Trade Trends**

Internationally, VCO from Samoa is only exported to a handful of countries. The industry has been described as ‘sporadic’ and only started to gain momentum in the last three years (Personal Comm., 2011). Previously, WIBDI solitary sold their oil to the *Pure Coconut Oil Company* and:

“without the Pure Coconut Oil Company the village-based producers would struggle to sell their product and receive the support they need” (Cahn, 2006: 219)

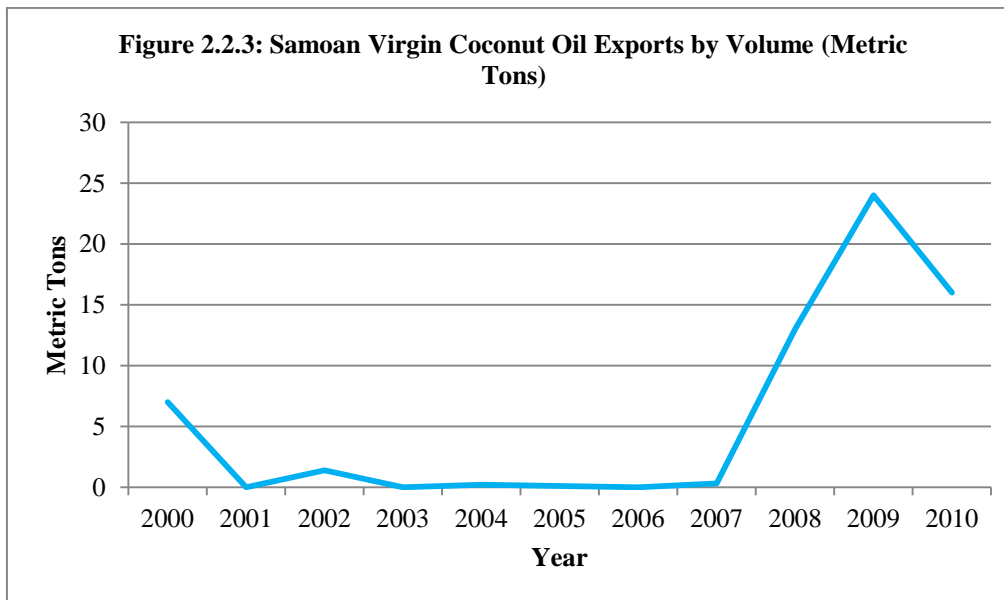
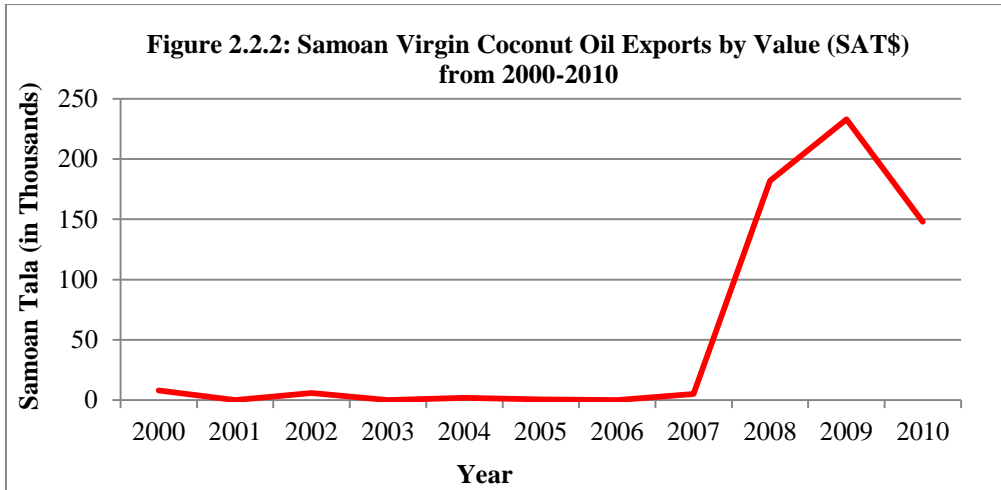
However, this relationship with the Pure Coconut Oil Company ceased and as predicted, WIBDI struggled from 2000-2008 to sell their VCO nationally and globally. However, in 2008, *The Body Shop* approached WIBDI and made a verbal agreement to incorporate VCO into several of their products (Plate 2.2.2) (Personal Comm., 2011). With this trading relationship, WIBDI became part of *The Body Shop*'s 'Trade Not Aid' initiative'. The objective of this campaign is to encourage trade in developing nations and to utilise their own resources (Personal Comm., 2011). According to Malielegaoi (2010), *The Body Shop* has realised the growing demand in sustainable products (for instance, organics) and fair trade markets and therefore approached WIBDI to become part of this movement. With this trading relationship locked in, Samoa now supplies around 10-20 tonnes of VCO to *The Body Shop* every year (since 2008) and mixes the VCO in a number of products from soaps, milk body lotions, body scrubs and lip butter. These products are sold in 2,000 shops in over 54 countries (Malielegaoi, 2010). Consequently, as Figure's 2.2.1, 2, 3 and 4 below reveal, the relationship WIBDI established with The Body Shop is perceived as a major 'break though' for the VCO industry.



Plate 2.2.2: The Body Shop Coconut Scrub and Soap

Figure 2.2.1: Samoan Virgin Coconut Oil Export By Commodity											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Volume (Metric Tons)	7	0	1.4	0	0.2	0.1	0	0.3	13	24	16
Value (Tala in Thousands)	8	0	6	0	2	0.7	0	5	182	233	148
Unit Value (Tala on Thousands)	1074	0	4286	0	10000	7000	0	16667	14295	9526	9374

Source: Samoan Central Bank, Personal Comm. (2011)

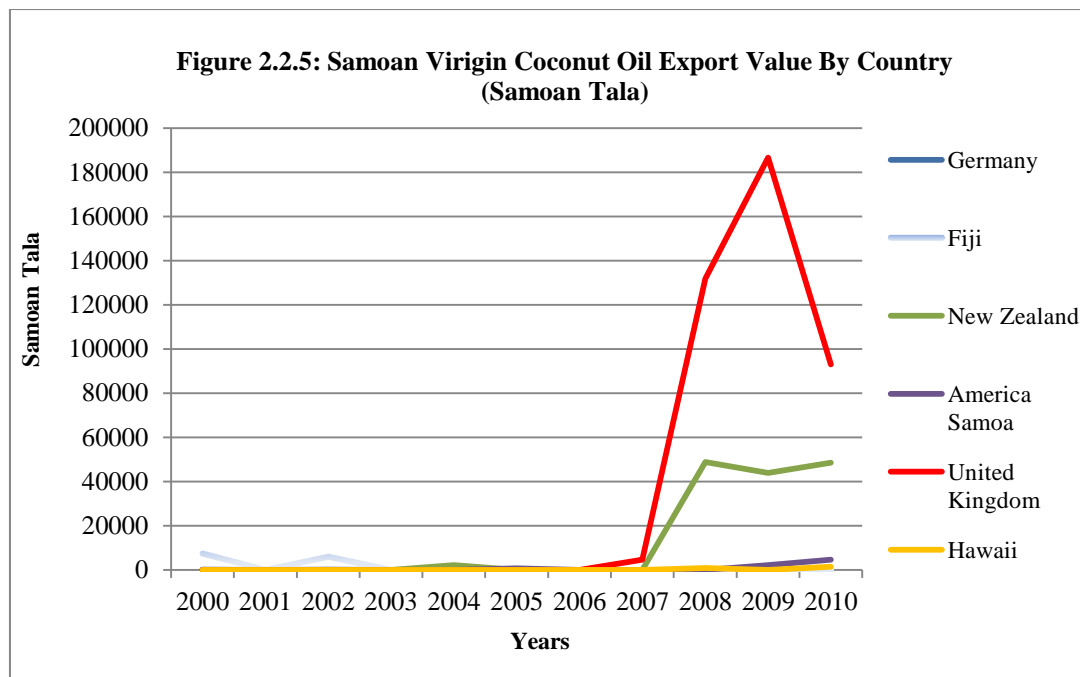


**Figure 2.2.4: Samoan Virgin Coconut Oil Export Value By Country (In Samoan Tala)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Country</b>											
Germany	136	0	136	0	0	0	0	0	0	0	0
Fiji	7396	0	5966	0	0	0	0	0	0	0	0
New Zealand	0	0	0	0	2225	0	0	0	48779	43928	48593
America Samoa	0	0	0	0	0	733	0	0	0	2155	4561
United Kingdom	0	0	0	0	0	0	0	4682	131896	186620	93115
Hawaii	0	0	0	0	0	0	0	0	898	0	1394
<b>Total Export</b>	<b>7532</b>	<b>0</b>	<b>6102</b>	<b>0</b>	<b>2225</b>	<b>733</b>	<b>0</b>	<b>4682</b>	<b>181573</b>	<b>232703</b>	<b>174663</b>

Source: Samoan Central Bank, Personal Comm. (2011)





As the above figures also reveal, prior to *The Body Shop's* arrangement with WIBDI, small quantities of VCO were exported to Germany, Fiji, and American Samoa however, the motives behind importing the oil remain unclear. It has been suggested that families from Samoa living in these nations imported the product however; this will only make a small margin of the numbers.

Demand for the product continually grows yet the ability for the family producers to sustain this demand is a challenge. Markets in the United States, especially in the cosmetic industry, have also expressed interest in purchasing the product. But due to low levels of production and consistency issues (which will be further discussed in local impacts below), WIBDI at present can only afford to commit to *The Body Shop*.

Arguably, the trading relationship with the UK-based company *The Body Shop* has single-handily revitalised the VCO industry in Samoa. The company according to Alberta Malielegaoi (2010) has put "Samoa on the global map and open[ed] windows of opportunity for other Pacific Island Countries (PICs) to develop and export other Community Trade Products". Malielegaoi (2010) further argues that *The Body Shop* has created a platform to inspire other PICs to work together to target 'niche markets' and to consistently supply 'Pacific Brand' products. In addition, *The Body Shop* has also provided financial aid to families impacted by the 2009 tsunami. Overall, WIBDI

believe *The Body Shop* has created a blueprint for other industries to learn and capitalise on the export success of VCO.

Although WIBDI have achieved economic success, they do not want to silence the various challenges that emerged throughout their journey. When discussing the achievements of Samoan VCO with various members of WIBDI, they stressed that “a lot of mistakes had been made” in the process to get the industry started but, “these mistakes have made us who we are” (Personal Comm., 2011). The media has principally focused on the success of WIBDI, when in fact the multiple members of the company believe the mistakes along the way are just as important as their triumphs. As such, WIBDI encourages discussions on their past and current issues. Discussions of these issues are provided within the local impact section below.

### **2.2.3 Local Social, Economic and Environmental Impacts**

The social, economic and environmental impacts the VCO industry on localities has been both positive and negative. WIBDI works with around 16-18 families on both Upolu and Savaii. Today, these families producing VCO on average earn NZ\$3.17 a kg compared to copra oil which peaked at only NZ\$0.50 a kg. However, only eight families are currently producing the commodity. Like other Samoan-based companies, WIBDI works with families rather than villages. Members of WIBDI argued that connecting with families is “what works for Samoa, communities’ can, you know, get messy and families in Samoa can reach up to 200 people, so they are basically villages themselves” (Personal Comm., 2011). There are six main impacts the VCO industry has had on localities which include: women’s economic empowerment, movement of younger family members, poor quality and quantity of product, Western perceptions of business, achieving organic certification and micro-financing. These six factors examine the positive impact of VCO on localities, but equally uncover the industry’s shortfalls.

#### ***Women’s Economic Empowerment***

Investigations revealed that as far back as the 1800s, coconut oil production for export had traditionally been the economic activity of village women (Cretney and Tafuna’i, 2004). Penelope Schoeffel (1977, p.11) states:

“until Theodore Weber introduced the innovation of exporting dried copra in the 1870s, a prime source of income for the Samoans was the manufacture of

coconut oil for export. This was traditionally a woman's economic activity, though men took part in it when it became a major commercial product".

This revelation encouraged WIBDI to look for ways of reviving the practice of coconut oil production by women as a source of income through export. With the VCO project, many women have become responsible for bringing income earning opportunities to their families. Consequently, changes have occurred within the traditional family structures as women are starting to become the main breadwinners. Husbands, for instance, may seek advice from their partners and discuss more decisions with them, while other members of the extended family also seek advice on issues they would have normally have discussed with male members of the family (Cretney and Tafuna'i, 2004). Overall, women in rural areas are becoming increasingly acknowledged as sole income generators within the family unit. This has eased the pressure of total reliance on remittances for some families who work for WIBDI and "provided some welcome respite for the remitting family members to concentrate on their own livelihoods where they live" (ibid, p.66).

#### ***Movement of Younger Family Members***

In many Samoan communities today the younger generation is often encouraged to move away to obtain employment. But ever since some families have started producing VCO younger family members can afford to stay within the village network. WIBDI have a firm philosophy to teach families to make money from their own land. With this theme, WIBDI have helped advocate for young people to stay within their villages to help on the farms rather than move away to generate an income. As a result, families are kept together and there are more people to help with the production of the coconut farm. Although this can be perceived as a primarily positive impact, various issues have also arisen with this structural change. Family members at times do not pay the children who come back to the village and misuse their position as elders. Therefore younger family members can work long hours without any pay which further encourages them to move away. WIBDI have identified this issue and are currently providing counselling.

#### ***Poor Quality and Quantity of Product***

A major issue faced by WIBDI in VCO production is the poor quality and quantity of product. This issue is due to a myriad of factors. Firstly, cultural restraints have proven to hinder economic progress of the project. In many Samoan villages, the church

underpins everyday life. Therefore, the needs of the church take precedence over other economic activities and can disrupt the consistency of production. Furthermore, to produce VCO according to members of WIBDI is:

“hard work and many people see the occupation not as a positive thing. They are pushed out of their comfort zone and are not used to standing and working all the time, making VCO tough work. Some people are used to being relaxed and not working so changing scenes can be difficult” (Personal Comm., 2011)

WIBDI also suggested that, as the Samoan way of life is “very relaxed”, some families do not understand that the VCO has to meet a certain high standard (Personal Comm., 2011). *The Body Shop* relies on WIBDI to produce high-quality VCO but some families’ misinterpret the company’s standards and can produce poor-quality oil. To overcome this problem WIBDI continually visit the families to educate and inform them on the international standards set by *The Body Shop*. WIBDI have also invested in VCO farms in Tonga as a safety-net. Therefore, if families fail to produce enough VCO in Samoa, they can turn towards their Pacific neighbour to aid them.

### ***Western Perceptions of Business***

In many PICs, large international corporations can diffuse their Western ideologies of business on localities yet *The Body Shop* has proven to break this trend. A primary concern for WIBDI in starting a trading relationship with *The Body Shop* was the company’s impacts on local people. Members of WIBDI argued that:

“Western nations have a certain way of doing things and those ways of doing things cannot be instantly placed on-top of Samoan communities. *The Body Shop* was aware of this and knew that certain business practices had to be introduced slowly and at a *pace* they want to learn, not ours. You have to change the mind-set of the people and introduce them into a business mind-frame/ideology. From this we can nurture and foster the change, not force the ideas on people” (Personal Comm., 2011).

Consequently, *The Body Shop* has remained sympathetic of the cultural barriers that can occur when trading with PICs. As a result, *The Body Shop* does not demand a certain amount of VCO but rather takes what is made available to them. With this understanding the families have grown to respect the company and its practices.

### ***Achieving Organic Certification***

To provide a competitive edge in a global market, WIBDI decided to set a goal to make all of their VCO producers organically certified. The VCO supplied by WIBDI works in conjunction with National Association for Sustainable Agriculture, Australia (NASAA). The certification process is an intensive one that requires significant resourcing both initially and on an on-going basis (Cretney and Tafuna'i, 2004). But with this certification farmers can receive an additional 30 percent for their product (Personal Comm., 2011). Members of WIBDI also highlighted that it:

“is not hard to maintain NASAA standards in Samoa as many farms use traditional farming methods as money or access to chemicals is not available. So there are huge areas of originally certified land all over the Samoan islands” (ibid)

Recently WIBDI have been looking into also gaining Fair Trade certification, but have yet to receive such recognition. This can be attributed to the conditions tied with the Fair Trade philosophy and regulations. Members at WIBDI argued that:

“we need to re-think what Fair Trade means. The criterion to achieve such status is based on plantations in other areas. Fair Trade has a different meaning in the Pacific and the standards committee need to take that into account” (Personal Comm., 2011)

By gaining organic certification VCO has been able to command a premium price in the market and it is hoped that by gaining Fair Trade certification this can also result in further increases in price and market security.

### ***Micro-Financing***

WIBDI are committed to providing families with financial advice once they start generating income from the VCO project. All project participants are required to commit to a micro-finance scheme by saving at least ST\$5 each time they are paid. Each family member has access to this account for their family needs and for the maintenance of the DME equipment and drier. In 2004, at least two families on the VCO project saved up to ST\$200 through the scheme (Cretney and Tafuna'i, 2004). Some women in families also prefer to have a second savings account in their individual

name for cash they earn themselves. This gives them a source of income that they can spend without discussion with their husbands.

Thus, overall Samoan VCO is an example of a seemingly very successful niche product. It offers much potential for development and the work of WIBDI has done a great deal to establish a model for family-based agricultural production and support a ranges of changes needed – in terms of business experience, quality control and consistency of supply – that are needed for such an industry. Yet it is far from secure as an industry. It depends critically on the support of a single global corporation, the *Body Shop* for its market, WIBDI's crucial role in the industry is only maintained by its external funding and, as yet, the numbers of families supported by the industry is very small.

## Objective Three

*To undertake two case studies of attempts to develop place-based niche exports in Fiji through the examination of Fiji Kava and FIJI Water*

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Fiji has a population estimated around 850,000 and its agriculture is a leading economic sector alongside tourism and remittances. Within agriculture, sugar has long dominated exports and employment and has involved local value-added activity in the sugar mills. As sugar has declined in recent years, progressively more ‘exotic’ niche products from Fiji are becoming significant in high-income markets in Europe, Asia and North America. This report reviews the concept of ‘exotic’ niche products through two of Fiji’s industries: Fijian kava and FIJI Water.

### 3.1 Case Study One: Fiji Kava

Kava is the dried root of the pepper plant (*Piper Methysticum Forster*). It is consumed throughout the Pacific Islands as a traditional beverage. Its consumption is linked both to formal ceremonial occasions where customary protocols govern its preparation, distribution and consumption, and to much more informal consumption of a refreshing beverage in homes, grog shops and even offices. Within Fiji, kava is consumed as a drink prepared by pounding the roots (*waka*) or stem (*lawena*) and mixing it with water. The “opaque russet drink is prepared by squeezing the fresh roots, or crushing the dry kava roots into powder, and then mixing it with some water or juice as a base” (Prasad and Raj, 2006: 384). The beverage gives a slight narcotic and anaesthetic sensation, and the product is increasingly used for medicinal purposes on a commercial scale. Today, kava is found commonly in a range of situations from:



Plate 3.1.1 Dried Kava hanging from the local kava market in Suva, Fiji

“Fijian ceremonial rituals, an item of exchange as a means of strengthening social ties, a beverage to affirm social ranks, and a communal activity to facilitate communication and camaraderie” (ibid)

### **3.1.1 Historical Analysis**

In the past, kava was primarily grown at a subsistence level, however semi and full commercialisation has occurred in many localities given the growth in demand since independence. Today, whole dried kava roots can be easily purchased at a local Fijian market (Plate 3.1.1) for F\$18-20 per kg or in the form of a capsule, tea, ointments and other liquid abstract forms at pharmacies or natural health stores globally. But, while kava is a multipurpose commodity, the product has suffered from economic vertigo within the global economy. Such turbulence in the global market has been pinpointed to the unknown health effects of the plant. Accordingly, a historical analysis of kava is best explored through two stages: the pre-European kava ban and the post-European kava ban.

#### ***Pre-European Kava Ban***

With the out-migration of Fiji Islanders to countries on the Pacific Rim, which intensified in the 1970s and 1980s, an external demand for kava for recreational beverage-based use was initiated. Kava was mainly exported for consumption by some 1.25 million Pacific Islanders settled abroad, mainly in the U.S, Australia, New Zealand and Canada (Prasad and Raj, 2006). However, within the 1990s a growing demand for kava within the pharmaceutical industry (particularly in Europe) emerged. This trading relationship resulted in number Pacific Island nations experiencing a surge in kava exports (see Figure 3.1.1), with Fiji dominating the trade due to its initial production capacity, experience and export linkages in terms of transportation and marketing (Prasad & Raj, 2006). Kava roots were primarily exported to manufacturers throughout Europe and processed into capsules, teas, ointments and other liquid extract forms to target medical problems including: sleep induction; pain killing; local anaesthesia; muscle relaxation; and anti-fungal activity (Onwueme and Papademetriou, 1997; Murray, 2000). The by-products were marketed as ‘natural’ or ‘alternative’ products to further appeal to an increasing environmentally aware market sector (Murray, 2000). Due to the sudden surge in demand in 1998 from the pharmaceutical industry, farmers uprooted/harvested as much kava as they could, compromising the sustainability of the industry. Kava prices were the highest ever in 1998 and many involved in the kava trade tried to make the most of the opportunity, though product quality considerations probably suffered.



Figure 3.1.1: Kava Export Trends in Fiji from 1997-2010 (Nominal Price)		
Year	Volume (kg)	Value (FJD\$ millions)
1997	363,709	2,865,913
1998	1,350,685	34,649,051
1999	412,283	6,193,896
2000	401,658	5,744,491
2001	385,070	4,989,400
2002	125,632	1,728,708
2003	142,445	1,565,730
2004	141,042	2,205,432
2005	122,619	2,553,667
2006	183,422	3,674,216
2007	174,162	4,153,247
2008	184,422	4,153,247
2009	212,241	3,946,254
2010	243,560	N/A

Sources: McGregor (2009); Fiji Trade and Investment Bureau (2011)

With the combination of increased migration and interest from European pharmaceutical companies, the commercial market for kava exports accelerated dramatically. For example, during the 1990s, prices escalated from FJD \$9.25 per kg to FJD \$26.6 by 1998 (ibid). Kava was among the top-selling herbal products worldwide, with a growth rate in sales of 473% from 1997-1998 (ibid). Yet, despite this promising growth in the Fijian kava industry, such success was mirrored by its swift decline – as Figures 3.1.1, 2, 3 and 4 depict.

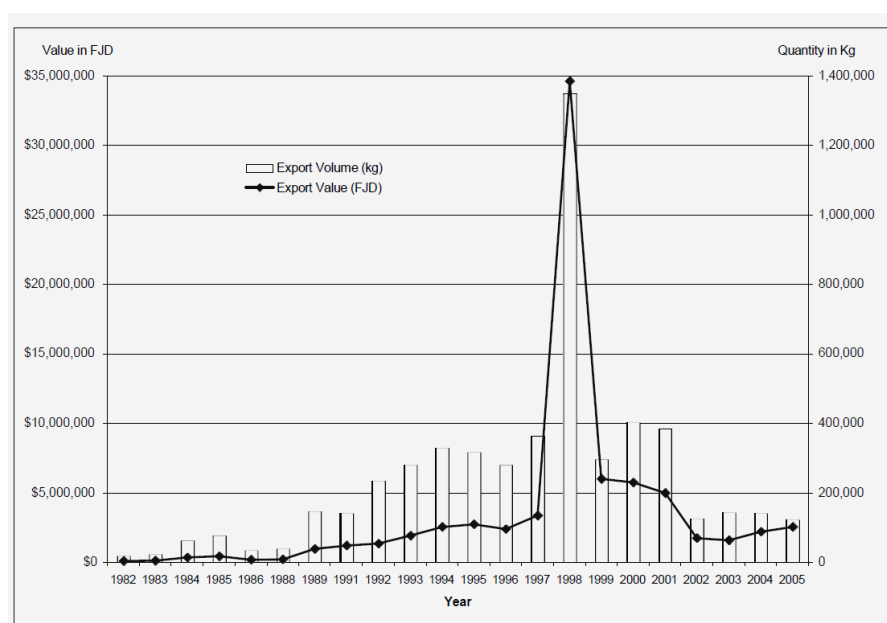
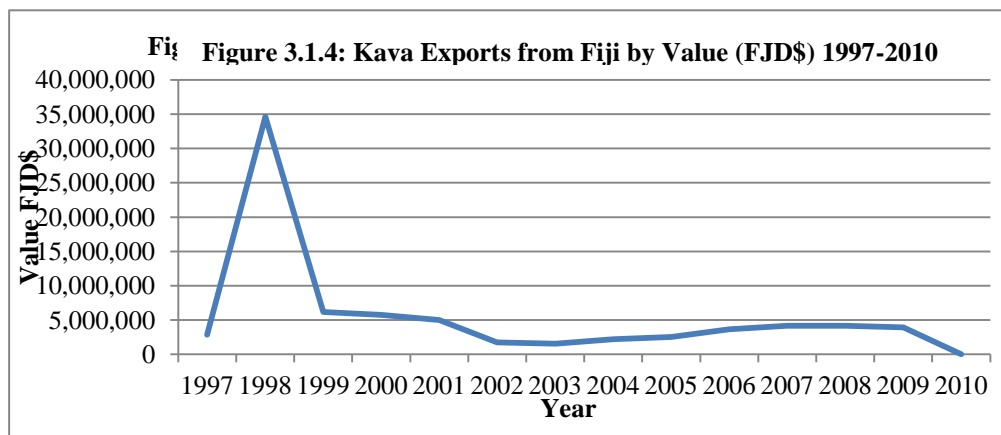
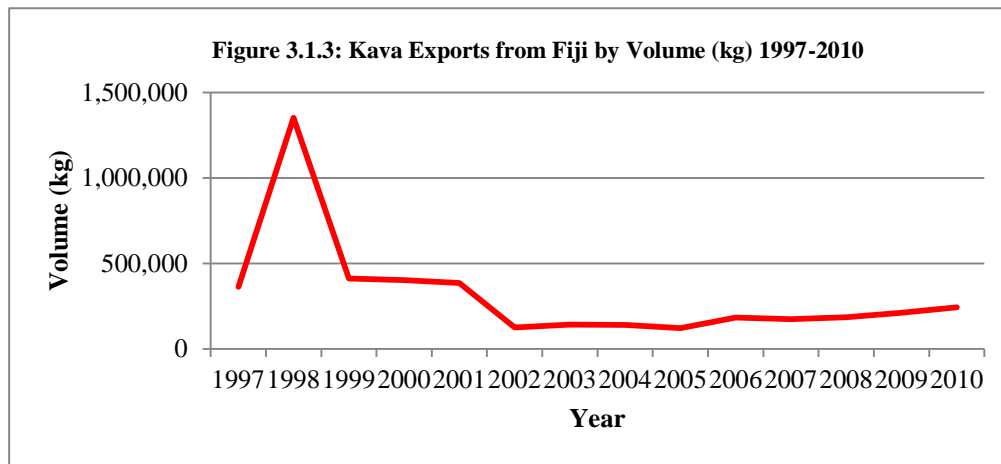


Figure 3.1.2: Kava Export Trends in Fiji from 1982-2005 (Nominal Price). Source: Prasad and Raj (2006).



### *Post European Kava Ban*

Kava was the sixth highest Fijian export in the 1990s but due to potential harmful health issues, an import ban across the European Union was issued in 2001:

“At the end of 2002, the kava export industry had collapsed. At least 68 suspected cases of kava-linked liver toxicity had been reported, including nine liver failures that resulted in six liver transplants and three deaths. Countries in Europe, Asia, and North America had banned the sale of all kava products. In the U.S., where the Federal Drug Administration issued warnings but did not institute a ban, supplement sales plummeted” (Fiji Guide, 2012)

This single decision resulted in the commodity’s dramatic export decline as the Figures above illustrate. The European ban in 2001 was accompanied by criticisms and prohibitions elsewhere. Following attempts to introduce kava as an alternative to alcohol to aboriginal communities in Australia, opposition soon arose and kava’s supposed health dangers were used as an argument to restrict kava imports (see below). The European ban was imposed for six years, only being lifted at the end of 2008 when accusations about its harmful health effects were debunked. Yet, although the ban was

removed in 2008, as proof it was harmful remained unproven, the stigma associated with the product remains.

The decline in kava exports was also due to other factors. Kava growers in Fiji were argued to have “exploited the increased demand” during the 1998 surge and by doing so exported “low-quality product” (Prasad and Raj, 2006: 387). Connell (2006: 9) has suggested that the kava-biscuit war was another reason for the decline. This ‘war’ started when Fiji banned Vanuatu kava (the Fijian Kava Council alleged “Vanuatu kava of low quality had infiltrated the market and caused liver and kidney problems” (ibid)) and Vanuatu banned Fijian biscuits in return. The war served merely to further damage the reputation of the product.

As a result, within the last five years there has been limited growth in the industry. For example, exports once reached F\$34 million in 1998 yet, this figure has dramatically dropped to F\$2.8million in 2010 (Fiji Islands Trade and Investment Commission, 2010). As a result:

“in Fiji the disadvantaged native population constitute approximately 98% of all Kava farmers, and Kava production was one of the few profitable industries run by this population” (Sarris et al., 2009: 121)

While the way forward for the kava industry will be challenging, economic geographers Sarris, Adams and Wardle (2009: 121) suggest that:

“progress is nonetheless occurring, and with the support of governments and industry and the practice of rigorous science, the future of the medicinal plant and the Pacific Island communities it supports remains optimistic. With the development of definitive guidelines regarding the necessary clinical and toxicological evidence and the introduction of a strict Pan-Pacific quality control system, re-introduction of this effective and safe anxiolytic agent may be achievable in the near future”.

Overall, the kava trade in Fiji clearly illustrates the dangers of being thrust into global markets without full preparation and today the nation is aiming to re-stimulate the tarnished industry. A historical recap of Fiji’s kava industry is provided in Figure 3.1.5 below.

Figure 3.1.5: Timeline of the Fijian Kava Export Industry, 1900-2010



Sources: Sami, 2008; Prasad, 2006; McGregor, 2009 and Pollock, 2007

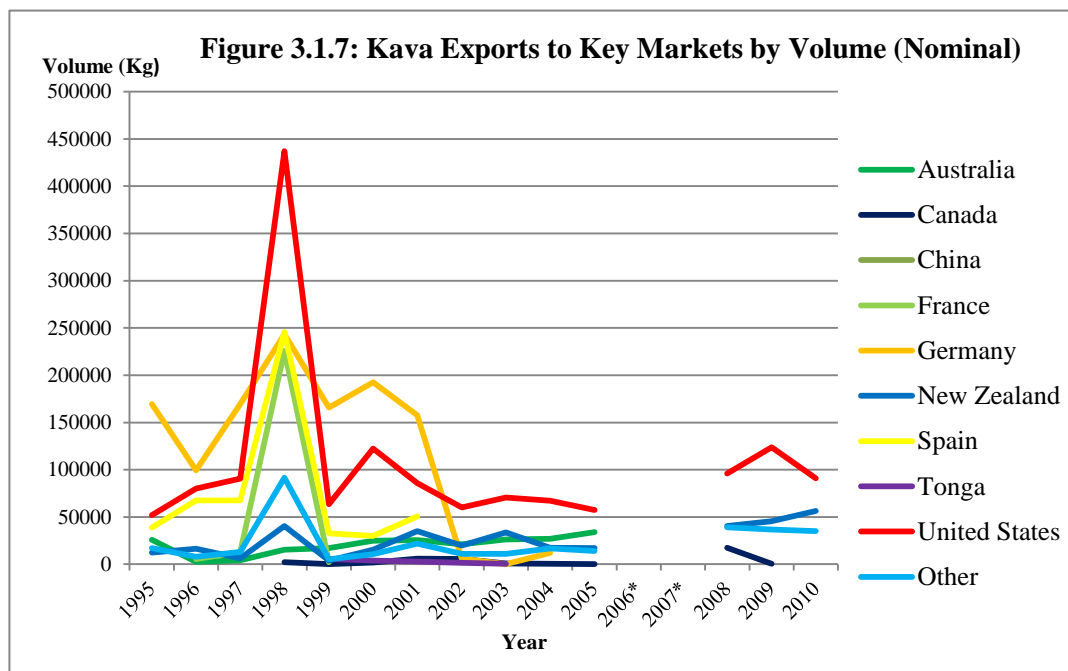
### 3.1.2 Trade Trends

The trading trends of Fijian kava sit on two separate ends of the spectrum (1) when trade began with European Union nations and to expatriate Fijians and (2) when the ban was imposed. Such extreme trading trends can be explored through the products main regional destinations: Australasia, U.S, Europe and neighbouring Pacific Island countries. Some of these destinations have been stable markets for Fiji whilst others, due to the ban in 2002, cut off all ties with the industry. Fijian kava is exported to these destinations for two primary reasons (1) to continue traditional practices/rituals and (2) for pharmaceutical use (before and after the ban was uplifted). Evidentially, the countries that use kava for pharmaceutical purposes had higher imports and were primarily European nations. This suggests that the kava industry relies heavily on pharmaceutical-centred countries such as Europe and the U.S to keep the trade sustainable. From here, a breakdown of each region is offered and trends are based on Figures 3.1.6 and 7 on the following page.

Figure 3.1.6: Kava Exports to Key Markets by Volume (kg) in Nominal Value																
Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*	2007*	2008	2009	2010
Australia	26042	2595	4199	15483	17142	24950	25453	21191	26108	26751	33977			7860		
Canada				2200	84	1821	5878	5625	845	561	200			17356	620	
China				48111												
France		5500	12600	225736	2100				3							
Germany	169400	99448	169628	243270	165602	192451	157500	6018	32	12032					5392	
New Zealand	12456	16233	6244	40554	3805	15451	34997	19819	33531	17571	16983			40437	45564	56403
Spain	38800	67372	67499	245643	32580	30021	50653		31							
Tonga					5680	3705	2800	1650	400							
United States	52098	79930	90473	437099	63341	122475	85858	60210	70606	67292	57356			96105	123810	90830
Other	17097	8025	13066	91589	5122	10784	21932	11119	10890	16835	14103			39165	36855	35086

Source: Prasad and Raj (2006); Ministry of Primary Industries (2012).

\*No individual country breakdown of kava export data available for 2006 and 2007 due to political instability.



### *Australasia (Australia and New Zealand)*

Australia and New Zealand have both been stable kava importers from Fiji since 1995. The growth of this niche market in Australasia can be linked to the significant migration of Pacific Island people to Pacific Rim countries. With regards to the kava trade in Australasia, migration has been a key component to the survival of the kava industry. Migration, from the islands to former colonial powers on the Pacific Rim (predominantly, Australia and New Zealand, but also becoming more frequent to the U.S) is accelerating. In 2006, over 6.5 percent of New Zealand's population (estimated at 265,974) and 2 percent of Australia's (estimated at 93,000) were of Pacific origin (Appleyard and Stahl, 2007). In some cases such as Niue, the Cook Islands and Tokelau their overseas population exceed that of their home population (Pasikale, 2002). As a result, kava is imported to Australia and New Zealand to continue and preserve the various traditions within Pacific culture in which the commodity plays a fundamental role. Therefore, if the Pacific population continues to grow within this region, so will the demand for kava.

“For example, Kava clubs (*kalapu kava* or *faiokava*) are also an important place for people to meet in the migrant diaspora, a venue to share political and social information as well as for socializing and entertainment. These grassroots structures promote identity and reinforce cultural links across international boundaries: There are in existence in Australia more than 100 Kava Clubs [...] membership of these clubs are usually based on home village/island blood ties, or church/religious denomination affiliations [...] these Kava Clubs serve to reinforce social cohesion” (Senituli, 2007)

Accordingly, kava is exported to Australia and New Zealand as a mean to “provide important community links between villagers at home and diaspora” (MacDonald and Marshall, 2010: 304). Yet, while these kava clubs have been created to preserve traditional Pacific culture, the kava tradition is also under threat. Firstly, Westernisation has the potential to dilute the practice and preservation of kava and its tradition. Secondly, in 2007 Australia placed restrictions on the amount of kava one can bring/import into the country (Urquhart and Thomson 2008). This was ignited due to reports that Aboriginal communities consumed the product inappropriately – for instance mixing kava with alcohol. The Australian ban resulted in Fijian kava exports falling AUS\$21 million in 2007-2008 (ibid). Australasia continues to be a key market for Fijian kava however and the survival of the industry relies upon the ability to conserve its traditional practice.

### *United States*

Similar to Australasia, the U.S has been a steady importer of kava. The U.S principally uses kava for pharmaceutical reasons, but like Australasia, the nation also has a large Pacific Island population, peaking at an estimated 430,000 people in 2008 (U.S Census Bureau, 2010). In 1998, the U.S imported large quantities of kava. But, unlike Europe, the U.S was opposed to a ban and has continued to import the product after 2002. It is important to note, that although the U.S continued to import kava from Fiji, the amount they purchased significantly declined. The reasoning behind this move is unclear and was perhaps instigated by global concern over the product. On the whole however, the combination of migration from the Pacific and also the traditional use of kava by indigenous groups in Hawaii have seen the product embedded into the cultural identity of Pacific Islanders living in the U.S.

### *Europe*

Unlike Australasia and the U.S, Europe is an inconsistent kava importer. From 1998, Germany, Spain and France were major destinations for Fijian kava for health and pharmaceutical purposes. In 2001, exports to Germany represented 41 percent of total kava exports followed by the U.S representing over 22 percent, and Spain representing 13 percent (Prasad & Raj, 2006). But exports to Germany and Spain faltered following the import ban on both kava and kava products imposed in 2001 by many developed countries. Switzerland and Germany first started the ban on the basis of reports that indicated that there might be serious side effects. The volume of kava exports and the export market share changed considerably following the kava import ban into Europe. Although Germany vowed in policy to ban kava trade, as Figures 3.1.6 and 7 demonstrate small amounts of kava were still exported from 2002-2004. Again, the reasoning behind this move is unclear but, one can predict that the small quantities of kava were used primarily for research purposes and not for consumption. Overall, various nations in Europe were leading importers of Fijian kava but, once the ban was imposed Fiji's kava exports drastically declined.

### *Pacific Islands*

Due to the unsuitability of soils and topography in several Pacific Island countries, growing kava has become a difficult task resulting in several countries now importing

the commodity for local consumption. Kava plays a crucial role in the everyday life of many Pacific communities and can also be purchased at kava bars in some metropolitan areas within the region. Tonga has emerged as the leading Pacific Island importer of kava. Although there have been some attempts to establish kava plantations in Tonga, not enough is produced to sustain its demand, accordingly it relies to a large extent on Fijian kava (ibid).

Yet there has been competition in the regional kava market. Vanuatu has emerged as a rival exporter to Fiji. Vanuatu has been known to provide cheaper kava and it has a different character, often a result of its younger or ‘greener’ characteristics. The kava-biscuit war (noted above) was an outcome of this trade rivalry. In 2005 Fiji instituted an import ban on kava from Vanuatu as:

“the fact that 60 tonnes of banned Vanuatu kava would flood our local market, is not in the best interests of our local suppliers” (Fiji Times, 5 October, 2005)

Consequently, the rift between these two nations has created an extra layer of economic competitiveness in the Pacific kava trade, as they both struggle to obtain both a global and local advantage. In the end the Fiji ban only lasted four months.

### **3.1.3 Local Social, Economic and Environmental Impacts**

The cultivation and consumption of kava (*yaqona*) in Fiji has played an important role in both socio-cultural and domestic economic terms (both semi-commercial and subsistence) for centuries. However, in the absence of radical re-structuring of the sector and the tarnished global reputation of the product, it is highly unlikely to return to the dizzy heights of 1998 for a number of years to come. Change during that year was too rapid, benefits were skewed and the reputation of the industry was damaged (Chaudhary, 1998). This illustrates the dangers of being thrust without full preparation into global markets, and underlines the need for a concerted re-think of kava export sector policy. Although the kava industry is still maintained in Fiji, this is primarily down to local consumption – as the case study of Kadavu Island will reveal – not at the hands of the global market. This section explores the economic, social and environmental impacts of this sporadic kava industry in Fiji, particularly at a local level.



### *Economic Impacts: The Case Study of Kadavu Island*

To analyse the grassroots economic impacts of the kava industry the case-study of Kadavu Island offers an interesting insight. Kadavu Island lays to the south of the main island Viti Levu. According to the 2007 census, the population of the Kadavu province was 10,167 (Fiji Islands Bureau for Statistics, 2007). The population is divided among 75 villages that rely on subsistence farming or tourism for employment. Among Kadavu farmers, kava cultivation is a well-established and historic industry.

The kava industry on Kadavu Island has been sustainable despite fluctuating international trade markets. The number of kava farms has tripled since 1982 and nearly every household in Kadavu cultivates the plant (Sofer, 2007). Such sustainability can be pinpointed to the quality of the product and local consumption. Due to its high quality, ‘Kadavu kava’ is the most popular brand on the local Fijian market. During the height of the kava export trade in 1998, in order to satisfy the growing demand, poor-quality kava (unripe, rotten or contaminated with other products) was exported and tarnished Fiji’s kava reputation (Murray, 2000). Conversely, due to the strict and high quality control from locals, Kadavu kava managed to keep their reputation high and by doing so, their product is continually sought after at a national and even global level. As such, Kadavu kava is used for tourism purposes on the island being bought by numerous top-end resorts



Plate 3.1.2: Local Kava farm on Kadavu Island

because of its quality. In this context, kava has played a major role in providing the local community with cash returns. A study conducted by Michael Sofer (2007), following his research on kava on the island twenty years earlier, revealed that in the Nalotu village in Kadavu over 72 percent of kava produced is sold to tourist industry whilst the remaining 28 percent is locally distributed. Consequently, the demand within Fiji for Kadavu kava has led the product to become a leading income provider for various communities on the island moving from 17 percent in 1982 to 42 percent in 2005 (ibid).

Kava is traded and sold on Kadavu through traditional practices. However, as other selling methods are starting to be introduced, Fijian kava has long been marketed through a range of channels, involving producers, local entrepreneurs and larger companies. The first and most frequent step for small Kadavu farmers to sell their produce is through the local village store – either a co-op or a privately owned enterprise in the villages of Nalotu and Nagalotu. As kava is a well sought-after commodity, part of this sale is commonly conducted on a barter basis, a practice that has been used for generations. However, as the product increases in popularity, farmers on the island have dedicated more time and space to its production in order to meet demand. With this growth, farmers who have large harvests prefer to sell their product to vendors in urban markets where they fetch higher returns. In these urban markets (such as the Suva and Lautoka markets), local and international companies purchase kava from these farmers. According to Michael Sofer (2007), over 22 farmers on the island regularly practice this form of trade. This new trading system reveals the impact the new international division of labour has on local communities in developing countries. Due to developments in transport and communications, remote islands such as Kadavu can now sell their products to a global market. Although one might argue that the new international division of labour will eventually dominate this industry, the cultural significance of kava to the local people thus far has allowed traditional networks of trade to be preserved. Perhaps it is this blend of international and local markets that has underscored the success of Kadavu's kava industry.

#### ***Economic Impacts: An Unknown Territory***

The implementation of the European ban negatively impacted local farmers. As explained above, the European market significantly influenced the kava industry by initiating the 1990s boom in production, as it added a new and substantial body of demand. Yet the ban from 2001 to 2008 brought equally negative impacts. It has been estimated that over 300 kava farmers in Fiji were negatively affected by the European ban (Singh, 2007). The head of the Pacific arm of the *International Kava Executive Council*, Ratu Josateki Nawalowalo, recently reported that bans on kava imports in Europe cost Pacific Island Countries in excess of US\$1.4 billion from 2002 till 2009:

“This is a lot of money for small island states like us. For Fiji, we were the major exporters of kava. Our farmers have suffered immensely as a result. 90 per cent of our kava farmers are indigenous people living in villages across the country, who are dependent on kava income for their livelihood sustenance” (Fiji Times, 2007)

Such restriction has been described as an “economic disaster” for producers and given Fijian farmers “negative publicity” on a global scale (PANG, 2008). Non-governmental organisations and growers’ groups have condemned the failure of the EU states to address the kava ban seriously and highlight the lack of accountability towards farmers in small island states:

“It is hard to imagine that this barrier to trade wouldn’t have been overcome much earlier, had the roles of the EU and the PICs been reversed. Given that the EU economy is 1.400 times bigger than the PIC economies (and that the EU has a massive pharmaceutical industry), it seems certain that European growers and producers would quickly eliminate trade barriers of this kind, if a significant percentage of their export earnings were to be affected. The experience of trade bans and kava exports highlights the fact that there is no such thing as ‘level playing field’ in international trade. The experience of the kava export industry to Europe also indicates the significant barriers to trade with Europe which are hurting Pacific producers in other areas. Stringent sanitary requirements make it virtually impossible for small-scale agricultural producers in the Pacific to export to the EU” (PANG, 2007: 7)

### ***Social Impacts of the Kava Industry***

Following the European ban, farmers that were dedicated to the kava trade loaded off excess product and flooded local markets. With this surplus of kava within Fiji, social dynamics within the island altered particularly with regard to general roles and the traditional use of the beverage.

Previously, when kava was being consumed, women were relatively excluded from the formal ceremony at least (Turner, 1986). Drinking kava was traditionally restricted to men but women and young people became more involved in its consumption in more informal settings (McDonald & Jowitt, 2000). Recent research by Tarisi Vunidilo (2006) indicates the increasing importance of women’s contributions and involvement in kava circles today. She reported that her mother used kava selectively and in moderation for medical purposes, mainly for stomach ailments or during pregnancy (Pollock, 2009). Therefore, changing family and community structures that have been caused by modernisation have resulted in changed patterns of social control of kava use (McDonald & Jowitt, 2000).

With the expansion of the kava industry locally in Fiji, its contemporary use has extended far beyond its original traditional use. As kava has become more readily available, today it is being consumed “like alcohol, as a social beverage” and over-consumption has become an issue (McDonald & Jowitt, 2000). Some Fijians claim kava makes drinkers feel calm and peaceful whereas alcohol makes people aggressive (Tomlinson, 2007). Physiologically this is true, but research conducted by Jenny Binihi and Anita Jowitt (1999) in Vanuatu revealed that 44 percent of consumers (number of people conferred to in this research is however, unknown) found kava to be ‘socially addictive’. Matt Tomlinson (2007: 1067) discussed this problem with the Taveuni people of Fiji who argued “people who drink too much kava fail to work vigorously in their gardens, fail to build families, fail to support the church and spend whatever they have on buying more grog [kava]”. Therefore, the over-consumption of kava may cause people to lose interest in other aspects of life to such an extent as to warrant the application of the label – amotivational syndrome – to their behaviour. In some cases, it has been reported that kava is becoming an excuse for some men to avoid responsibilities and constructive work, thus also being coined the term: ‘*kavaholics*’ (McDonald & Jowitt, 2000).

The financial cost of being a kava drinker has also had social implications. While kava is generally far cheaper than alcohol, those drinkers who consume kava frequently and over extended periods, inevitably spend money on the beverage rather than necessary provisions (ibid). The Methodist Church in Fiji has been a strong advocate of restricting kava consumption. Due to the changing attitude of society towards the kava, the church is becoming more vocal, warning the members of the church about the risks of over-consumption (Singh, 2007). So although kava is an important traditional product with important customary functions, the expansion of its production and its increased availability locally (accompanied by changing social patterns of consumption) could lead to some deleterious social impacts.

### ***Environmental impacts***

Given the nature of kava cultivation, its production does little to damage ecosystems. It is a plant that grows prolifically in the wild, in the bush and on hill slopes and even poor soils. The use of fertilisers and pesticides is virtually unheard of, and biomass is low so

soil fertility remains relatively unaffected through cultivation. Where it is planted as a commercial crop – increasingly the case in the past 30 years, dual cropping and other cultivation methods have helped minimise environmental impacts. However, if commercialisation expands considerably again, there is a threat that pesticides and fertiliser may come into use. Steeper slopes and other marginal land may be incorporated into production leading to possible soil erosion. Monocropping and more intensive planting could also affect the ecosystem balance. There is an ideal opportunity in the case of kava to develop an export crop which is truly environmentally sustainable - this should not be passed by.

Thus we see in kava a well-established traditional crop that has proved adaptable to new patterns of global demand. Although it retains its customary uses and value, demand for the product has increased significantly, partly through demand from urban and migrant Pacific Island consumers, and partly from a new international pharmaceutical and health-product market. Whilst the former has risen steadily and remains reliable, the latter has proven fickle yet occasionally highly rewarding. As long as the crop can be produced sustainably and in line with local land ownership, social relations and cultivation methods – as in Kadavu – it can be a particularly appropriate and remunerative crop. As essentially a tree crop it can remain in the earth until needed, it can be cultivated on spare land not needed for other uses and it need not be harmful environmentally. Furthermore, there is potential to develop the market in particular ways. Local branding of kava that has a particular place of origin and thus supposed desirable qualities (as from Kadavu – as opposed to, say, Vanuatu) can help leverage enhanced demand and price. Its link to place, to Pacific customary use and its place in domestic consumption make it an ideal niche product. Yet, the boom and bust, following the European market changes do spell out warning signs that it can develop too quickly, that dependence and vulnerability can emerge and that large-scale industrial production of the crop might result in environmental damage.

## 3.2 Case-Study Two: FIJI<sup>12</sup> Water

Bottled water is a global product that has experienced significant growth in recent decades. The product is closely linked to place of origin and top European brands – such as Evian, Perrier – that use the source of the water as a key marketing device. Purity, nature, rarity and authenticity are all marketing devices to help differentiate brands in a crowded global market. Bottled water from the Pacific has begun to appear in the last twenty years. To a large extent this has been aimed at the local and tourist markets and has remained fairly small scale – as with products in Samoa, American Samoa, Cook Islands, French Polynesia and Fiji. Yet a few brands – the cleverly named *O’Tahiti* being an example – have begun to find a place on global markets and here it is their Pacific origins, with brands that suggest exotic and pure origins, that become critical. The most successful bottled water brand from the region is FIJI water.

FIJI Water is a U.S.-based business and brand of mineral water which is derived, bottled and shipped from Fiji. The water is sourced from an artesian aquifer in the Yaqara Valley on Fiji’s main island, Viti Levu. Over the past decade, FIJI Water has become an international phenomenon in a competitive bottled water industry valued at over US\$35billion (Reddy & Singh, 2010). The company has established a lucrative marketing campaign which relies on celebrity endorsements, tropical rhetoric, health benefits and charitable works. Through this marketing strategy, FIJI Water has successfully promoted their water as ‘untouched’, ‘every drop is green’ and ‘unspoiled by the compromised air of the 21<sup>st</sup> century’. Therefore, this relatively bland commodity has been “linked to an ‘exotic’ place, and sold to elite consumers, as a form of cultural capital” (ibid: 342). Today, FIJI Water has emerged victorious in the ‘designer water wars’ and has been hailed as the ‘vogue’ product of the bottled water industry (Nirman, 2007).

### 3.2.1 Historical Analysis

Fiji’s bottled water industry began in 1995, when Canadian hotelier David Gilmour founded and established Natural Waters of Viti Ltd – the supply chain for FIJI Water (Kaplan, 2007). Gilmour began his bottled empire when he noticed clients at his hotels were often drinking imported water when he believed a unique source could be found

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<sup>12</sup> The use of ‘FIJI’ in capital letters results from the company being able to trademark the name ‘Fiji’ but only in its fully upper case form.

on the island that would provide even more pure water (Connell, 2006). With geologists from his mining company *Barrick Gold* Gilmour located a bore-hole in the Yaqara Valley in the Ra province previously drilled by the British government:

“See at the time, the British government, geological services provided assistance just like New Zealand aid, the initial water source was not for FIJI Water, it was for the people and then the government at the time recognised it could be an economic resource, the objective was to look for ground water especially up north and small islands which would be used for water supply and Yaqara area, it was done specifically to be used a water but later business man heard the borehole was there but, that was not the original intention of the British funding” (Personal Comm. May 2011)

Despite these plans, Gilmour managed to convince the Fijian government to turn the borehole into a business venture and in 1995 committed to a 99-year lease of 20 acres (Connell, 2006). To further entice Gilmour, Fiji offered favourable business conditions in tune with the country’s neoliberal framework that included “access to cheap and temporary labour, corporate-friendly laws and policies such as tax breaks [13 years tax-free holiday], tax-holidays and subsidies, and unregulated access to abundant natural resources” (Ulrich, 2009: 9). Consequently, Gilmour had the groundwork to begin his successful niche venture. But while Gilmour started to make FIJI Water into an international trend, in 2004 the company was sold for a reported US\$63 million to American billionaires Stewart and Lynda Resnick (owners of Roll International Corporation) who also own other water based industries in New Zealand and the U.S in addition to large businesses such a Teleflora and POM Wonderful (The Sunday Morning Herald, 2004). Although this ‘changing of hands occurred’, FIJI Water has remained one of the “most successful economic products to ever leave the Fijian Islands” (Personal Comm., May, 2011) using a multitude of marketing approaches to charm customers.

### **3.2.2 Trade Trends**

Over the past 15 years, FIJI Water has achieved phenomenal economic success. The company is one of the many growing rapidly in the global beverage industry valued at over US\$35billion in 2009 (Reddy and Singh, 2010). In 2004, more than 2,900 brands of bottled water were produced in over 115 countries (Connell, 2006). Within this competitive market FIJI Water has become a new status-symbol brand and is starting to compete with Evian as the top water bottle brand globally. FIJI Water started exporting

in early 1997 targeting audiences primarily in the U.S and Europe. Since the product started exporting, sales have continued to amplify. From 1998 to 2000 production escalated from 10 million bottles to 25 million bottles (ibid). Fiji itself mirrored a similar growth pattern with sales increasing from 90,000 cases in 2001 to 250,000 cases in 2003 (ibid). With this promising start, FIJI Water has continued to override expectations and has grown into a highly profitable business venture, with exports continually growing - as mineral water data in Figure 3.2.1 suggests.

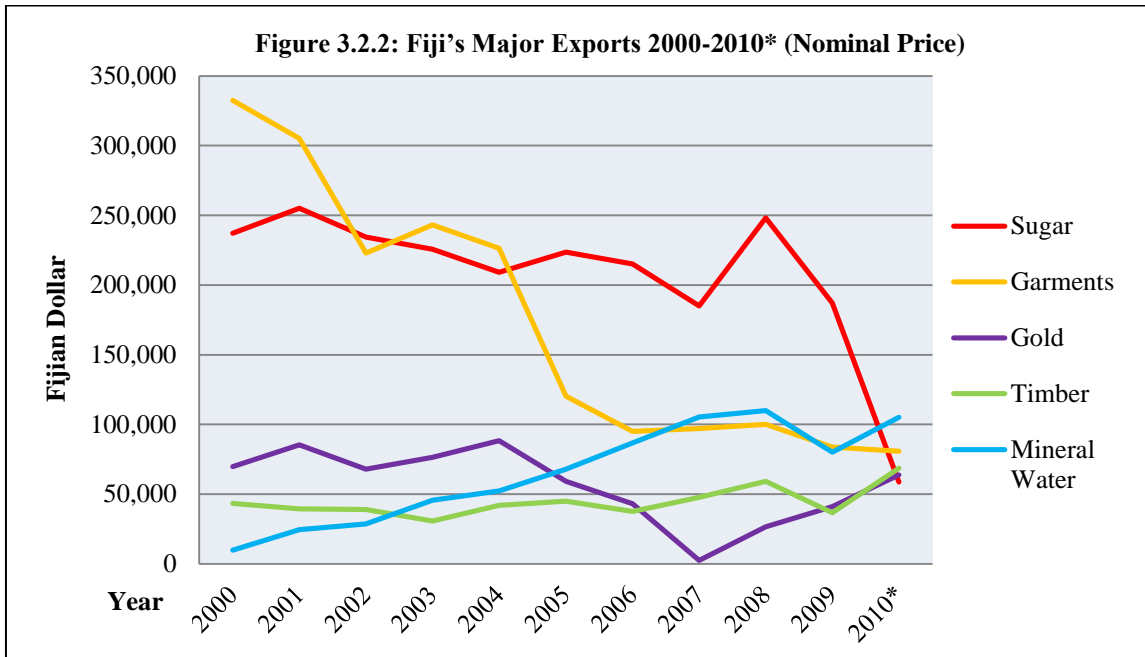
<b>Figure 3.2.1: Constant Price of Mineral Water Exports from Fiji by Value and Quantity</b>			
<b>Year</b>	<b>Mineral Water Exports (FJD\$ Million)</b>	<b>Increase/Decrease Between Years (FJD\$ Million)</b>	<b>Litres (Million)</b>
1997	1.1	0	N/A
1998	2.4	1.3	N/A
1999	5.9	3.5	N/A
2000	15.5	8.8	1.2
2001	24.5	14.6	2
2002	28.8	4.3	2.5
2003	45.6	16.8	3.9
2004	52.3	6.4	5.5
2005	67.9	15.6	9.2
2006	86.9	19	11
2007	105.4	18.5	13
2008	109.9	4.5	15.6
2009	80.2	-29.7	N/A
2010*	105.5	25.3	N/A

Source: Fiji Trade and Investment Bureau (2011); \* Data in 2010 only available until November

As Figure 3.2.1 further illustrates, mineral water has become Fiji’s leading export industry, out-stripping or challenging others such as sugar and garments, though sugar and tourism still account for a much greater share of national income and employment. Accordingly, FIJI Water is responsible for 20 percent of Fiji’s exports and three percent of the nation’s GDP (Bloxham, 2011; BBC 2008). While this success has been noticeable, Fiji’s mineral water industry and FIJI Water itself revealed a brief decline in sales in 2009 as an effect from the 2008 recession (Lenzer, 2009). Despite this fluctuation, the industry has successfully recovered yielding similar success to pre-recession times. Two key economic strategies have aided its success in this turbulent economic climate: elite pricing and a 13-year tax-holiday. With regard to price, currently for one litre in the United Kingdom the drink sells for £1.95, in Australia



AUS\$5, in the U.S at US\$3.90 and even in Fiji at FJD\$3.50 – “significantly more than you would pay for the same amount of milk, beer, petrol or even Evian” (Daye and VanAuken, 2008). Such premiums on price in Fiji and internationally communicate exclusivity, amplifying brand equity and delivering large operating “profits to boot” (Ritson, 2006).



Source: Fiji Trade and Investment Bureau (2011); \* Data in 2010 only available until November

### *Destination of FIJI Water Exports*

Globally, FIJI Water can be purchased in a myriad of locations from supermarkets in the U.S, luxury hotels in the United Arab Emirates to five-star restaurants in France. On the company’s website, they claim to export to five main regions which include the Americas, Asia, Oceania, Europe and the Middle East as Figures 3.2.3 and 3.2.4 illustrate (FIJI Water, 2011). As the tables show, among these regions, the Americas is the company’s dominant market and this largely consists of the U.S. However, in 2005 FIJI Water started venturing into other markets. There has been notable growth in both Asia and Europe, whilst Oceania (which includes both New Zealand and Australia) has seen slower growth. The Middle East has only recently emerged as a market, but shows considerable promise as is discussed below where each of the margin regions is considered.

<b>Figure 3.2.3: Nominal Value (FJD\$) of Mineral Water Exported from Fiji by Region</b>											
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010*</b>
<b>Americas</b>	12,014,825	24,430,499	27,787,574	41,408,513	49,522,090	65,499,332	79,193,557	100,110,281	101,985,579	74,778,745	97,094,804
<b>Asia</b>	950	50	715,763	37,060	7,680	45,760	886,569	1,800,700	4,536,635	1,975,289	2,027,446
<b>Oceania</b>	67,331	86,238	258,199	2,898,152	3,029,466	2,017,953	5,130,444	2,706,869	2,827,374	3,085,130	1,935,648
<b>Europe</b>	390	1,800	1,500	1,249,837	856,817	321,762	1,664,988	856,686	513,517	811,238	3,702,438
<b>Middle East</b>										55,119	253,606
<b>Total</b>	<b>12,083,496</b>	<b>24,518,587</b>	<b>28,763,036</b>	<b>45,593,562</b>	<b>53,416,053</b>	<b>67,884,807</b>	<b>86,875,558</b>	<b>105,474,536</b>	<b>109,863,105</b>	<b>80,705,521</b>	<b>105,013,942</b>

Source: Fiji Trade and Investment Bureau (2011) for break down by country see appendix; \* Data only gathered until November 2010

<b>Figure 3.2.4: Nominal Quantity (Per Litre) of Mineral Water Exported from Fiji by Region</b>											
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010*</b>
<b>Americas</b>	579,592	17,450,355	18,525,486	23,074,900	33,014,724	40,628,782	45,203,281	49,124,846	77,655,980	87,401,906	123,513,933
<b>Asia</b>	610	35	47,856	20,588	5,120	35,199	609,042	1,200,464	1,786,560	2,079,860	2,437,804
<b>Oceania</b>	48,901	60,068	172,125	1,683,575	1,299,631	1,631,480	3,420,288	1,804,578	1,131,209	3,066,106	2,203,352
<b>Europe</b>	556	1,284	100	712,884	553,963	238,298	1,092,302	515,977	205,406	1,261,288	6,339,975
<b>Middle East</b>										8,400	363,373
<b>Total</b>	<b>629,659</b>	<b>17,511,742</b>	<b>18,745,567</b>	<b>25,491,947</b>	<b>34,873,438</b>	<b>42,533,759</b>	<b>50,324,913</b>	<b>52,645,865</b>	<b>80,779,155</b>	<b>93,817,560</b>	<b>134,858,437</b>

Source: Fiji Trade and Investment Bureau (2011) for break down by country see appendix; \* Data only gathered until November 2010

### *Dominant Market: The United States*

The backbone to FIJI Water's economic success can be attributed to its market in the U.S. In 2008 alone, the U.S collectively consumed US\$8.6 billion worth of bottled water, with FIJI Water activity taking part of this ever-growing water industry (Royte, 2008). Connell (2006: 343) notes that over 97 percent of FIJI Water is exported internationally with 90 percent of this figure attributable to the U.S. This figure is further backed by Fiji's mineral water statistics where in 2010 alone, over 121 million litres<sup>13</sup> of mineral water (out of the 134 million in total exported that year) was exported to the U.S; and within this figure "it's relatively only FIJI Water exporting to the States [from Fiji] there might only be a tiny fraction from the other companies" (Personal Comm. May 2011, Fiji Trade and Investment Bureau, 2011).

Within the U.S itself, the coverage to which the drink is purchased is very uneven. For instance, New York and Los Angeles are relatively over-represented with substantially more stock lists in these cities alone than in the whole of Alabama, Arkansas and West Virginia (Connell, 2006). This geographical exclusivity reveals that the brand appeals to certain demographic groups who are captivated by the brand and also seek elitist or fashionable imagery due to their relatively disposable income (ibid). Despite this uneven converge, FIJI Water has successfully tapped into the U.S water craze leaving Fijians perplexed by its success:

"They shocked, somehow FIJI Water, they just did it, in the America market it shocked some of the big water companies that have existed for a number of years" (Personal Comm. June 2011)

FIJI Water was launched in the U.S market at the right time coinciding "with the rapidly changing consumer preferences" (McMaster and Nowak, 2009: 5). From 1990 to 2010, consumer trends have been recorded to be moving away from traditional beverages and toward 'New Age' products, such as bottled water (ibid). As a result of these changes, per capita consumption of bottled water in the U.S has grown exponentially and evidently FIJI Water has capitalised on this shift in consumer's tastes.

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<sup>13</sup> For individual breakdown of each country in regard to Fijian mineral water exports see appendix two and three. Due to the large volume of data it could not fit within this chapter. As such, the statistics that are discussed from here onward can be found in both appendixes.

### ***Minor Markets***

Over the past ten years new markets for FIJI Water have been continually developing. Excluding the U.S, Fijian Mineral Water is now exported to over 40 countries worldwide (FIJI Water, 2011). Since 2008, FIJI Water made public their interest to invest in other foreign markets as the U.S dollar began to plummet and the need to find secure exporting partners eventuated (ibid). Consequently, this coincided with a significant rise in FIJI Water's exports to periphery markets. From here, a breakdown of these 'new' minor markets will be explored:

In the Americas (excluding the U.S), FIJI Water has also started to make its mark. While not as prominent as the U.S market, nations such as Canada and Trinidad and Tobago have started to gain momentum on the FIJI Water craze. Following the success in the U.S "FIJI Water has expanded to Canada and the Caribbean, where the brand's iconic square bottle is increasingly visible at leading on-premise and retail establishments" (Ely, 2009). This expansion is clearly visible in Fiji's mineral water data, where Canada's export value has risen by a staggering 13,610 percent from 2009 to 2010, and Trinidad and Tobago by 167 percent during the same period (Fiji Trade and Investment Bureau, 2011). Accordingly, Fiji's mineral water success in the U.S has started to pour into neighbouring nations.

The Middle East is a relatively new export venture for FIJI Water. The company's Director, David Roth, stated in 2008 that FIJI Water was "now looking at markets in the Middle East" to add to their global bottled water empire (ConnectMe, 2009). True to this statement, in 2009 FIJI Water started trading with Middle Eastern countries such as United Arab Emirates, Kuwait and Qatar primarily selling FIJI Water to hoteliers (Fine Waters, 2008). Although the Middle East is currently FIJI Water's smallest and youngest purchaser, the region is one of the fastest growing in the water bottle trend where from 2009 to 2010 it experienced a 332 percent rise in Fijian mineral exports, with this number expected to further increase in 2011 (Fiji Trade and Investment Bureau, 2011).

Asia, like the Middle East is fairly new to FIJI Water's endeavour. In recent years, the company designed new and simpler bottles to appeal specifically to the Asian market. These bottles instead of the cascading waterfall are replaced simply by a silhouette of a

fern with single a hibiscus flower. Today the product can be found in cafes, restaurants and supermarkets in Taiwan, Singapore, Hong Kong and Japan (Tabureguci, 2007). Roth has also publically voiced the company's desire to expand into Asia, particularly re-entering the Japanese market as it "is not a new one for FIJI Water, as we have enjoyed success there in past years" (FIJI Sun, 2009). This expansion is further reflected in Fiji's mineral water exports which have grown immensely over the past ten years valuing at just over FJD\$45,000 in 2000 to FJD\$2 million in 2010 (Fiji Trade and Investment Bureau, 2011). Such interest in the FIJI Water brand has been pinpointed to the company's ability to promote a pure and clean product in a region where pollution is becoming an overt issue.

Europe has always been on FIJI Water's radar where the commodity is commonly sold in upmarket restaurants and hotels across the continent. But interestingly, the European market is sporadic in comparison to other sub-markets. This trend is particularly evident in Iceland and the United Kingdom which are Fiji's core mineral water importers in the region. For instance, Iceland imported over 5.1 million litres of mineral water from Fiji in 2010 but only previously imported 900,000 litres in 2006 (ibid). It is currently unclear why large and irregular quantities of mineral water are shipped to Iceland as FIJI Water has expressed minimal interest in exploring trading relationships with the nation. Conversely, in the United Kingdom FIJI Water is now a common sight in high-end department stores such as Selfridges, Waitrose and Harrods.

Yet, FIJI Water has recently received negative publicity in the United Kingdom particularly through BBC (2008) documentary *Panorama: Bottle Water – Who Needs It?* That aimed to expose the controversial nature of the company. Coinciding with the airing of this program along with the recession saw a dramatic drop in volumes of Fijian mineral water to the United Kingdom with only 205,000 litres exported to the nation in 2008 (Fiji Trade and Investment Bureau, 2011). Despite this negative press, FIJI Water has started to once again gain momentum from 2010 shipping over 1.1 million litres to the United Kingdom (ibid). The company has also increased its promotional campaigns in the United Kingdom partnering with organisations such as London Elite Model Management and Le Cool London working alongside the brand (FIJI Water, 2011). With increased branding and increasing mineral water exports from Fiji, FIJI Water have started to make their mark in Europe.

Oceania's trade trends are more complex to analyse. Overall, the region has experienced substantial growth in mineral water exports from Fiji; with a 4,460 percent rise in sales from 2000-2010 (Fiji Trade and Investment Bureau, 2011). To understand this increase, this section has been split into two sections: Pacific Islands and Australia/New Zealand. The Pacific Islands, as a collective struggle with water shortages, consequently; water aid has a major influence on the volume of mineral water being traded in the region. When water has been traded as part of the water aid program, it can be identified by a relatively low sale price. But while water aid makes up a majority of export trade data, it is also important to take into consideration that FIJI Water has established tourist businesses in the Pacific. For instance, islands such as Tonga and Samoa have high volumes and value of mineral water imports. In comparison, Nauru and the Solomon Islands, who experience chronic water shortages, have thus sudden demands for mineral water exports at a low value.

Australia and New Zealand have diverse relationships with FIJI Water. In regards to Australia, exports of Fijian mineral water have significantly risen from AU\$794,000 in 2003 to AU\$1.9million in 2009 (Fiji Trade and Investment Bureau, 2011). This has been due to FIJI Water:

“Debuting in select hotels and restaurants before becoming available in gourmet retailers, delis and independent convenience stores. Australian restaurant and resort of note serving FIJI Water include The Pier of Sydney, Nobu of Melbourne and Hayman Island Resort of Brisbane” (FIJI Water Australia, 2010).

To date, FIJI Water is also the only mineral water company with the manufacturing ability and connections to export to Australia. As such Fiji's mineral water data can be primarily traced to FIJI Water's trading relationship with the country. In comparison, New Zealand is clearly a significant importer of Fijian mineral water but, this can rarely be pinpointed back to FIJI Water. The beverage is an uncommon sight in New Zealand and only found at *Aqua-deli* in Auckland as the Resnick's own another water bottling plant – Spring Fresh in Tai Tapu – located on the South Island of New Zealand (NZPA, 2010). Accordingly the Resnick's focus on the promotion of Spring Fresh in New Zealand, rather than market under the FIJI Water brand.

### **3.2.3 Local Social, Economic and Environmental Impacts**

Because FIJI Water operates in rural Fiji, its everyday operations have directly impacted the dynamics of local communities that surround the plant, in particular that of the Vatukaloko villages. Such impacts, on balance have proven to be primarily negative, with a range of social, economic and environmental problems. These are discussed in detail below.

#### **Social Impacts**

##### ***Shifting Relationships***

In 2004, FIJI Water changed owners; this changing over not only had an internal impact on the company, but an external one as well. To engage and establish rapport with local communities, FIJI Water hired staff to forge and maintain relationships. During David Gilmour's ownership, Ian Lincolne was hired to carry out this duty and was well-respected by all three villages. However, when the company was taken over by Roll International, Ian was replaced by Paul Davis:

“Is different, Ian was there, was good, Ian visited the other villages, the others we don't see, Resnick came here in 2008, they came to our house. This man not like David Gilmour. Ian was a good man, most time he come to the village, his character, he was a Fijian man, his character, when he come here, he knows us. They never come to the village, we don't know where they stand, no relationship. That time Ian, the previous manager of FIJI Water was, Ian, he usually come to the village, most times he come and drink grog have a conversation with us [...] today, it's not like before, because today the manager, the manager of FIJI Water today Paul, never come to the village to visit us like Ian had done before” (Personal Comm. June 2011)

Consequently, Roll International and their new representative Paul Davis have orchestrated a less than favourable relationship, with residents stating that they “don't know what goes on in there” (Personal Comm. June, 2011).

##### ***Changes to Social Structure***

With FIJI Water's ever increasing presence in the remote Vatukaloko region, changes to social dynamics within the villages have occurred. These changes to social structures have emerged in the form of: cultural erosion, the church, and increased fiscal

independence. Firstly, the introduction of FIJI Water has resulted in a new social structure where maintaining a sense of local connectedness is becoming increasingly difficult:

“I’ll be honest it was a difficult village to start off with, because of the set of social problems. I think now it’s even more so enhanced, especially with people coming and people get frustrated that a lot people outside the village are there and influencing decisions in current village structure” (Personal Comm. June 2011)

As the above quote highlights, a rationale for this social erosion has been pinpointed to ‘outsiders’<sup>14</sup> infusing their beliefs and customs into local culture which has clashed or has influenced the dynamics of the village. This infusion of ‘outsiders’ in combination with employees receiving higher incomes has resulted in:

“We now have a lot people from outside the village living in the village because they are employed by the company, a lot of young teenage pregnancies within the village, um a lot of marriage break ups because as soon as they paid they start drinking and um, so there is sort of a social breakdown, a lot of extra material affairs within the village [...] its social structure is at threat, in terms of the traditional social structure, the families, the fact there is a lot of extra material affairs, because they give money to partying, the sense of social, the respect for marriage does not seem to be there” (ibid).

Secondly, Christianity is paramount to the Vatukaloko cultural identity. But, as FIJI Water provides such a rare and unique employment opportunity in rural Fiji, many employees choose to comply with the company’s production requirements and work on a Sunday, despite being counter to their religious convictions. While participants hailed it as “illegal to work these 12 hours’ shifts (sic)” and that Sunday’s days are “ticked off”, they are scheduled to work regardless (Personal Comm. June, 2011):

“Every Sunday they work, for them when the bus came, they work on Sunday, FIJI Water want them to work on Sunday we cannot, um, long shifts I think, 12am-8am, um, 8am-4pm and eh, 4pm-12am, eight hour shifts aye” (Personal Comm. June 2011).

Thirdly, divisions over FIJI Water employees and non-employees have materialised. These divisions have stemmed from three core problems: (1) “people who work for the plant do not share their income, they keep it for themselves” (Personal Comm. June

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<sup>14</sup> Outsiders is a term used to describe people working at FIJI Water but do not belong to a Vatukaloko village.



2011); (2) FIJI Water has “reinstated cultural hierarchy, for instance only the elite in the village benefit, not the villages, targeted the elite” (Personal Comm. June 2011); and (3) outside of the confinements of the Vatukaloko villages, other Fijian communities have associated FIJI Water employees with wealth: “FIJI Water set up a yard in Ikabula, Lautoka [drivers were from the Vatukaloko villages]. Drivers were asked [by FIJI Water after the closure of the Trust Fund] to pay for housing and transport benefits were removed. Therefore, housing allowances were removed after six months of working. Landowners [in Lautoka] then began asking for FJD\$600 a week on housing because they knew they were employed by FIJI Water” (Personal Comm. June, 2011). Accordingly, employees for FIJI Water are automatically stereotyped as ‘wealthy’ within and outside the Vatukaloko confinements. With this prosperous position, employees of the company were typically expected to contribute fiscally to a greater extent to their society. While this is a cultural expectation it is reported many have deviated from this practice.

### *Grassroots Development*

“[FIJI Water] have had some good development projects in the villages, [...] but some of the projects they started off in the village were incomplete” (Personal Comm. June, 2011)

In Vatukaloko villages, FIJI Water has supplied various amenities through the company’s two charitable trusts: FIJI Water Foundation and the Vatukaloko Trust Fund (VTF). FIJI Water commonly funded projects that were directed at instantly fix a problem. But, such measures only provided temporary relief and



Plate 3.2.1: FIJI Water Project Sign

failed to address systemic issues or encourage sustainable practices. Instead of promoting self-sustaining measures to reduce reliance on the company and encourage alternative livelihoods, FIJI Water fashioned a cycle of dependence. While the company managed to generate some positive impacts with their project aid, they are

“unsustainable since [the] investment and projects are [commonly] short-term” (Potter et al., 2008: 362).

Project aid in the Vatukaloko villages primarily came in the form of provisions. Accordingly electricity, infrastructure and water tanks were provided by FIJI Water and put in place by their own independent contractors. Projects then, can be argued as being ‘quick-fixes’ or a form of ‘aidwashing’<sup>15</sup>. Such, projects, while working to achieve a positive change, come with a responsibility for on-going maintenance and the up-skilling of the Vatukaloko residents, should a self-sustaining model be adopted. As local skills and associated financial costs to sustain these services were unavailable, residents reverted back to FIJI Water for the up-keep of these services, creating a ‘need-dependent’ relationship. Brautigam (2000: 1) argues the ramifications tangled with this relationship:

“continued over long periods of time, dependence on aid may make it more difficult for good governance and better institutions to develop [...] and may reduce local ownership, accountability and democratic decision-making, while fragmenting budgets and lowering tax effort. Large amounts of aid, delivered to communities with weak institutions *create* some of the institutional problems that lead to ineffectiveness”.

While Clemens (2004) argues you have to satisfy both the immediate needs and to work towards long-term goals, FIJI Water has only focused on the here-and-now and failed to think strategically of the long-term prospects. So while the projects are well intentioned, when they break down or remain unfinished, locals have to revert back to FIJI Water for assistance.

## **Economic Impacts**

### ***Vatukaloko Trust Fund (VTF)***

The Vanua Vatukaloko<sup>16</sup> were the gatekeepers of FIJI Water’s direct charitable contribution to the villages; the VTF. FIJI Water, in its “effort to secure the traditional

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<sup>15</sup> “A form of spin in which a company uses its philanthropic work to deceptively promote the perception that their policies, activities, products or services are ethical” (Jones, 2012: 154).

<sup>16</sup> The Vanua Vatukaloko is a small group of traditional leaders who are known to be ‘protectors’ of the land and have been handed the responsibility to guard it for future generations.

blessing and support of the Vanua Vatuvaloko, verbally agreed with the former Tui Vatu [chief] and Elders in 1996 that it will” (1) contract for paid ancillary services and (2) a royalty to assist with village developments<sup>17</sup> (Personal Comm. June, 2011). This arrangement ceased in 2006, despite FIJI Water publically claiming that the fund was regionally active until 2008 (FIJI Water, 2011). Since the funds termination, it has become enshrouded with controversy. On one hand, some locals suggest

“FIJI Water thought it appropriate, again without consulting the Vanua to cancel the business contract that was granted to the Vatuvaloko Trust Fund ab-initio. This led to the company becoming bankrupt and all its assets reposed by the Merchants Bank of Fiji and sold to pay for its debts. However, there is still balance in the debts” (Personal Comm. June, 2011)

Conversely, it was also argued the Vanua “misused the fund which caused FIJI Water to back out of the agreement” (Personal Comm. June, 2011). Therefore, it was suggested that the fund had “gone bankrupt” and “the committee<sup>18</sup>, they misused the money [...] they robbed” (Personal Comm. June, 2011). Although the two stories exist, they reveal that both external and internal dynamics at play and both stories are influential to unveil the truth about the funds termination.

### *Employment*

Due to the unpredictable nature of FIJI Water, ongoing employment with the company has become uncertain. This vulnerability has stemmed from the villages dependence on FIJI Water as, Ulrich (2009: 152) discovered:

“If there is no FIJI Water, no work there for me. I will have to go around the urban areas to find job, to look for job, because all this, get money, get paid, good pay from FIJI Water”

Despite this dependency, FIJI Water’s production is based on a ‘New International Division of Labour’ (NIDL) (Gilbert, 2008). This NIDL model primarily entails TNCs siphoning off low-cost and intensive-labour to developing countries (Potter et al., 2008: 76). However, such businesses practices, as Hamza and Zetter (1998: 292) argue make “more and more workers have little job security, fluctuating incomes and little access to

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<sup>17</sup> This was a one-off FJD\$175,000 payment, a recurring FJD\$0.20 per bottle yearly royalty and additional annual funding of 0.13 percent of the net revenue of the Company from 2000 to 2003, and thereafter 0.15 percent until 2009.

<sup>18</sup> The Vanua are also known as the Vatuvaloko Investment Committee.

services and facilities”. With FIJI Water optimising this model, employees over time have become increasingly vulnerable. In 2008 and 2010, this vulnerability was highlighted when the company made the majority of staff redundant as a result of disputes with the Fijian government. Despite FIJI Water advocating that they provide “sustainable business enterprises” for locals, the villages have often been the first to bear the consequences of the rift between these two parties. With such rapid and extreme changes in employment, lifestyle pressures in the local villages were inevitable.

During these two episodes, overnight many local employees lost their income and ability to provide for their families. Various locals have now reverted back to subsistence livelihoods or working as harvesters for Indian sugar plantation owners. Work experience at FIJI Water was also “not necessarily beneficial in terms of working conditions or skills enhancement” as locals primarily carried out manual labour with limited opportunities for capacity building (Potter et al., 2008: 363). Therefore, the ability to transfer skills learnt at FIJI Water was limited. Today the livelihoods of the Vatukaloko residents have been altered, where over the last 15 years the locals have been in-and-out of employment with FIJI Water. Regulators of TNCs suggest such enterprises need to be “modified to reflect the political, social and economic realities ‘on the ground’” (Florkowski and Nath, 2006: 292). But FIJI Water has prioritised their economic success over the job security of their employees. Such unregulated behaviour has consequently left ex-FIJI Water employees from the Vatukaloko region in a vulnerable position, as the company is still one of the rare job opportunities in the Ba region. Hence the question remains, “how much are the Fijian people really benefitting from the extraction of their natural resources, since the majority of the money FIJI Water spends appears to be on marketing, not on providing local jobs” or capacity building? (ibid: 154).

### ***Other Business Ventures***

FIJI Water’s success has prompted the Vatukaloko people to open their own bottled water plants. Local residents have discovered they can access the same aquifer used by FIJI Water and is outside of the 180 hectares of land leased by the company. Since this discovery, there has been increased interest from Chinese and Japanese companies who also have equally as sophisticated marketing and development strategies on par with FIJI Water. This ability to tap into the same aquifer as FIJI Water has caused concern

for the company. In 2010, David Roth was expelled from Fiji for interfering with Fiji's domestic affairs and aimed to: "cut off other water companies, ask to leave because he was trying to suppress economic growth in 2010, tax-time as well, government wanted more investment and FIJI Water tried to suppress that" (Personal Comm. June, 2011). While FIJI Water pioneered the water bottling business in Fiji, other international companies are starting to catch on the idea and utilise the same water sources as FIJI Water.

## **Environmental Impacts**

### *Recycling Efforts*

Employees of FIJI Water are entitled to two cartons of free water on pay-day, every fortnight. However, locals argued this has led to an "accumulation of empty bottles around the villages" (Drauniivi Tagane Focus Group, Personal Comm. June, 2011). To overcome this problem, residents were:



Plate 3.2.2: Sacks with empty FIJI Water Bottles

"told, by the people who were working [at FIJI Water] to bring the sack [full of FIJI Water bottles], who said if we fill it, they will buy our children's primary school books and pens, like that' [...] recycle all the bottles, we get money, cash" ( Personal Comm. June, 2011).

Accordingly, residents collected the empty FIJI Water bottles in bags provided by the company in the belief they would receive FJD\$50 and school supplies for their efforts. But, while this promise was made, sacks of empty water bottles remain in the middle of the villages and FIJI Water:

"Have (sic) not coming to collect them" and "when they come to the village, they [come to] collect the empty bottles for recycle, but they leave it there" (Comm. June, 2011).

### *Conservation International*

FIJI Water's partnership with the environmental organisation, Conservation International, has also been heavily criticised; in particular their reforestation efforts, work in the Sovi Basin and relationship with FIJI Water – as explained in detail below:

- To help restore the rainforest that once flourished on the Kavuadra Mountain Range, FIJI Water with Conservation International, hired local Vatukaloko residents to assist in planting trees. In return, it was reported each village was “granted FJD\$2,500 a week for their labour efforts to plant mahogany trees around the mountain range” (Personal Comm. June, 2011). However, this selection of trees has been met with apprehension locally; they have been argued to be invasive flora, with the government “against the planting of the trees” and if they continue to sow “near [the] river and native trees [they are] going to destroy native vegetation and in the long run is damaging” (Personal Comm. June, 2011). It was suggested that FIJI Water are only planting the trees as “a safeguard to their water” (Personal Comm. June, 2011).
- FIJI Water further works with Conservation International in the Sovi Basin where similar reforestation efforts are also occurring. But again, locals questioned its integrity as the basin reportedly “flows into the aquifer” (Personal Comm. June, 2011). So by preserving the Sovi Basin it is therefore: “all for their benefit to maintain their [FIJI Water’s] marketing” (Personal Comm. June, 2011). Additionally, residents reported FIJI Water has been continually increasing their water extraction rate without notifying the government and are now harvesting “way above their limit” and “that’s why they are looking at the Sovi Basin and reforestation” (Personal Comm. June, 2011). The company claims heavy rainfall allows the aquifer to sustainably replenish, yet locals have noticed a distinct change in the Vatukaloko water quality:

“They used to have a lot of native trees and mango trees, they used to jump off the bridge into the water, and look at the water now” (Personal Comm. June, 2011).

- Furthermore, FIJI Water’s CEO Stewart Resnick is a member of the Board of Directors for Conservation International. As such, locals suggested FIJI Water has been using the charity as a facade to maintain their environmental-friendly image. Therefore, instead of being genuine about its environmental work locals argue: “it’s all political and controlling using them [Conservation International] as a marketing gimmick” (Personal Comm. June, 2011). While locals “thought

they [FIJI Water] wanted to do capacity building and teach the land owners the value of planting trees [...] it was all a marketing ploy” (Personal Comm. June, 2011).

Therefore we see with the case of FIJI water, arguably the most successful example of niche marketing in the Pacific region. Although not an agricultural product *per se*, bottled water represents a very good example of the potential and pitfalls of niche product development in rural areas of the Pacific. Its commercial success is unquestionable. It is now a leading export product for Fiji, it generates employment, it has done more to promote the brand of ‘Fiji’ globally (even if many consumers of FIJI water do not know where Fiji is). The place of origin is vital for success of the product: marketing strategies make much of its tropical and exotic location, the supposed purity of its water, and the claimed-for ethical and environmental aspects of its production in Fiji. However, there are real concerns if this model of niche production is to be replicated elsewhere. The trademarking of the name ‘Fiji’ as ‘FIJI’ has, in effect appropriated the name of the country (and all its historical, social and environmental connotations) for the benefit of an overseas-owned commercial enterprise. The size and power of the company – despite attempts by the government of Fiji to control it at times – has meant that it has been able to exercise considerable autonomy from government regulation and avoided compliance with Fijian tax and other regulatory demands. And locally, the inability to maintain good relationships with local communities has created a rift between the operation and local people, who feel increasingly alienated from this global industry located by their village lands.

## Objective Four

*To assess the common requirements for place based niche products in the Pacific and the future of socially beneficial, environmentally sound and economically sustainable 'place-based' niche products in the region*

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The case studies above and our more general observations and findings from the literature suggest that place-based niche production has considerable potential for development in the Pacific Islands region. It will not provide an easy or automatic alternative to large-scale commodity production, nor is it likely to result in large increases in material standards of living for substantial numbers of Pacific Island. Furthermore, there are potential dangers relating to outside capture of the industries and subsequent loss of local control and access to benefits, just as there are to boom-bust cycles, rapidly changing market preferences and uncontrolled and unsustainable development. Yet we contend that there is sufficient evidence that successful and sustainable niche production is possible and desirable in the Pacific region. In this section we review the findings of our investigations with regard to the costs and benefits of niche production, the importance of place-based production as a strategy for encouraging niche production, the overall lessons learned and the recommendations for policy.

### 4.1 Geographical indicators

It is appropriate here to explore further the concept of a geographical indicator (GI) and say something of its nature and history. This is important as subsequently we recommend research into the possibility of a GI system in the Pacific as one of a number of means to facilitate and protect place-based niche products. The phenomenon of GIs in the present global trading landscape can be traced back to one product – wine – and one main country – France. Wine is an alcoholic beverage made from grapes but the range of wines produced worldwide is vast and this results not only from different wine making techniques but also from different varieties of grapes and the varying quality of the fruit harvested. One of the most enduring concepts underpinning the wine industry is the notion that grape (and hence wine) quality is



strongly determined by the environment. This encompasses factors relating to climate (heat and sunshine, rain, frost, wind), soils, aspect and even underlying geology. These environmental factors help explain differences in wine from one place to the next but they are also dependent on cultural factors, such as the inherited viticultural and winemaking practices that are handed down through the generations, the particular wine styles that have evolved in certain places and the traditions and regulations that determine what can be grown and how.

In the French wine industry, these multi-faceted environmental factors are referred to as *terroir*, the way the land (in its widest sense) imparts particular qualities on the wine. Over long periods of time, certain wine styles have evolved which are linked to the *terroir* of certain places. These wines reflect the climate and soils of the place but they are also reproduced through cultural practices and political systems that help preserve these unique identities. The discourse of *terroir* is very strongly embedded in the French wine industry and is now spreading worldwide.

Such is the strong association of place with product in the wine industry, that wines in France often are branded not by grape variety but by their region or origin. Thus Bordeaux, Alsace, Rhône, Champagne and Burgundy are types of wine but they are also place names. The type of wine is so strongly associated with place that it is sufficient for a consumer to know that if a wine comes from, say, Burgundy, he or she will know what the grape varieties are likely to have been used, what the style of wine will be and what the quality range will be like.

Yet the use of *terroir* and place to identify wines is not just a matter of historical accident. Critical has been the role of the state in providing a regulatory framework to allow these place names to be protected and reproduced. Starting as a way of marketing wine and assuring the consumer of the quality of it – but also involving mechanisms to delimit and protect the market position and share of certain producers – the French Appellation d'Origine Contrôlée (AOC) was gradually introduced throughout most of the winegrowing regions of the country. Under this system (not all wine production was controlled by the AOC and was produced as cheap table wine) there were strict regulations covering not only the grape varieties that could be grown in certain regions but also yields and winemaking techniques. There was also a grading of quality so that

some sub-regions were regarded as of the highest quality (a grand cru Burgundy or a first growth Bordeaux for example) whilst others were seen as of a lesser quality (and price).

What this French wine production system does, therefore, is provide a framework whereby the distinctive qualities of a place – both environmental and cultural – are demarcated, mapped, codified, regulated and protected. Critics might argue that it is much more a matter of protecting the interests of certain producers (rather than the interests of consumers) and that the process of regulation is highly political but nonetheless, the AOC system recognizes that place names are a form of intellectual property. They say things about a product and give the consumer certain assurances about the product. (Overton and Murray, 2010)

The French system has spread and it has done so paradoxically in the face of strong moves to liberalize world trade and do away with local forms of protection. The first stage of the more widespread adoption of GIs in the wine industry came through French pressure for the European Economic Community (EEC – later the European Union) to recognize the French AOC system and similar wine appellation schemes, some of which even pre-dated France, notably in Italy, Germany and Spain. This was possible because France, as a founding member of the EEC was able to ensure that new members of the community signed up to accords which recognize these schemes to protect place-based brand names. The use of GIs within Europe thus expanded significantly as the EU itself grew, taking on many new members particularly in the 1990s.

The next stage in the spread of the GI approach came with its adoption outside of Europe though largely forced on the rest of the world by the EU. Interestingly, this form of protectionism (the recognition and codification of geographical indications to prevent use by others) came in an environment of growing trade liberalisation. European wine producers had been trying to extend their GI protection internationally. They applied pressure and resorted to litigation to stop wine producers in other parts of the world using names such as ‘Burgundy’, ‘Champagne’ or even ‘Claret’ and ‘Sherry’. However, these moves tended to be reactive, scattered and expensive. What they found was more effective was using the political weight of the EU in trade negotiations.

In the 1990s, moves towards trade liberalisation globally occurred during the closing rounds of the General Agreement on Trade and Tariffs (GATT) and the formation of the World Trade Organization (WTO). The negotiations pitted, in essence, the major powers (Europe, USA and Japan) against each other. All subscribed to the rhetoric of trade liberalisation but all wished to retain their own forms of internal protection (particularly with regard to agricultural production) in response to domestic political pressures. The negotiations made progress in removing barriers to trade in manufactured goods but inevitably involved considerable conflicts and compromises with regard to trade in agricultural products (including wine). The USA (backed by Australia and others) had wine industries which were not controlled by tight regulations such as the AOC and they were resistant to accepting these on the international stage, seeing them as a way of protecting European wines from global competition. The Europeans, on the other hand, argued that GIs were a form of intellectual property – that place/brand names such as ‘Champagne’ encompassed not only the concept of *terroir* (that wine reflected the unique environmental conditions in a place) but also the generations of wine making technology and traditions that had evolved in a place – and that to use a place name improperly was tantamount to the theft of that intellectual capital.

Eventually the Europeans succeeded. Geographical indications were recognized in 1994 under the TRIPS (Trade-Related Aspects of Intellectual Property Rights) agreements and thereby became subsumed within the emerging regulatory framework recognised and disseminated by the WTO. Thus we have seen a powerful domestic lobby – French wine producers – being able to insert and extend progressively their local system of regulation on to the global stage. As a result, geographical indications – spearheaded by, but not confined to, wine – have become an established part of the global trading landscape.

## **4.2 Towards a glocalised alternative**

For niche production to succeed in the future, a ‘glocalised alternative’ needs to be embraced. The meaning of ‘success’ is relative. However here it is measured in an economic, social and environmental sense. As such, for a niche product to be deemed

‘successful’ it needs to meet this holistic criterion and we argue a ‘glocalised alternative’ can do so. This alternative framework incorporates both the local and global, suggesting both spheres need to work in tandem to achieve ‘success’.

Instead of localities in the Pacific trying to understand the global market, the global market needs to understand the Pacific. For neoliberalism and more-so niche production to work in the Pacific the variety of different cultures, traditions and spiritual understandings *must* be incorporated.

By incorporating the ‘local’ into the practices and management of niche production, we propose that a more fluid relationship between society and the environment can be achieved. As observed through Samoan noni juice and Virgin Coconut Oil, these companies worked tightly alongside local people assuring their cultural needs were met. This was achieved by understanding their spiritual needs (the church is above work), work ethic, agricultural skills and by hiring community liaisons (representatives between the companies and local villages involved). By doing so, these companies have successfully built rapport with their workers which has in turn created clear communication lines and respectful relationships. Consequently, social problems between the company and localities were reduced.

With regard to the environment, local people have a unique understanding of land. The agricultural sector in the Pacific runs very differently to that of Western nations. Pacific people have cultivated and understood the nature of the land for many years, and by doing have also respected it. For the agricultural sector in the Pacific to become globalised effectively and appropriately, the global economy needs to understand traditional practices and not force global models of production upon farmers. Additionally, with local knowledge a greater understanding on how to cultivate and protect the land is also offered. As such, fair trade and organic certification – which has proven to increase product value by 20 percent – can also be granted. In essence, working positively and with the ‘local’ in Pacific Nations is key to the future of niche production. It draws on local knowledge and sees it as a resource, it helps preserve local environments, and social relations and it strengthens, not diminishes local ownership of resources.

In addition to the incorporation of the local, the nation-state also needs to regain power and be able to regulate trade within PICs. Rahim (2010: 196) suggests nation-states particularly in “developing countries must be entitled to regulate and supervise the TNCs operating in their territories”. This involves privileging local niche producers or coordinating working relationships where global; companies and localities can work in tandem. It also encourages business to become transparent in their activities allowing effective communication between parties. Murray (2010: 6) further supports this clause suggesting:

“There can be little doubt that it [niche production] has a potentially distinguished future if and only if, the government helps put a framework in place for regional co-operation to sustain development of the sector from within”.

Local people and the nation-state need the “chance to move into marketing or management or the ability to attract investment capital will continue to be dependent upon outsider actors to control their natural resources” (Ulrich, 2009: 155). As such, they are more in-tune with local communities and drawing on traditional farming methods or skills can, *create a dependence on the local community* rather than vice-versa. For niche production to effectively support development at a grassroots level, the ‘nation-state’ and the ‘local’ need to be included in the process. As such, it is not only up to local communities to understand the global market; but it is also up to the global market to understand local communities.

### **4.3 The Advantage for Niche-Based Production in the Pacific**

For all four products explored in this report, the picturesque imagery of Samoa and Fiji are heavily intertwined into each of their marketing campaigns; this technique is commonly known as ‘placed-based marketing’. Accordingly, these products incorporate and:

“utilize the platform of a specific geographical location as a significant component of their marketing success” (Thode and Maskulka, 1998: 379).

By infusing these ‘geographical indicators’ into local products, Overton (2010: 1) suggests:

“along with other forms of specialized product identification, such as fair trade labelling, [this] allows rural producers to secure a distinctive niche in the global market”.

With regard to the products explored in this report, to obtain this ‘distinctive niche’ advantage, all four commodities drew upon the following three characteristics: (1) tradition, (2) environment and (3) discourses of isolation and the exotic. All four products incorporate these four characteristics as “an active process of ‘place building’ involving the identification, definition, delimitation of places and their associated products” (ibid). They are embodied in marketing strategies through an active process of storytelling to build narratives that link product to place in supposedly unique and authentic ways. The below discussion explores these four concepts and their significance in the production of niche production in Samoa and Fiji.

#### **4.3.1 Tradition**

A common marketing trait across the four products was tradition. Commonly, niche products from Fiji and Samoa argue that the recipe or the consumption of the product is deeply rooted in their traditional practices. For example, Samoan Noni Juice (2012) proclaims:

“Noni has been Samoa’s if not the Polynesian’s most well-known and important medicinal plant used to treat many illnesses ... Samoan Noni Juice is processed the same way as the traditional medicine men of Samoa have always done it. Samoan Noni Juice is unique in taste and constituents. This old ancient recipe ensures the finest quality to preserve the vital properties to give the best of health”.

The appeal to the traditional origins of the production and use of noni and coconut oil (though the strong association with kava and traditional use is much less evident as a marketing strategy – and it is avoided in the FIJI water case) helps produce an image of a product that encapsulates centuries of use and, in effect ‘cultural capital’. It recognises the ownership of the product, its production techniques and its generic brand by local communities. It allows the product to be linked to a particular place and, in doing so, creates a form of scarcity value. It suggests, for example, that Samoan noni juice or Virgin Coconut Oil is qualitatively better than and more authentic than products produced from a plantation in, say, the Philippines or Brazil.

This appeal to and use of tradition is important not just as means to leverage more of a market premium; it also has considerable potential to provide a basis for protecting the customary intellectual property embedded in the product. What becomes critical then is who claims that intellectual property (individuals, commercial companies, communities, NGOs or the state), who benefits from it, and how is it intellectual property, cultural capital recognised, codified and protected both locally and globally.

The example of Tahitian *monoi* and its use of the French/European *appellation d'origine* regulatory framework (recognised in the geographical indications clauses of international trade agreements) may be worth examining further, for it recognises and protects both the designated place of origin (Tahiti) and the customary techniques used in producing coconut oil infused with *tiare* and other fragrances.

#### **4.3.2 Environment**

The environmental basis of niche products is a very important element of defining their characteristics, authenticity and quality. Such an approach has long been used to specify and protect geographical indicators in the production of wine (for example, Bordeaux, Champagne, Burgundy and Chianti ) are not just generic brands of wine; they are also place names and they also have putative unique environmental characteristics which make them distinctive. The literature on environment, place names and wine is very extensive and beyond the scope of this report but what we do need to note is that the wine industry has been at the vanguard of promoting laws and regulations which specify place names, protect them as a form of intellectual property and promote the idea that a particular place – and its unique and complex environment – bestows on a product particular and unique qualities.

In the Pacific there is not yet a regulatory framework which recognises geographical indicators (apart from the above cited case of Tahiti using French *appellation d'origine* regulations to protect *monoi* as a product). However, we argue that there is particular scope to develop and use such frameworks – allowed for under global trade agreements – to gain further leverage and protection for niche products from the Pacific.

One of the reasons such potential exists is because the niche products we have observed already make use of environmental narratives in the promotion and marketing of their

products. Kava from Kadavu is regarded as being of higher quality not just because of the methods and quality control of its producers but also, some would argue, because of the particular soils and climate there. FIJI Water makes use of its location to talk of the effects of rainfall and the filtering effects of the local geology to build an image of a clean and pure natural product with unique taste qualities drawn in part from local minerals. Noni producers also extol the virtues of their fruit being derived from certain soil or climatic regimes. In products outside of this study there are other examples of this environmental placing of products in the Pacific. Pearls from French Polynesia and the Cook Islands are marketed with talk of the clean water and unique characters of different atoll lagoon environments; local beer production mentions local water quality; honey production in Tahiti is sold with appeals to the quality of local flowers and pollen; and, in perhaps the most bizarre example of environmentally distinctive production, a vineyard on the atoll of Rangiroa in French Polynesia claims to produce organic wines from a unique local *terroir*!

However, such marketing devices at present remain in the hands of imaginative advertising copywriters and sales managers. They are open to a myriad of claims about supposed environmental qualities and place of origin. Place names can be used freely – and in the case of FIJI Water, openly appropriated. We have seen how related claims about the health benefits of kava or the purity of water can backfire in the market.

A system for codifying place names as a proxy for environmental conditions may be one way to begin to tidy the present use of environmental claims and help secure a more robust basis for niche production and marketing of products from the Pacific.

#### **4.3.3 Discourses of Isolation and the Exotic**

The Pacific Islands are often regarded (by outsiders but not by Pacific Island people) as isolated. But whilst isolation – and associated high transport costs – is a major problem for mass commodity production in the Pacific, it can be used as a point of differentiation and a focal selling point. Connected to this notion of isolation are ideals around purity and cleanliness, a parallel to the environmental discourses above. For example, FIJI Water in particular draws upon the isolated nature of Fiji stating “until you unscrew the cap, FIJI Water never meets the compromised air of the 21st century” (FIJI Water, 2011). Particularly in urban centres (and the increased growth of these urban centres



which are often associated with issues surrounding pollution and over commercialisation), the demand for natural and unique products has dramatically increased. With the Pacific Islands so isolated from these global urban environments cities, it is possible to build an idealistic vision of a remote and comparatively untouched and unpolluted Pacific island region. As FIJI Water described, the ‘untouched’ aspect of its product is a real selling point in these markets. Therefore, being isolated has proven to be an advantage for niche production in the Pacific as this trait proliferates images of naturalness and earthly undertones.

The products also base their branding strategy on imaginaries of exotic and tropical places. For example, FIJI Water has used the idyllic imagery of ‘Fiji’ to market the perceived taste, distinctiveness and quality of the water they sell. To portray this topical image to the consumer, FIJI Water utilised the power of packaging to its advantage (McMaster and Nowak, 2002). The bottle plays on the nation’s tropical stereotypes (Plate 5.5) from the gold inscription of FIJI with a colourful arrangement of hibiscus with either a cascading waterfall or *voivoi* ferns as a backdrop. As a result, the product has a “topical mystique associated with Fiji and its purity, underpinned by the slogan ‘untouched by man’ [which has] struck a chord with consumers’ nostalgia for an authentic, exotic and wholesome drink” (McMaster and Nowak, 2009: 5). In the bottle water industry, FIJI Water is also the only brand that comes from a tropical island – rather than a cold, mountainous region. With this exclusive tropical image and ability to play on Fiji’s isolation, FIJI Water has successfully individualised itself in the competitive water bottle market.

#### **4.4 Costs and Benefits of Place-Based Niche Production**

Based on the research we have reported in this document we summarise the costs and benefits of place-based niche production as follows:

##### **4.4.1 Benefits**

- a) There can be no doubt that place-based niche products offer potentially large rewards and this can bolster economic growth when they are successful. The impact of FIJI Water cannot be underestimated economically, in terms of export earnings, employment, multiplier effects. The other sectors reported here are smaller in this

regard but they can play a very important and positive role in national and local economic development.

- b) In the case of Samoan noni and Virgin Coconut Oil appropriate production methods draw on local expertise/ knowledge. This uses a range of local raw materials, and generally minimises social and environmental damage – in this sense place based niche product can be sustainable in several different spheres.
- c) When evolved appropriately place based niche products can enhance local ownership, control and help build appropriate skills in entrepreneurship, marketing, resource management.
- d) In the above senses, such products provide a real alternative to commodity production.

#### **4.4.2 Costs**

- a) Niche based products can be appropriated by outside interests – niche production can be just as easily captured by industrial methods and corporate entities (FIJI Water) and as such no guarantee of locally appropriate development.
- b) When production grows too rapidly (kava), the danger of environmental and social damage is substantial.
- c) When it is appropriately done (Samoa VCO) it can be slow-going and small scale – there is no guarantee that the products can deliver rapid development.
- d) If managed inappropriately the cultivation of such products can lead to loss of local ownership of resources, and, critically, cultural capital.

#### **4.4.3 Main Lessons Learned**

- Niche production offers no guarantee that there won't be environmental damage and social disruption; nor is it a guarantee of economic success.

- Global corporations have recognised the value of niche production in the Pacific. Some have been very good at building local systems (Body Shop); others have plundered (FIJI Water). More will be coming – so there is a need to be prepared.
- Development of niche products must recognise and protect local ownership – communal land must be a part of this, also the ability of local regulation and ownership of place names.
- There is a need to coordinate activity and not to rush into production hastily. The need to build slowly and to learn along the way must be balanced with real development needs that exist in the present however.
- Business skills and commercial enterprises are important but so too is support from civil society (e.g. WIBDI) to build capacity, share knowledge, help coordinate production, processing and marketing and support fledgling enterprises. Exploitation is otherwise too easy and gains not likely to be sustainable.
- Place based products need place based stories – narratives that build the case for uniqueness, quality, authenticity. Often these are mere marketing devices and thinly disguised fiction and these get found out in the market. If they are to get traction, they need a guarantee of authenticity; otherwise the use of trademarks (such as FIJI Water) is a privatisation of environmental and cultural capital by stealth.
- Authenticity requires a GI system<sup>19</sup> (see earlier definition) to match organic and fair trade certification. This will at least certify place of origin though not likely moderate claims about environmental impacts and quality and this represents a challenge.
- The GI system must also regulate to protect cultural control of the indicators, their derivation and appropriation. It is crucial that the system not be co-opted by outside interests at the expense of local cultures.
- There is value in both industry and regional cooperation as it helps build images and reputations of place. This does not replace or lessen competition in the market

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<sup>19</sup> It is beyond the scope of this paper to suggest how exactly this might be structured in this case, and as such forms a recommendation for work in this area. The concept of GIs in the Pacific is nascent and requires further research to assess its applicability

(e.g. Samoa vs. Niue noni) but helps build the ‘niche’ overall in the global market. The appropriate mix of market, civil society and state should be an important consideration.

#### **4.4.4 Recommendations to donors**

- To work with governments, civil society and the private sector through detailed sectoral studies in the identification of appropriate product development in different country contexts where the place based model shows potential.
- To promote the evolution of ‘more than trademark’ environment.
- Promote GI development, and help support its comprehensive application in the Pacific.
- Adapt the GI model drawing on international best practice together with Pacific partnership to evolve a GI and culture system where cultural production and value is intrinsic to the certification process.
- Places' names should be recognised as the embodiment of cultural and environmental capital and therefore they should be afforded special protection.
- To promote the work of a regional body that coordinates all of the above so that overlap and over-specialisation at the regional level do not evolve. This body would also give the region more power in terms of establishing and monitoring a set of GI and culture credentials given its inherent regional view.
- To work with civil society bodies in order to promote community engagement with GI and culture schemes but also see GIs alongside and complementing the fair trade and organics schemes.

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