Cooperation and Capacity Building among the Forum Island Countries (FICs): Environment and Trade Linkages

Sunil Kumar
School of Economics
The University of the South Pacific
Suva, Fiji
kumar_ss@usp.ac.fj

and

Kifle Kahsai
School of Islands and Oceans
The University of the South Pacific
Suva, Fiji
kahsai_k@usp.ac.fj

No. 2010/08 October, 2010

This paper presents work in progress in the School of Economics at USP. Comments, criticisms and enquiries should be addressed to the corresponding author.
Cooperation and Capacity Building among the Forum Island Countries (FICs): Environment and Trade Linkages

Sunil Kumar and Kifle Kahsai

Abstract
Pacific island countries are deficient in policymaking towards regional integration, trade negotiations and to address environmental issues. There are a number of reasons for this including deficient institutional infrastructure, small population, geographical isolation and labour migration. Although some tertiary training programs exist among countries such as Fiji and Samoa, there are inherent problems and capacity gaps among other countries such as Solomon Islands, Vanuatu and Kiribati. As a result of many resource constraints, there is a lack of coherent policymaking and incentives for cooperation in areas of common regional interest is lacking. Climate change and trade are the key areas where cooperation is urgently needed. For example customs unification and trade agreement in Small Island Developing States (SIDS) need to negotiated and resolve urgently. Geographical isolation, ethnic and political heterogeneity also prevent meaningful interactions and cooperation. This paper examines the problems and the existing institutions that seek to facilitate the various agreements towards intra-regional cooperation amongst the Forum Island Countries (FICs). The paper explains the reasons for the lack of regional cooperation in trade and environment to capacity deficits in negotiation and policymaking, and lack of international cooperation.
1. **Introduction**

It is widely agreed that some of the labour problems faced by FICs can be addressed through well-placed educational and training programs which facilitate capacity building. The recent problems of skills shortages are linked to migration of skilled labour from Forum Island Countries (FICs) to developed countries, which started in the 1970s and continue even today with serious implications on development and economic growth (ADB 2008; Bertram 1993). The traditional approach towards solving this problem has been to increase output of educational and training institutions in FICs, particularly at the University of the South Pacific (USP) and National Universities and Technical Institutions within the region. This approach seems to conform to Migration, Remittances, Aid and Bureaucracy (MIRAB) model of economy articulated by Bertram and Watters (1985; 1986), which supported development of FICs through foreign aid. The University of the South Pacific seems to operate quite successfully on this model. It receives nearly 22% of its total budget through external funding (see Chandra 2009). This has worked well to some extent but may not be a long-term solution if the economic welfare of FICs or Fiji in particular were to be improved in the long term. Migration of skilled labour at the rate experienced by the FICs effectively prevents attainment of higher levels of income and economic growth (Chen 2006). There are a number of reasons for this as stated in the economic development literature. Chen (2006) argues that economic productivity declines as a result of skilled labour migration from developing countries. Chen further argues that even a short-term relaxation of rules for skilled migration could be harmful in the long term. Docquire and Rapoport (2007) however, argue that countries that impose restrictions on the international mobility of their educated residents could in fact decrease their human capital stock in the long term. The basis of this argument however, seems weak. It posits that restriction of skilled migration significantly discourages skill acquisition and training.

Although migration opens up new opportunities for the educated classes, providing quality education and skills training to fill the void is a costly option for developing countries. This is particularly, a costly option when the best trained people migrate on a continuous basis, which is the case for most FICs where migration includes the migration of educators and trainers. The cost of retaining human resources in academic institutions with the aim of continuing the institutions competitively is very costly. The mobility of educators is compounded by low salary structures for teachers in the FICs relative to Australia and New Zealand. The salary differential for teachers in developing countries like Fiji and Samoa in relation to high income countries such as Australia and New Zealand proves too attractive and cannot be dissuade from migrating.
The tertiary education sector in Fiji has changed dramatically in the last few years. The establishment of government support for the University of Fiji since 2005 and advent of the Fiji National University (FNU), which amalgamated the Fiji Institute of Technology, Fiji School of Medicine, the School of Nursing, the Fiji Training Productivity Authority (FTPA) and other tertiary institutions since March 2010 has created strong competition for USP (Chandra 2009). Despite this competition the overall cost of education is not declining, but on the contrary, rising due to proliferation of many new uneconomic programs. It is logical that with this rising cost and thinner spread of resources, the risk of the quality of programs is increasing significantly.

The FICs are doubly punished since the migration policies of the higher income countries such as Australia and New Zealand is strongly biased towards higher qualification and experience (Docquier and Rapoport 2007). Those who are less qualified are often not able to migrate if the rules of skill based immigration are applied. The skill loss intensifies when highly qualified people from FICs who are engaged in the training of the labour force also migrate. The siphoning of such skills creates a challenge since filling that skills-gap becomes even more challenging. It becomes more costly and makes training institutions vulnerable to systemic erosion of their structure and leads to diminishing quality. Thus, the productive capacity of small island states in the Pacific suffers not only the skills erosion but also its ability to replenish it. This trend goes against the capacity building initiative outlined in the Pacific plan and other policy and technical documents aimed at supporting development in the Pacific (see PIFS 2007; SPC 2010a and SPC 2010b).

The negative impact of skills migration is that economic growth of the source countries become seriously hampered. It has a greater impact in small countries in the Pacific region. This paper focus on skill deficit is in the area of economic analysis and policymaking, which also leads to diminishing capacity in negotiation. It is often argued that small countries like the FICs are particularly disadvantaged due to their narrow resource base. Since the number of skilled personnel engaged in policy analysis in FICs is often very small, migration of a few of them from national planning and statistics departments cause huge capacity gaps (SPC 2010a and SPC 2010b). Additionally, lack of institutional infrastructure for human resource development in many FICs such as Solomon Islands, Kiribati and Tuvalu leave such void in capacity for a long time if the problem is left unattended and expatriates are not recruited.

Economic analysis and open public debate on issues of national interest have been generally lacking in FICs. This is due to traditional leadership mechanisms and lack of
analysis. The traditional leadership often do not place much importance to modern analytical tools and analysis. This socio-political system is fast changing now since resource pressure on regional governments is mounting, which is further intensified due to economic decline and diminishing official aid to the region (IMF 2009).

Skills are needed at the national and regional levels to articulate variety of interests and dynamics within the FIC region, which can only be expected from trained economists, sociologists, anthropologists and governance experts (SPC 2010b). These personnel are expected to have the skills to analyse economic, social and developmental issues with a high level of proficiency.

Trade issues are of great economic interest to FICs, which need to be understood in the global, regional and national contexts. There are many asymmetries such as higher transport costs, small domestic markets, lack of material resources, labour supply constraints and technology that significantly disadvantage FICs trade. This has serious economic consequences for FICs. The smaller FICs such as Kiribati, Tonga and Tuvalu need to engage and cooperate with much bigger countries like Australia and New Zealand to resolve trade arrangements in their favour and at the same time engage with relatively bigger countries within the region such as Fiji and PNG. The FICs need to build a cadre of trade experts in order to deal with such issues. These trade experts need to be trained and gain valuable experience to engage with bigger country negotiators much more effectively. The FIC policymakers and negotiators need to understand trade issues much better than they do at the moment (see Penjueli and Morgan 2010; ACFID 2009 and Bhattacharya 2005). They would also need to understand the mechanisms of negotiations at the bilateral, multilateral and the WTO levels. The data given in WTO/OECD (2007) and WTO (2010) the share of training in trade Policy and Trade development have been minimal. Although the expenditure in dollar terms may have been a few million dollars, such expenditures are not sufficient to provide training to people from island countries so widely dispersed. Often the funding was not enough to have any continuity in trade training programs (Shaffer 2005).

**Developmental Challenges of FICs**

The developmental problems of the Pacific Island countries are diverse and their problems vary contextually and between countries. Some previous studies have established typical solutions for generic type problems but replication of policies across the Pacific island has been rare. The Mauritius Strategy where generic problems are been identified for Small Islands Developing states with some common solutions. The agreement proposes common approach towards sustainable development that can be
replicated across the SIDS, particularly to address their problems related to narrow resources base, skill shortage and oceanic isolation. Many other regional and international agencies have produced studies but problem-specific solutions for pacific countries have not been offered as development strategies. The problems faced by the Pacific Islands states are in many ways unique, in particular the oceanic isolation and smallness (UNESCAP 2010).

Table 1 provides some basic characteristics of the Island states. The variations in the physical characteristics of FICs give the region a fundamental recipe for intra-regional trade which could be possible under PICTA agreement, signed by FICs nearly seven years ago. This intra-region cooperation could lead to some common cooperative strategies. For instance, Fiji can facilitate economic growth through export of light manufactured goods and processed food to other Pacific islands countries while in reciprocity it can import agricultural products such as Kava, watermelons and other fruits from smaller Pacific countries. However, not much trade has resulted under this regional agreement so far (see Narsey 2010). Table 2 provides details of Fiji trade with other three FICs, which shows no particular sign of growth.

In general, national efforts at economic development by the Island states have been negated by skilled labour migration and for most countries, not much success has been achieved towards capacity building in FICs which was stipulated in the Mauritius Declaration (UNESCAP 2010). In small FICs such as Kiribati, Tuvalu and Tonga policymaking is further compromised since only a few skilled personnel that exist are frequently engaged in multiple tasks. High demands are made of them, for example, compilation of national reports for international and regional mandates such as MDGs, AUSAID or ADB projects and at the same time they are engaged in national policymaking. They may also be called away from office to attend to consultants, regional meetings, workshops and conferences abroad (SPC 2010b). Thus, in many instances these multi-tasking government officials either not do much policy construction or do an extremely poor job when engaged due to time constraints (Smith 2010).
Table 1: Physical Characteristics of FICs

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Median age</th>
<th>Land area</th>
<th>EEZ(^a) area</th>
<th>Population density</th>
<th>Urban population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009 mid-year estimate</td>
<td>2009 years</td>
<td>km(^2)</td>
<td>thousands of km(^2)</td>
<td>2009 people/km(^2)</td>
<td>% of total</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>15 636</td>
<td>26.1</td>
<td>237</td>
<td>1 800</td>
<td>55</td>
<td>72</td>
</tr>
<tr>
<td>Fiji</td>
<td>843 888</td>
<td>26.5</td>
<td>18,272</td>
<td>3,600</td>
<td>46</td>
<td>51</td>
</tr>
<tr>
<td>Kiribati</td>
<td>88 989</td>
<td>21.8</td>
<td>811</td>
<td>122</td>
<td>46</td>
<td>44</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>54 055</td>
<td>18.6</td>
<td>181</td>
<td>2 131</td>
<td>299</td>
<td>65</td>
</tr>
<tr>
<td>Micronesia (Federated States of)</td>
<td>110 899</td>
<td>20.5</td>
<td>701</td>
<td>2 978</td>
<td>158</td>
<td>22</td>
</tr>
<tr>
<td>Nauru</td>
<td>9 771</td>
<td>21.5</td>
<td>21</td>
<td>320</td>
<td>465</td>
<td>100</td>
</tr>
<tr>
<td>Niue</td>
<td>1 514</td>
<td>32.9</td>
<td>259</td>
<td>..</td>
<td>6</td>
<td>35</td>
</tr>
<tr>
<td>Palau</td>
<td>20 397</td>
<td>34.1</td>
<td>444</td>
<td>629</td>
<td>46</td>
<td>77</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>6 609 745</td>
<td>20.5</td>
<td>462,840</td>
<td>3 120</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Samoa</td>
<td>182 578</td>
<td>20.2</td>
<td>2 935</td>
<td>120</td>
<td>62</td>
<td>21</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>535 007</td>
<td>19.7</td>
<td>28,370</td>
<td>1 340</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Tonga</td>
<td>103 023</td>
<td>20.6</td>
<td>650</td>
<td>700</td>
<td>158</td>
<td>23</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>11 093</td>
<td>24.2</td>
<td>26</td>
<td>1 300</td>
<td>427</td>
<td>47</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>238 903</td>
<td>20.4</td>
<td>12 190</td>
<td>710</td>
<td>20</td>
<td>21</td>
</tr>
</tbody>
</table>


The use of existing knowledge to solve problems in the Pacific is not a common practice. Even where research literature exists, policymakers may not use it, which renders the knowledge as not as useful for the desired guidance it could offer. There is a lack of reading culture amongst senior government officials. To a large extent there is inertia towards interactive collaborative consultation between policymakers between line ministries within countries and with other countries. Experiences of the island states are considered circumstantial and thus policy responses of the island states vary widely even when the situational causes of problems may be similar. For example, there are numerous examples of failure to use new knowledge in the agricultural sector in Fiji, where farm extension services are virtually non-existent therefore the available knowledge is not disseminated (Bhati and Kumar 2010). While Fiji, Samoa, Solomon Islands and Vanuatu have similarities in agricultural sector in terms of cropping and landscape, in spite of this, there is inadequate inter-country cooperation and policy discourse regarding such issues as production efficiency, farm practices and so on.

The land tenure problem among FICs is another example of gross failure to draw lessons from each other. There is a lot of knowledge gap in tourism services and commodity trade where exchange of ideas and cooperation among PICs could be of mutual benefit,
but interaction is almost non-existent. Vanuatu, for instance, lags behind Fiji in tourism sector, which poses some possibility of cooperation between the two countries, but there is no sign of any such cooperation. Kava trade between Fiji and Vanuatu is another area where cooperation is necessary for mutual benefit but disagreements dominates the scene and there is a destructive trade war between the two neighbours (Narsey 2010). Significant amount of goodwill and opportunity for cooperative trade and economic gains was lost by the two countries over a minor, rectifiable conflict (see Narsey 2010; Connell 2007).

Table 2: Trade between Fiji and other Pacific Island countries ($’000 FJD)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Exports from Fiji</th>
<th>Imports From PICs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>Tonga</td>
<td>34,851</td>
<td>77,000</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>21,128</td>
<td>44,851</td>
</tr>
<tr>
<td>Western Samoa</td>
<td>32,052</td>
<td>32,240</td>
</tr>
<tr>
<td>Total Exports to PICs</td>
<td>88,031</td>
<td>154,091</td>
</tr>
<tr>
<td>Total Exports</td>
<td>1209813</td>
<td>1471028</td>
</tr>
</tbody>
</table>


If trade was negotiated more constructively under the provisions of PICTA or the Melanesian Spearhead Group (MSG), it would have resulted in larger economic gain for both countries and possibly other Pacific Island countries. Fiji and Vanuatu could have built more productive trade relations in agriculture commodities and processed food. Table 2 shows the level of trade that exists between Fiji and other Pacific Island countries. Considering Fiji’s trade with these three key economics among the FIC, the level of trade is quite low. The ratio of trade is very low as the figures show. UNIDO (2009) argues trade between African nations to be low when this ratio is found to be 11%.

The trade data (as shown in Table 2) does not show any specific trend. It is definitely not showing any increasing trends. The trade between Fiji and other Pacific countries seems to have increased significantly 2008 but declined in 2009. , which indicates some potential for intra-FIC trade. Cooperation and better understanding between FICs could
lead to improved trade volumes if trade promotion could be facilitated through the existing PICTA agreement (Shaffer 2005).

**Confronting Trade Issues**

Most FICs have small domestic markets and do not have the capacity of creating internal economies for economic growth (see Table 1 for populations of FICs). Higher and more sustainable economic growth in FICs can only be achieved through trade facilitation and realisation of commodity export and tourism services, which is reflected in the Pacific Plan (PIFS 2007). The disadvantages of FICs in realising mutual gains from trade are well-known as pointed out by ACFD (2009) and Oxfam Australia (2008). The trade disadvantage faced by FICs is unique in nature, pertaining to their sea remoteness and small population sizes (Oxfam Australia 2008; Penjueli and Morgan 2010). All FICs and more specifically the smaller ones are severely disadvantaged due to lack of negotiation capacity and the failure of global institutions such as UNCTAD, UNESCAP and to some extent the Forum Secretariat to articulate the disadvantages and problems faced by the small FICs in trade. It is a double tragedy for FICs for not having the negotiations or analytical capacity to articulate the trade problems (Oxfam Australia 2008). The negotiation constraints could have been brought under TRTA/CB scanner and provided negotiation-specific assistance as stated in the Doha round of WTO talks (see Proksch and Azhari 2009; WTO/OECD 2007).

The Trade Facilitation associated capacity building assistance for FICs has been implemented recently under the Australian Council for International Development (ACFID) through a number of joint efforts including a new diplomacy and governance program at the University of the South Pacific (see ACFID 2009).

Now there is better appreciation that the capacity of the FICs to negotiations trade issues with its bigger partners such as Australia and New Zealand on fair footing could bear favourable outcomes for both parties. The Forum Secretariat organises briefing sessions for FICs, as explained by Gosselin (2004). However, the detailed analysis of the margins of disadvantage in cost of production due to isolation or market size are not verified explicitly to demonstrated the extent of the concessions required in order to share those costs or redistribute them across various trading partners. The expenditure data for regions, for the early period in the decade, shows that FICs received very little assistance in capacity building, which could be the reason that FICs continue to lack even the basic trade negotiation capacity (see Chart 1).

Chart 1: Trade-Related Technical Assistance by Region (2004 USD)
Oxfam Australia (2008) argues in its submission to the government of Australia that FICs are uniquely disadvantaged and thus the need for them to be treated differently when facilitating trade. It further argues that FICs should be assisted to build their economic capacity before applying the WTO rules. The question of whether the small PICs were in a position to meet the WTO conditions of trade need to be answered. It is known widely that no PIC can engage in global competitive trade without any preferential support.

It may be argued that the list of products to be traded on the free market as early as 2012 or even 2016 needs to be re-examined in respect of price differentials, adequacy of supply and quality assurances. Therefore, the contents of PICTA and PACER+ agreements needs further analysis (see Scollay 2001, for instance). In addition to this, all smaller FICs should be provided technical assistance to make decisive move towards trade expansion provided under the Doha trade talks (see Shaffer 2005; WTO/OECD 2007; UNESCAP 2010).

The Pacific Island country negotiators need special skills to articulate the disadvantages of FICs in international trade. There is an urgent need for the application of special treatment provision under Doha WTO talks. The FIC negotiators need to be trained to analyse economic gains and losses from free trade and skills to engage in creative new ideas to convince their counterparts about their disadvantages. They need the skills to put forward the possibilities and the new trade frameworks that may place them some advantage against bigger trading partners.
Regional Trade Prospects for Fiji

Lessons from successes and failures of many regional agreements in the Pacific region can be drawn for both PICTA and PACER+. The PICTA was signed by nine Pacific Island countries in 2001. This agreement signed by the nine FICs committed the countries to liberalise trade, which would help them fall in line with the broader WTO norms. The agreement prescribed mutual trade diversification between the members and committed them to reduce and eventually eliminate tariff and non-tariff barriers to trade.

It was expected that PICTA would lead the Small Island Developing States towards gradual adoption the WTO norms, in full, with minimum disruption (scollay 2001). The WTO conditions of trade would take full effect by 2016 if PICTA takes its cause according to the set timelines on tariff reduction, which would lead to the eventual creation of a single regional market among the Pacific island economies. This seems quite ambitious for the small island states such as Kiribati, Tuvalu, Tonga and others to embark on, but if appropriate steps were put in place such transition would be possible with a slight extension and modification of the framework. For instance, other forms of tax could be prescribed to partially compensate for the loss of revenue from tariff reduction. In addition to this, abiding FICs could be assisted through Overseas Development Assistance (ODA) for economic capacity building and support in important areas such as social security, education and health.

The current trade data for some pacific island countries shows that more trade between the FICs is possible. Tables 3 and 4 show exports and imports data for Fiji, Samoa and Vanuatu. The import and export of food commodities by these three FICs indicate that Fiji can export food to Samoa and Vanuatu and it is also possible for Fiji to import some commodities from Samoa and Vanuatu. However, it is widely known that such trade can only be possible if the private sector is motivated and adequate infrastructure and financial support are provided.
Table 3: Commodity Exports (Fiji, Samoa and Vanuatu) - 2008

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Samoa (Tala)</th>
<th>Samoa $mil US</th>
<th>Fiji $Mil FJ</th>
<th>Fiji $Mil US</th>
<th>Vanuatu $mil Vt</th>
<th>Vanuatu $Mil US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Live Animal</td>
<td>18,180</td>
<td>45.5</td>
<td>Sugar</td>
<td>248.2</td>
<td>129.064</td>
<td>Copra</td>
</tr>
<tr>
<td>Beverage and Tobacco</td>
<td>4,096</td>
<td>10.2</td>
<td>Gold</td>
<td>26.7</td>
<td>13.884</td>
<td>Coconut Oil</td>
</tr>
<tr>
<td>Crude Materials (non-Fuel)</td>
<td>1,914</td>
<td>4.8</td>
<td>Garments</td>
<td>100.1</td>
<td>52.052</td>
<td>Beef veal</td>
</tr>
<tr>
<td>Fuels Etc.</td>
<td>2,045</td>
<td>5.1</td>
<td>Fish</td>
<td>134.2</td>
<td>69.784</td>
<td>Cocoa</td>
</tr>
<tr>
<td>Animal Oil</td>
<td>3,039</td>
<td>7.6</td>
<td>Lumber</td>
<td>59.3</td>
<td>30.836</td>
<td>Shells</td>
</tr>
<tr>
<td>Chemicals</td>
<td>129</td>
<td>0.32</td>
<td>Molasses</td>
<td>13.6</td>
<td>7.072</td>
<td>Timber</td>
</tr>
<tr>
<td>Manufacturing Goods</td>
<td>3,573</td>
<td>8.9</td>
<td>Coconut</td>
<td>8.2</td>
<td>4.264</td>
<td>Cowhides</td>
</tr>
<tr>
<td>Machinery and Trans. Equip</td>
<td>148,925</td>
<td>372.3</td>
<td>Others</td>
<td>392.6</td>
<td>204.152</td>
<td>Kava</td>
</tr>
<tr>
<td>Misc. Manuf. and Articles</td>
<td>1,606</td>
<td>4.0</td>
<td>Total</td>
<td>982.8</td>
<td>511.056</td>
<td>Coffee</td>
</tr>
<tr>
<td>Misc. Transactions</td>
<td>0.009</td>
<td>0.023</td>
<td>Re-exports</td>
<td>488.2</td>
<td>253.864</td>
<td>Other Products</td>
</tr>
<tr>
<td>Total</td>
<td>189,515</td>
<td>473788</td>
<td>Total</td>
<td>1,471.0</td>
<td>764.92</td>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Fiji Islands Bureau of Statistics (database 2010); SPC (2010 Database)

Table 4: Commodity Imports (2008)

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Samoa (Tala)</th>
<th>in USD</th>
<th>Fiji</th>
<th>in USD</th>
<th>Vanuatu</th>
<th>$Mil US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>133094.00</td>
<td>332.7</td>
<td>519.9</td>
<td>270.348</td>
<td>3,233</td>
<td>32.9766</td>
</tr>
<tr>
<td>Beverage and Tobacco</td>
<td>9228.00</td>
<td>23.1</td>
<td>21.7</td>
<td>11.284</td>
<td>499</td>
<td>5.0898</td>
</tr>
<tr>
<td>Crude Materials</td>
<td>20323.00</td>
<td>50.8</td>
<td>31</td>
<td>16.12</td>
<td>209</td>
<td>2.1318</td>
</tr>
<tr>
<td>Mineral Fuels</td>
<td>129216.00</td>
<td>323.0</td>
<td>1,222.10</td>
<td>635.492</td>
<td>2,098</td>
<td>21.3996</td>
</tr>
<tr>
<td>Oils and fats</td>
<td>12159.00</td>
<td>30.4</td>
<td>37</td>
<td>19.24</td>
<td>69</td>
<td>0.7038</td>
</tr>
<tr>
<td>Chemicals</td>
<td>45338.00</td>
<td>113.3</td>
<td>274.7</td>
<td>142.844</td>
<td>1,693</td>
<td>17.2686</td>
</tr>
<tr>
<td>Manuf. Goods</td>
<td>148169.00</td>
<td>370.4</td>
<td>460.8</td>
<td>239.616</td>
<td>2,856</td>
<td>29.1312</td>
</tr>
<tr>
<td>Machin. &amp;Trans. Eq.</td>
<td>132743.00</td>
<td>331.9</td>
<td>726.5</td>
<td>377.78</td>
<td>4,565</td>
<td>46.563</td>
</tr>
<tr>
<td>Misc. Manuf. Art.</td>
<td>63949.00</td>
<td>159.9</td>
<td>278.6</td>
<td>144.872</td>
<td>2,118</td>
<td>21.6036</td>
</tr>
<tr>
<td>Misc. Trans.</td>
<td>20.00</td>
<td>0.050</td>
<td>29.4</td>
<td>15.288</td>
<td>306</td>
<td>3.1212</td>
</tr>
<tr>
<td>Total</td>
<td>694241.00</td>
<td>1735.6</td>
<td>3,601.40</td>
<td>1872.728</td>
<td>17,646</td>
<td>179.9892</td>
</tr>
</tbody>
</table>

Source: Fiji Islands Bureau of Statistics (database 2010); SPC (2010 Database)

The PACER+ agreement, which is a more inclusive trade agreement is been negotiated since the middle of this decade. This agreement was expected to take effect simultaneously with PICTA over an overlapping period of around 10 years. The PACER agreement was supposed be an evolving trade agreement mostly facilitated by Australia and New Zealand, which is seen as an umbrella agreement over PICTA. It is now referred to as PACER+ which signifies future trade in the region.
The negotiation on PACER+ has now taken a new turn due to the exclusion of Fiji from its ambit. Australia and New Zealand are now entering into bilateral agreements with individual FICs with PNG and Vanuatu taking the lead. Despite this new approach the expected outcomes of the agreement are likely to remain largely the same as original planned (see Narsey 2010; ACFID 2009).

It is expected that the weaknesses and problems of PICTA and PACER would be identified and addressed over time as they take effect. The individual countries would be able to draw lessons from their experiences and establish consensus for adjustments. However, monitoring and evaluation would require expertise that most FICs do not have. The known challenge for these countries now would be to act quickly and decisively to make adjustments to adopt PICTA, which requires them to bring down tariffs at a significant speed. Since PICTA has already been broadly accepted and signed, the task at hand is to make it functional in terms of actual trade between the FICs including labour mobility issues within the region. This requires countries to converge on difficult issues and forge ahead with implementing appropriate transaction rules. Secondly, to negotiate PACER+ in favour of the FICs, a collectively approach is needed and would be beneficial to all FICs.

Regional Cooperation in Environment and Climate Change

The Pacific Islands Forum (PIF) is an intergovernmental organization comprised of 16 independent and self-governing states, mostly Small Island Developing States (SIDS), in the Pacific region. It was founded in August 1971 as the region’s collective political and economic organization. The Secretariat of the organization is located in Suva, Fiji.

The PIF formed a Council of Regional Organisations of the Pacific (CROP) in 1988 which comprised existing and newly formed heads of the intergovernmental regional organisations in the Pacific. The mandate of these 11 main regional organisations is to improve cooperation, coordination and collaboration among the various intergovernmental regional organizations to work toward achieving the common goal of sustainable development of the Pacific region (PIFS, 2010).

The USP is part of this grouping and participates in the discussion and formulation of policies concerning the region.

The SIDS and the regional organizations have recognized and projected the impacts and threats of climate change on small island states, and emphasized the need to work
together in support of the implementation of policies and development program such as renewable energy, energy efficiency and adaptation strategies in the region. The issue of climate change has become a critical issue for Pacific island states in recent years, and the PIF and CROP agencies have provided a powerful, uniting voice on the matter for a group of states that individually have limited political and economic influence. While the small pacific island states generate very few greenhouse gases, they are especially susceptible to the exacerbation of climate variability, sea level rise and extreme weather events associated with climate change. For Example, Tuvalu is predicted to be submerged by 2100 if the sea level rise continues at this rate (PIFS, 2010).

The Pacific Islands Framework for Action on Climate Change (PIFACC), Climate Variability and Sea Level Rise became the first collaborative agreement on climate change in the region. This agreement was adopted in 2005. This agreement was further reviewed and expanded to be implemented from 2006 to 2016. The PIFACC was accepted by the 23 Pacific Island Countries and Territories (PICTs). The framework outlines an approach for combating the causes and effects of climate change in the region. The main goal of the framework is to ensure that Pacific Island residents build their capacity to respond to the risks and impacts of climate change. The first ever climate change declaration for the region was endorsed in 2008. The PIF has also worked closely with the United Nations on initiatives regarding climate change. In August 2008, the current Secretary General announced that the United Nations and Island Ecosystems program Samoa will establish an Inter-Agency Climate Change Centre to help coordinate support to Pacific Island countries on strategies related to mitigation, adaptation and disaster risk prevention (PIFS, 2010). Similarly, the South Pacific Regional Environment Program (SPREP) is a regional organization established by the governments and administrations of Pacific region nations. The Secretariat of SPREP is based in Apia, Samoa and is mandated "to promote cooperation in the Pacific islands region, and to provide assistance to protect and improve the environment and ensure sustainable development for present and future generations.

The SPREP manages two programs, the Island Ecosystems and the Pacific Futures. The Island Ecosystems Program focuses on developing the capacities in the Pacific region to sustainably manage and conserve terrestrial, coastal and marine ecosystems. The program also focuses efforts to protect priority threatened species, and to protect the islands' biodiversity from invasive alien species and living modified organisms (LMOs). The Pacific Futures program aims to secure a healthy environment for future generations on the Pacific Islands, through promotion of good governance. Medium term threats and pressures that are central in the program are climate change, climate variability, sea-level rise, pollution, waste, and other land-based sources of pollution. Program activities
include building institutional capacity on the islands for assessment and priority setting, for planning responses, for monitoring and for anticipating the impact of pressures and emerging threats.

National Training Institutions in FICs

In a recent workshop of Heads of Statistics from FICs in Noumea (12-16th July 2010), it was clearly stated that Pacific Island countries need to build capacities in trade negotiations and statistics to be able to deal with trade and development issues. Three FICs, Fiji, PNG and Samoa are reasonably placed in terms of educational and training infrastructure to build capacity and meet the needs to some extent. Fiji now has three Universities that can provide training in various areas. Two of the Universities are national universities and one is a regional one. The University of the South Pacific provides training to students from the entire Pacific region (Chandra 2009). Papua New Guinea has a number of local universities that provide tertiary training while Samoa has one national university that has limited capacity to provide training in important technical areas including diplomacy and trade (Athanasou and Torrance 2002).

All other FICs, including Tonga, Vanuatu, Solomon Islands, Kiribati and Tuvalu do not have national universities to train their technical and diplomatic personnel. However, these FICs do have technical colleges that provide some tertiary training that only marginally meets needs of these countries but hardly much is possible towards trade negotiations. The University of the South Pacific is however, now embarking on a postgraduate program to train diplomats and trade negotiators (see Chandra 2009 and USP 2009).

The Role of University of the South Pacific

The key player of basic tertiary training is the University of the South Pacific (Chandra 2009). The University of the South Pacific was established to and mandated by a Charter to provide training to the workforce in the Pacific. In addition to the basic training, the University has now embarked upon a number of very ambitious programs to train people of the Pacific. Many of these programs are collaborative in nature. For instance, programs are developed for environmental training, Official Statistics, Trade and Diplomacy and Microfinance. Some of these programs are quite mature. For instance, the Pacific Centre for Environmental and Sustainable Development (PACE-SD) was established in 2001. The Centre was designed to work with all relevant sections of the University, regional and international organizations, regional government, communities and NGOs to promote environmentally sustainable development in the Pacific region. The University of the
South Pacific announced in December 2009 a major expansion of its teaching and research on climate change with the assistance from Australian Government. From 2010, USP started to offer a postgraduate diploma in climate change, and offer a wider range of formal and informal courses in climate change. Many of these courses are offered through USP Campuses around the Pacific region. Graduates will also be able to undertake research in climate change for a Masters of PhD degree. This will help build the pool of experts with skills needed to address major challenges of climate change for the development and sustainability of the Pacific Islands. PACE-SD has also received EURO 8 million from the European Union to develop programme and projects to build the capacity of human resources to address issues in climate change adaptation, mitigation and prevention. This is a significant development and is likely be effective in the long run to train people in the area of environment issues.

Similarly, the Official Statistics Program at USP is a in the process of expanding its activities through collaboration with other regional and international institutions. In addition to some of these specific programs, the University also engages actively in research, consultancy and capacity building in the Pacific Island region.

**Conclusion and Recommendations**

While the WTO negotiation is at a difficult stage at the moment and the global dynamics are changing, the FICs are hardly doing much to change their circumstances, particularly, regarding their trade disadvantages. These issues need concerted and collective effort to improve their positions, some of which are stipulated in Para 35 of the Doha Ministerial Declaration. Small PICs do not have the market power or the capacity to create new technologies and production techniques to compete in the open global market place. However, it is certain that FICs will have to remain part of the global economic order to grow and develop economically. The question now is what future do these small FICs have in the ‘new’ emerging global economic order where it is hope more senses would prevail despite increasing competition. In such competitive situations, the PICs would need to increase their productive efficiencies in all their viable economic sectors. These small countries would also be required to deal with the vagaries of their economic disadvantages and vulnerabilities. The main challenges would arise from continuous outflow of skilled labour, lack of investment, environmental degradation and extreme climatic conditions. The FICs will need to build their capacities in multiple areas within a short time to deal with such situations. In this regard the FICs deserve special attention just as it is stipulated in the provisions of Para.35 of the Doha Ministerial Declaration. If such space do exist in the international trade negotiations, FICs would need substantial negotiating power and diligence to deal with newer, smarter and meaner
international players in the future. Regional and bilateral dialogue and the consequent agreements would determine the PICs’ international trade position.

The above discussion reiterates the point that FIC policymakers and negotiators need appropriate training in these areas where USP, UN EPOC office, ARTNeT and the Forum Secretariat have definitive roles to play. The USP, possibly in conjunction with ARTnet, could provide training to trade personal from the FICs so that the negotiators provide diligent leadership for the Pacific Island countries.

Reference


Working Papers series

2010/WP:

7 Saia Kami and Bajeet Singh Effects of Demographic “Variables Do Indeed Matter On Demand Patterns of Pacific Island Households”

6 T.K Jayaraman, Chee-Keong Choong and Ronald Kumar “A study on role of remittances in Fiji’s economic growth: an augmented solow model approach”

5 T. K. Jayaraman and Chee-Keong Choong “Role of Offshore Financial Center Institutions in Vanuatu”

4 T. K. Jayaraman and Chee-Keong Choong “Monetary Policy in Tonga”

3 T. K. Jayaraman and Chee-Keong Choong “Contribution of Foreign Direct Investment and Financial Development to Growth Pacific island Countries: Evidence from Vanuatu”

2 T. K. Jayaraman, Chee-Keong Choong, Ronald Kumar “Nexus between Remittances and Growth in Pacific Islands: A Study of Tonga”

1 Azmat Gani “Economic Development And Women’s Well Being: Some Empirical Evidence From Developing Countries”

2009/WP:

17 Azmat Gani “Economic Development And Women’s Well Being: Some Empirical Evidence From Developing Countries”


15 T.K Jayaraman “A Note on Measuring Liquidity in Fiji’s Banking System: Two Procedures”

14 T.K Jayaraman and Evan Lau “AID and Growth in Pacific Island Countries: A Panel Study”


12 P.J.Stauvermann and G.C. Geerdink "A Pleading for Policy - independent Institutional Organisation”

11 P.J. Stauvermann and G.C. Geerdink “Competition between Regions with regard to Subsidies”

10 P.J. Stauvermann, G.C. Geerdink and A.E. Steenge “Innovation, Herd Behaviour and Regional Development”
T. K. Jayaraman, Chee-Keong Choong and Ronald Kumar “Nexus between Remittances and Economic Growth in Pacific Island Countries: A Study of Samoa”

Azmat Gani and Saia Kami “Food prices and health outcomes in Pacific Island Countries”

Biman C. Prasad “Sustaining Development in Pacific Island Countries in a Turbulent Global Economy”

T.K Jayaraman “Monetary Policy Response of Pacific Island Countries to Global Economic Downturn”

Peter J. Stauvermann and Sunil Kumar “Can the Fijian Economy Gain from Ethanol Production?“

T.K.Jayaraman and Chee-Keong Choong “Monetary Policy Transmission Mechanism in Vanuatu”

T.K.Jayaraman and Chee-Keong Choong “How does Monetary Policy Work in Solomon Islands?“

T.K.Jayaraman and Chee-Keong Choong, “Monetary Policy Transmission Mechanism in Vanuatu”

T.K.Jayaraman and Chee-Keong Choong, “Is Money Endogenous In The Pacific Island Countries?“

2008/WP:


T.K. Jayaraman and Evan Lau, Causal Relationships between current account Imbalances and budget deficits in Pacific island countries: A panel Cointegration Study.

T.K. Jayaraman, Do Macroeconomic Fundamentals Influence External Current Account Balances?

T.K. Jayaraman and Chee-Keong Choong, Is Fiji’s Real Exchange Rate Misaligned.


Tauisi Taupo, Estimating the production function for Fiji.

Tauisi Taupo, Estimating demand for money in Philippines.
10 Filipo Tokalau, *The Road that is; for whom and why: Impacts of tourism Infrastructural development on Korotogo Village, Fiji islands.*

9 Mahendra Reddy, *Sequential Probit modeling of the determinants of child Labour: Is it a case of luxury, distributional or Substitution Axiom?*

8 Neelesh Gounder, Mahendra Reddy and Biman C. Prasad, *Support for Democracy in the Fiji Islands: Does Schooling Matter?*

7 Sunil Kumar, *Fiji’s declining formal sector economy: Is the informal sector an answer to the declining economy and social security?*

6 T K Jayaraman and Evan Lau, *Does External Debt Lead to Economic Growth in the Pacific Island Countries: An Empirical Study*

5 Gyaneshwar Rao, *The Relationship between Crude and Refined Product Market: The Case of Singapore Gasoline Market using MOPS Data*


3 Bill B Rao and Rup Singh, *Contribution of Trade Openness to Growth in East Asia: A Panel Data Approach.*

2 Bill B Rao, Rup Singh and Saten Kumar, *Do We Need Time Series Econometrics?*

1 Rup Singh and Biman C Prasad, *Small States Big Problems Small Solutions from Big Countries.*

**2007/WP:**

24 Biman C Prasad, *Changing Trade Regimes and Fiji’s Sugar Industry: Has the Time Run-out for Reform or is there a Plan and Political Will to Sustain it?*


22 T K Jayaraman and Jauhari Dahalan, *How Does Monetary Policy Transmission Mechanism Work in Samoa?*

21 T K Jayaraman and Chee-Keong Choong, *More on “Shocking Aspects” of A Single Currency For Pacific Island Countries: A Revisit*

20 Biman C Prasad, *Economic Integration and Labour Mobility: Are Australia and New Zealand Short-Changing Pacific Forum Island Countries?*
18 K L Sharma, *High-Value Agricultural Products of The Fiji Islands: Performance, Constraints And Opportunities*
16 Saten Kumar Determinants of Real Private Consumption in Bangladesh
15 K.L Sharma, *Public Sector Downsizing in the Cook Islands: Some Experience and Lessons*
14 Rup Singh and B C Prasad, *Do Small States Require Special Attention or Trade Openness Pays-off.*
11 Rup Singh, *Testing for Multiple Endogenous Breaks in the Long Run Money Demand Relation in India*
10 B.B Rao, Rukimini Gounder and Josef Leoning, *The Level And Growth Effects in the Empirics of Economic Growth: Some Results With Data From Guatemala*
9 B. Bhaskara Rao and K.L Sharma, *Testing the Permanent Income Hypothesis in the Developing and Developed Countries: A Comparison Between Fiji and Australia.*
8 T. K Jayaraman and Chee K Choong, *Do Fiscal Deficits Cause Current Account Deficits In The Pacific Island Countries? A Case Study of Fiji*
7 Neelesh Gounder and Mahendra Reddy, *Determining the Quality of Life of Temporary Migrants using Ordered Probit Model.*
6 T K Jayaraman, *Fiscal Performance and Adjustment in the Pacific Island Countries: A Review.*
4 Sanjesh Kumar and Biman C Prasad, *Contributions of Exports of Services Towards Fiji’s Output*
3 Paresh Kumar Narayan, Seema Narayan, Biman Chand Prasad and Arti Prasad, *Tourism and Economic Growth: a Panel Data Analysis for Pacific Island Countries*
1 Arti Prasad Paresh Kumar Narayan and Biman Chand Prasad, *A Proposal for Personal Income Tax Reform For The Fiji Islands*
2006/WP:

34 Paresh K Narayan and Arti Prasad, Modelling Fiji-US Exchange Rate Volatility.
33 T.K. Jayaraman and Chee-Keong Choong, Why is the Fiji Dollar Under Pressure?
32 T.K. Jayaraman and Baljeet Singh, Impact of Foreign Direct Investment on Employment in Pacific Island Countries: An Empirical Study of Fiji
31 B. Bhaskara Rao and Toani B Takirua, The Effects of Exports, Aid and Remittances on Output: The Case of Kiribati
30 B. Bhaskara Rao and Saten Kumar, Cointegration, Structural Breaks and the Demand for Money in Bangladesh
29 Mahendra Reddy, Productivity and Efficiency Analysis of Fiji’s Sugar Industry.
27 Maheshwar Rao, Challenges and Issues in Pro-Poor Tourism in South Pacific Island Countries: The Case of Fiji Islands
26 TK Jayaraman and Chee-Keong Choong, Structural Breaks and the Demand for Money in Fiji
25 B. Bhaskara Rao and Saten Kumar, Structural Breaks and the Demand for Money in Fiji
24 Mahendra Reddy, Determinants of Public Support for Water Supply Reforms in a Small Developing Economy.
23 Mahendra Reddy, Internal Migration in Fiji: Causes, Issues and Challenges.
21 Biman C. Prasad Trade: "WTO DOHA Round: An Opportunity or a Mirage for Fiji.
20 Benedict Y. Imbun, Review of Labour Laws in Papua New Guinea
19 Benedict Y. Imbun, Review of Labour Laws in Solomon Islands
18 Rup Singh Cointegration, Tests on Trade Equation: Is Devaluation an Option for Fiji?
17 Ganesh Chand, Employment Relations Bill: An Analysis.
16 TK Jayaraman and Chee-Keong Choong, Public Debt and Economic Growth in the South Pacific Islands: A Case Study of Fiji

Rup Singh, *A Macroeconometric Model for Fiji.*

Rup Singh and Saten Kumar, *Private Investment in Selected Asian Countries.*

Ganesh Chand, *The Labour Market and Labour Market Laws in Fiji*

Carmen V-Graf, *Analysis of Skilled Employment Demand and Opportunities in the Pacific Labour Market*

Philip Szmedra, Kanhaiya L Sharma and Cathy L Rozmus, *Health Status, Health Perceptions and Health Risks Among Outpatients with Non-communicable Diseases in Three Developing Pacific Island Nations*

Heather Booth, Guangyu Zhang, Maheshwar Rao, Fakavae Taomia and Ron Duncan, *Population Pressures in Papua New Guinea, the Pacific Island Economies, and Timor Leste*


Paresh K Narayan and Biman C Prasad, *Macroeconomic Impact of the Informal Sector in Fiji*


Rup Singh & Saten Kumar, *Demand For Money in Developing Countries: Alternative Estimates and Policy Implications.*

B. Bhaskara Rao, Rup Singh & Fozia Nisha, *An Extension to the Neoclassical Growth Model to Estimate Growth and Level effects.*

Rup Singh & Saten Kumar, *Cointegration and Demand for Money in the Selected Pacific Island Countries.*


Rup Singh, *An Investment Equation for Fiji*

---

**2005/WP:**

B. Bhaskara Rao, Fozia Nisha & Biman C. Prasad, *The Effects of Life Expectancy on Growth*

B. Bhaskara Rao, Rup Singh, & Neelesh Gounder, *Investment Ratio in Growth Equations*

T.K. Jayaraman, *Regional Economic Integration in the Pacific: An Empirical Study*

B. Bhaskara Rao & Maheshwar Rao, *Determinants of Growth Rate: Some Methodological Issues with Time Series Data from Fiji*

Sukhdev Shah, *Exchange Rate Targeting of Monetary Policy*

Paresh Narayan and Baljeet Singh, *Modeling the Relationship between Defense Spending and Economic Growth for the Fiji Islands*

TK Jayaraman, *Macroeconomics Aspects of Resilience Building in Small States*


Bimal B. Singh and Biman C. Prasad, *Employment-Economic Growth Nexus and Poverty Reduction: An Empirical Study Based on the East Asia and the Pacific Region*

Biman C. Prasad and Azmat Gani, *Savings and Investment Links in Selected Pacific Island Countries*

T.K. Jayaraman, *Regional Integration in the Pacific.*


Philip Szmedra and KL Sharma, *Lifestyle Diseases and Economic Development: The Case of Nauru and Kiribati*


B. Bhaskara & Gyaneshwar Rao, *Further Evidence on Asymmetric US Gasoline Price Responses*

B. Bhaskara Rao & Rup Singh, *Demand for Money for Fiji with PC GETS*

B. Bhaskara Rao & Gyaneshwar Rao, *Crude Oil and Gasoline Prices in Fiji: Is the Relationship Asymmetric?*

Azmat Gani & Biman C. Prasad, *Fiji’s Export and Comparative Advantage.*

Biman C. Prasad & Paresh K Narayan, *Contribution of the Rice Industry to Fiji’s Economy: Implication of a Plan to Increase Rice Production*
Azmat Gani, *Foreign Direct Investment and Privatization.*

G. Rao, *Fuel Pricing In Fiji.*


Sukhdev Shah, *Kiribati’s Development: Review And Outlook.*


T.K. Jayaraman, *Dollarisation of The South Pacific Island Countries: Results Of A Preliminary Study*

2004/WP:

Vincent D. Nomae, Andrew Manepora’a, Sunil Kumar & Biman C. Prasad, *Poverty Amongst Minority Melanesians In Fiji: A Case Study Of Six Settlement*

Elena Tapuaiga & Umesh Chand, *Trade Liberalization: Prospects and Problems for Small Developing South Pacific Island Economies*


B. Bhaskara Rao, *Testing Hall’s Permanent Income Hypothesis for a Developing Country: The Case of Fiji.*


B. Bhaskara Rao, *The Relationship Between Growth and Investment.*

Wadan Narsey, PICTA, PACER and EPAs: Where are we going? Tales of FAGS, BOOZE and RUGBY


Michael Luzius, *Fiji’s Furniture and Joinery Industry: A Case Study.*


4. TK Jayaraman & Rajesh Sharma, *Determinants of Interest Rate Spread in the Pacific Island Countries: Some Evidence From Fiji.*

5. Ravinder Batta, *Ecotourism and Sustainability.*


2003/WP:


2. T.K. Jayaraman, *A Single Currency for the South Pacific Island Islands: A Dream or A Distant Possibility?*