

Marginalisation postponed?

Regional trade negotiations in the Pacific islands

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Overview

- ▶ Post-colonial trade regimes in the Pacific (1975-1995)
- ▶ The formation of the WTO (1995)
- ▶ Contemporary Pacific trade diplomacy (1995-2015)
- ▶ Multilateral talks at the WTO: A [very] limited success
- ▶ Regional negotiations with the EU: Dead in the water?
- ▶ Negotiations with Australia and New Zealand: Nearing conclusion?
- ▶ A cautionary tale from the Caribbean
- ▶ Where to now?

Post-colonial trade regimes in the Pacific

- ▶ Negotiated at independence
- ▶ Regional arrangements with key trading partners
- ▶ Lomé Convention with the EU (1975)
- ▶ SPARTECA with Australia/New Zealand (1980)
- ▶ Maintained colonial-era access to markets
- ▶ Important for key export commodities (sugar, copra, coffee, cocoa, oil palm, tinned tuna)
- ▶ Allowed limited expansion of manufacturing exports (textiles from Fiji, car parts from Samoa)

... cushioning trading realities?

The formation of the WTO

- ▶ Strengthened regime disciplines
- ▶ Pacific's preferential access to metropolitan markets contravened 'non-discriminatory' application of rules
- ▶ Island exporters expected to compete with more efficient producers
- ▶ Changes exposed inherent competitive disadvantages of island-based production (distance from markets, small domestic markets, high costs of inputs and transport, frequent natural disasters, etc.)
- ▶ **Islands face marginalisation in an increasingly liberalised global economy**



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“Unfortunately, studies have shown that there is likely to be a permanent wedge between the cost of production in the Pacific and the world price in both manufacturing and services, making it difficult for the islands to compete in all but a few niche markets” - World Bank, 2009

Contemporary Pacific trade diplomacy (1995-2016)

Through strategic diplomacy, Pacific states have sought

- ▶ Recognition of unique trading circumstances
- ▶ Exemptions from global trade regime disciplines
- ▶ ‘Unique’ policy solutions which might replicate effect of market preferences
- ▶ Aid to develop new export industries in [limited] areas of comparative advantage: ie tourism/fisheries/niche agriculture
- ▶ Preferential access to developed country labour markets
- ▶ Changes to quarantine restrictions that limit agricultural exports
- ▶ Loosening rules of origin requirements to expand manufacturing exports

... pursuing regime innovation

Negotiations at the WTO

- ▶ Pacific establish permanent delegation in Geneva
- ▶ Officials emphasised unique trading circumstances of island states
- ▶ Pursued a new category of states among WTO members ('small and vulnerable economies')
- ▶ Members agreed to work programme for small economies (2000)
- ▶ No new category of states, limited concessions through work programme
- ▶ Pacific states acceding to the WTO face onerous demands

... A [very] limited success

**WTO
at the
Margins**

Small States and the
Multilateral Trading System

Edited by
Roman Grynberg

Negotiations with the European Union

- ▶ EPA negotiations launched in 2004
- ▶ Pacific officials emphasised trading disadvantages faced by island states
- ▶ Arguments for unique solutions - regime innovation - fell on deaf ears
- ▶ European negotiators focussed on regime *compliance*
- ▶ EU officials also pursued regime-wide interests, and access to Pacific tuna
- ▶ Limited concession granted for processed tuna exports from PNG
- ▶ Negotiations have narrowed to fisheries arrangements
- ▶ By 2016, talks at stalemate

... dead in the water?

Negotiations with Australia and New Zealand

- ▶ Australia and New Zealand have geostrategic interests in region
- ▶ Pacific officials argued a unique agreement would be required
- ▶ Concern about impacts (revenue losses / business closures)
- ▶ Negotiations narrowed to inclusion of aid, and labour mobility arrangements
- ▶ Australia and New Zealand refuse to countenance treaty-binding labour mobility arrangements
- ▶ Nearing conclusion? OCTA thinks so ... Pacific ministers less certain

... Nearing conclusion?

Labour mobility critically important

- ▶ Since 2007, Australia and New Zealand have established, and expanded, schemes allowing Pacific islanders to work in rural industries
- ▶ 2015 ‘in principle agreement’ to new regional arrangements
- ▶ Pacific Labour Mobility Annual Meetings (PLMAM)
- ▶ Enhance existing schemes, promote new mobility opportunities
- ▶ Strengthen regulatory frameworks for mobility
- ▶ Bilateral labour agreements dealt with *outside* of trade agreements



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“Bilateral labour agreements may be more appropriate for semi-skilled and unskilled labour, because of their greater flexibility and potentially greater numbers of migrants involved”

Let Workers Move: Using Bilateral Labour Agreements to Increase Trade in Services. World Bank. 2013

A cautionary tale from the Caribbean

- ▶ In 2008, Caribbean small island countries signed a reciprocal, regime-compliant, regional trade agreement with the European Union
- ▶ The Caribbean-EU 'Economic Partnership Agreement' (EPA) was billed as a trade and development agreement
- ▶ A five year review of the agreement was conducted found the agreement had little positive impact
- ▶ Trade with the EU contracted for most Caribbean states
- ▶ Fiscal implications (lost tariff revenues) were significant for some states

'The region has as yet to meaningfully reap the benefits of the Agreement ... the commonly held view is that CARIFORUM committed itself and signed a comprehensive EPA, yet it has not "harvested the windfalls" which seemed to have been held out as reward'

- Caribbean Forum Secretariat, May 2016

Where to now? Solutions *outside* of regional trade agreements

- ▶ **Benefits of regime-compliant RTAs much oversold**
- ▶ **Solutions are to be found *outside* RTAs - 'Pacific Possible'**
- ▶ **Trade tariffs:** Advantages to be had liberalising tariffs are best achieved on a RoW basis. Maintain policy control. Less fiscal risk
- ▶ **Tuna:** Islands secured all they are likely to in EPA. Regional management regimes (like the PNA) are key to increasing value and conservation
- ▶ **Sugar:** Pacific exports no longer hinge on rules of global trade regime. EU unilaterally withdrew from the Lomé Convention's Sugar Protocol
- ▶ **Labour mobility:** Best pursued through bilateral labour arrangements and reviewed through proposed 'Pacific Labour Mobility Annual Meeting'

Technical resources and political capital dedicated to regional trade negotiations should be re-assigned



Thank you