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**THE ROLE AND IMPACT OF SERVICES  
SECTOR ON ECONOMIC GROWTH: AN  
ECONOMETRIC INVESTIGATION  
OF TOURISM AND AIR SERVICES  
IN FIJI  
(1968-2006)**

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## **ABSTRACT**

Empirical studies have established that tourism is a major determinant of economic growth and that international air services have a beneficial effect on the growth and development of an economy. It has also been argued that trade and public enterprise reforms in the service sectors, undertaken to a greater extent in high income countries, have had a positive impact on the sectors performances.

This study analyses several hypotheses relating to Fiji's tourism and air transport service industries. First the study examines the contribution of tourism exports to economic growth in the case of Fiji. Second, the study analyses whether the tourism reform adopted by Fiji in 1999 under the World Trade Organization's General Agreement on Trade in Services (GATS) has impacted on total tourism export performance. Third, the aviation-service growth nexus is investigated. Lastly, the effect of the aviation public enterprise reform activities on the export performance of air services is evaluated.

Using time series annual data from 1968 to 2006, the Auto Regressive Distributed Lag methodology has been utilized to estimate the contribution of each service sector to Fiji's total service output. The results show that the tourism is a major determinant of growth in Fiji and that the aviation service-growth hypothesis is also valid for Fiji. The empirical results show that both the trade reforms in tourism and the pro-competitive measures undertaken in the airline industry, amongst other determinants, have not significantly created an impact on the respective export performance of tourism and air services. These findings provide key policy implications in the light of capitalizing on services exports as a major source of growth, particularly in developing island countries such as Fiji and the need to facilitate the strengthening of the market to boost the export performance of tourism and air services.

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## **LIST OF ABBREVIATIONS**

ACP	Asia Caribbean and the Pacific
ADB	Asian Development Bank
AFL	Airports Fiji Limited
ARDL	Auto Regressive Distributed Lag
ASA	Air Service Agreement
CAAF	Civil Aviation Authority of Fiji
CAAFI	Civil Aviation Authority of the Fiji Islands
FIBOS	Fiji Islands Bureau of Statistics
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IMF	International Monetary Fund
OECD	Organization for Economic Cooperation and Development
RBF	Reserve Bank of Fiji
TSA	Tourism Satellite Account
UNCTAD	United Nations Conference on Trade and Development
UNWTO	United Nations World Trade Organization
WTO	World Trade Organization