The Role of Trade Reform and Labour Mobility in Assisting Pacific Island Countries to Reduce Poverty and Achieve Sustainable Development

James (Jim) Redden
Bachelor of Arts, Diploma of Education, University of Adelaide

Dissertation submitted in fulfilment of requirements for the Degree of Master of Arts - Research
for the
Department of Geography, Environment and Population
School of Social Sciences
The Faculty of Arts

University of Adelaide

March 2015
# TABLE OF CONTENTS

Table of Contents ........................................................................................................ 2  
List of Figures ................................................................................................................. 5  
List of Tables ................................................................................................................... 6  
Abstract ........................................................................................................................... 7  
Declaration ....................................................................................................................... 8  
Acknowledgements ......................................................................................................... 9  
LIST OF ACRONYMS OR ABBREVIATIONS ................................................................. 10  

1 Introduction .................................................................................................................. 14  
  1.1 Aims ...................................................................................................................... 14  
  1.2 Definition of Terms .............................................................................................. 16  
  1.3 Relevance of the study ......................................................................................... 17  
  1.4 Methodology ....................................................................................................... 21  
  1.5 Structure ............................................................................................................ 27  

2 Literature Review ....................................................................................................... 29  
  2.1 Trade and economic growth .................................................................................. 29  
  2.2 Trade and poverty reduction ................................................................................ 32  
  2.3 Critics of trade liberalisation in the Pacific ............................................................ 35  
  2.4 Trade literature - sorting fact from fear ................................................................. 36  
  2.5 Recent literature and reports on trade and poverty in FICs .................................... 39  

3 Current Trade Environment: Background, Negotiations and Agreements .................. 45  
  3.1 Background ......................................................................................................... 45  
  3.2 Regional Trade Agreements ................................................................................. 51  
  3.3 Multilateral Trade Agreements ............................................................................ 59  

4 International Trade in Goods – Key Challenges and Ways Forward for FICs .......... 63  
  4.1 Introduction ......................................................................................................... 63  
  4.2 Trade Preferences ............................................................................................... 63  
  4.3 Trade Diversion ................................................................................................... 68  
  4.4 Rules of Origin .................................................................................................... 69  
  4.5 Agriculture Issues for FICs .................................................................................. 71  
    4.5.1 The WTO and Agricultural Reform in FICs .................................................... 76  
  4.6 Manufactured Products and the Fishing Industry ................................................. 79  
    4.6.1 Trade in Manufactured Products ................................................................. 79
4.6.2 The Significance of Fishing and Fisheries .......................................................... 84
4.6.3 Fishing subsidy disciplines .................................................................................. 86
4.6.4 Licensing Fees for Access to Pacific Fishing Zones .............................................. 90
4.6.5 Building the Capacity of FIC Fishing Industries ................................................. 92
4.6.6 Market Access Issues ......................................................................................... 95
4.6.7 Special and Differential Treatment ...................................................................... 97
4.6.8 Summary of Conditions for the Development of FIC Fisheries and Fish Exports ... 100
4.7 Summary of Trade in Goods ................................................................................... 102

5 International Trade in Services – Challenges and Ways Forward ............................ 104
5.1 The Significance of Trade in Services for FICs ....................................................... 104
5.2 Challenges of Trade in Services for FICs ............................................................... 112
5.3 Ways Forward for FICs ......................................................................................... 116
5.4 Summary of Trade in Services ............................................................................. 124

6 Labour Mobility and Poverty Reduction ................................................................... 127
6.1 Migration and Development .................................................................................. 128
6.2 Trends in labour mobility and migration in the Pacific ........................................... 132
6.3 The significance of remittances ........................................................................... 135
6.4 Temporary Labour Market Schemes: Issues and Ways Forward ......................... 142
   6.4.1 Security and market access issues ..................................................................... 143
   6.4.2 Temporary Labour Schemes: Lessons from the RSE Scheme ............................ 144
   6.4.3 Training and education ................................................................................... 149
   6.4.4 Use of remittances for wealth creation at home: 'circular migration' and monitoring and evaluation ............................................................................................................. 152
6.5 The GATS and Mode 4 – Ways Forward for Circular Migration ............................ 155
6.6 Summary .............................................................................................................. 165

7 An Enabling Environment for Trade and Development in FICs ............................... 169
7.1 Domestic and Regional Reform ............................................................................. 169
   7.1.1 Dealing with Entrenched interests ................................................................... 169
   7.1.2 Engaging the Private Sector .......................................................................... 170
   7.1.3 Taxation Reform ........................................................................................... 173
   7.1.4 Trade Facilitation ......................................................................................... 178
   7.1.5 Regional Reform and Cooperation .................................................................. 180
7.2 Global Integration and Donor Support ................................................................... 182
   7.2.1 Recognition of FIC Needs ............................................................................. 182
   7.2.2 Market Access Issues .................................................................................... 183
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.2.3</td>
<td>Special and Differential Treatment &amp; Strategic Liberalisation</td>
<td>184</td>
</tr>
<tr>
<td>7.2.4</td>
<td>Commitment to Aid for Trade (AFT)</td>
<td>188</td>
</tr>
<tr>
<td>7.3</td>
<td>Summary</td>
<td>198</td>
</tr>
<tr>
<td>8</td>
<td>Conclusion</td>
<td>203</td>
</tr>
<tr>
<td>8.1</td>
<td>Thesis Objective One – The Evidence</td>
<td>203</td>
</tr>
<tr>
<td>8.2</td>
<td>Thesis Objective Two – The Specific Conditions</td>
<td>206</td>
</tr>
<tr>
<td>8.3</td>
<td>Thesis Objective Two – The General Conditions</td>
<td>210</td>
</tr>
<tr>
<td>8.4</td>
<td>Refuting the criticisms of international trade</td>
<td>213</td>
</tr>
<tr>
<td>8.5</td>
<td>Final Remarks</td>
<td>216</td>
</tr>
<tr>
<td>9</td>
<td>Appendix A</td>
<td>220</td>
</tr>
<tr>
<td>10</td>
<td>Bibliography</td>
<td>222</td>
</tr>
<tr>
<td>Figure</td>
<td>Description</td>
<td>Page</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------------------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>2.5</td>
<td>Tonga’s GDP per capita development, Scenarios 1 and 2</td>
<td>41</td>
</tr>
<tr>
<td>3.1</td>
<td>Are Pacific Island nations relatively open to trade</td>
<td>48</td>
</tr>
<tr>
<td>5.1</td>
<td>Trade in services as a share of GDP for selected FICs</td>
<td>109</td>
</tr>
<tr>
<td>6.1</td>
<td>Australia: Pacific-Born Populations, 1947 to 2006</td>
<td>133</td>
</tr>
<tr>
<td>6.2</td>
<td>Pacific-Born Living in OECD Countries, 2000</td>
<td>134</td>
</tr>
<tr>
<td>6.3</td>
<td>Remittance flows 2000-08 (USD millions)</td>
<td>137</td>
</tr>
<tr>
<td>6.4</td>
<td>Virtuous circle of migration, training and economic development</td>
<td>151</td>
</tr>
<tr>
<td>7.1</td>
<td>Constraints facing Pacific Exporters</td>
<td>173</td>
</tr>
<tr>
<td>7.2</td>
<td>The Objectives of Aid for Trade</td>
<td>189</td>
</tr>
<tr>
<td>7.3</td>
<td>Aid for Trade Increasing</td>
<td>192</td>
</tr>
<tr>
<td>7.4</td>
<td>Aid-for-Trade Priorities</td>
<td>194</td>
</tr>
<tr>
<td>7.5</td>
<td>Conditions for Sustainable Development</td>
<td>200</td>
</tr>
<tr>
<td>7.6</td>
<td>Enabling Environment for Strategic Liberalisation in FICs</td>
<td>201</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 3.1  A list of Population, GNP per capita, Share of Global Merchandise Trade and HDI of Pacific Island States

Table 3.2  Doing Business 2010 - Trading across borders

Table 3.3  FIC members of the WTO and selected RTAs

Table 4.1  List of proposed permitted and prohibited subsidies in WTO Chair’s draft text in the Doha Round relating to fisheries

Table 4.2  Tariffs on Fish Products for FICs Major Trading Partners

Table 5.1  Tourism and Other Travel Receipts for Selected FICs

Table 5.2  Total arrivals 2003-08 (includes day visitors) ('000)

Table 6.1  Trade, aid and remittances, 2011

Table 6.2  Fiji and Tonga: Estimates of Total Remittances, 2004 (US$)

Table 6.3  Overall Assessment of RSE Policy Dimensions

Table 7.1  International Experience of VAT

Table 7.2  Cost disadvantages for small and remote countries
ABSTRACT

This thesis argues that, under the right conditions, the expansion of international trade flows and increased labour mobility through circular migration have contributed both directly and indirectly to the goals of poverty reduction and sustainable development in the Pacific Forum Island Countries (FICs). An extensive range of both specific and general policy conditions to ensure those outcomes are specified. Based on these conditions, the study suggests a strategic approach to the implementation of trade liberalisation and circular migration, which offers a clear path for Pacific Island governments to embrace. It involves balancing the pace and staging of liberalisation to ensure that trade reform, migration policy and development goals are well aligned. Such ‘strategic liberalisation’ can embed the fundamentals of competitiveness in FICs, while ensuring that transition costs, regulatory disciplines, and other conditions are in place to allow Pacific communities to benefit from future trading arrangements. The thesis concludes that while FICs need to ambitiously lock in necessary political, economic and trade reforms, developed countries and larger developing countries with whom they trade also need to intensify their efforts to allow sufficient market access, an increase in the temporary migration of Pacific Islanders and adequate capacity-building support for FICs to adjust to and consolidate these trade and migration policy reforms.
DECLARATION

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree.

I give consent to this copy of my thesis when deposited in the University Library, being made available for loan and photocopying, subject to the provisions of the Copyright Act 1968. The author acknowledges that copyright of published works contained within this thesis resides with the copyright holder(s) of those works. I also give permission for the digital version of my thesis to be made available on the web, via the University’s digital research repository, the Library Search and also through web search engines, unless permission has been granted by the University to restrict access for a period of time.

SIGNED

DATE: 10 March, 2015
ACKNOWLEDGEMENTS

I wish to thank my academic supervisors Professor Graeme Hugo and Professor Kym Anderson for their support and guidance in the development and refinement of this thesis. I would like to dedicate it to the late Professor Hugo who sadly passed away in January 2015. His support and advice was invaluable.

In addition, many thanks go to the many Pacific Island ministers, policy makers, trade officials, university colleagues and friends who freely provided information and critique. My sincere gratitude goes particularly to Maurine Redden and Robyn Donnelly, but also to Di Rudd, Margaret Malua and Simon Molloy for their editorial comments and advice on policy issues, layout and structure. A final thanks to Jameson Henderson-Redden for his humour and company during this research thesis.

==========================================================================
LIST OF ACRONYMS OR ABBREVIATIONS

ACP  Africa, Pacific and Caribbean (countries who are parties to the Cotonou Agreement between the EU and the ACP states)
ADB  Asian Development Bank
AFT  Aid for Trade
ANZ  Australia-and New Zealand
ANZCER Australia New Zealand Closer Economic Relations
ANZCERTA Australia New Zealand Closer Economic Relations Trade Agreement
APEC  Asia Pacific Economic Cooperation
ASEAN Association of Southeast Asian Nations
AUSAID Australian Government Overseas Aid Program
AUSFTA Australia United States Free Trade Agreement
CARICOM Caribbean Common Market
CGE  Computer-generated equilibrium
CIE  Centre for International Economics
CNMI  Commonwealth of the Northern Mariana Islands
UN COMTRADE United Nations Commodity Trade Statistics Database
CTH  Change of Tariff Heading
DFAT Department of Foreign Affairs and Trade in Australia
EC  European Community
EEC  European Economic Community
EEZ  Exclusive Economic Zone
EPA  Economic Partnership Agreement (between EU and PICs)
EU  European Union
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>FEA</td>
<td>Fiji Electricity Authority</td>
</tr>
<tr>
<td>FIC</td>
<td>Forum Island Country in the Pacific</td>
</tr>
<tr>
<td>FSANZ</td>
<td>Food Standards Australia-New Zealand</td>
</tr>
<tr>
<td>FSM</td>
<td>Federated States of Micronesia</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>GATS</td>
<td>General Agreement on Trade in Services</td>
</tr>
<tr>
<td>GATT</td>
<td>General Agreement of Tariffs and Trade</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>GSP</td>
<td>Generalized System of Preferences</td>
</tr>
<tr>
<td>GST</td>
<td>Goods and Services Tax</td>
</tr>
<tr>
<td>HS</td>
<td>Harmonised System</td>
</tr>
<tr>
<td>IIT</td>
<td>Institute for International Trade</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IP</td>
<td>Intellectual Property</td>
</tr>
<tr>
<td>LDC</td>
<td>Least Developed Country</td>
</tr>
<tr>
<td>MFN</td>
<td>Most Favoured Nation</td>
</tr>
<tr>
<td>MSG</td>
<td>Melanesian Spearhead Group Trade Agreement</td>
</tr>
<tr>
<td>NAMA</td>
<td>Non-Agricultural Market Access</td>
</tr>
<tr>
<td>NFF</td>
<td>National Farmers Federation</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Government Organisations</td>
</tr>
<tr>
<td>NZ</td>
<td>New Zealand</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PACER</td>
<td>Pacific Agreement on Closer Economic Relations [between the Forum Island Countries and Australia and NZ]</td>
</tr>
</tbody>
</table>
PACP Pacific, African, Caribbean Partners (Cotonou Agreement)
PATCRA Agreement on Trade and Commercial Relations Between the Government of Australia and the Government of Papua New Guinea
PIC Pacific Island Country
PICTA Pacific Island Countries Trade Agreement
PIFS Pacific Islands Forum Secretariat
PIPSO Pacific Island Private Sector Organisation
PMV Passenger Motor Vehicle
PNG Papua New Guinea
PPP Purchasing Power Parity
RERF Revenue Equalisation Reserve Fund [specific to Kiribati]
RMI Republic of the Marshall Islands
ROO Rules of Origin
ROW Rest of World
RTA Regional Trade Agreement
SDT Special and Differential Treatment
SIS Smaller Island States
SPARTECA South Pacific Regional Trade and Economic Cooperation Agreement
SPS Sanitary and Phytosanitary Measures
TAFTA Thailand Australia Free Trade Agreement
TBT Technical Barriers to Trade
TCF Textiles, Clothing and Footwear
TTF Tuvalu Trust Fund
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>United Kingdom [of Great Britain and Northern Ireland]</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>VAT</td>
<td>Value-added Tax</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organisation</td>
</tr>
</tbody>
</table>