

Saturday October 13, 2012



How MSG leads the trade way

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September marked two major milestones in the history of economic cooperation in the Pacific.

These relate to deepening sub-regional economic integration of four Melanesian Spearhead Group (MSG) countries: Fiji, PNG, Solomon Islands and Vanuatu. The MSG countries' combined total population is about 9 million or 90 percent of the Pacific's total population. The milestones are in regard to mobility of skilled labour and trade in goods under the MSG Trade Agreement (MSGTA).

In 1986, PNG, Solomon Islands and Vanuatu came together for promoting closer political ties. Economic cooperation received attention only seven years later. The MSGTA was signed in 1993 for promoting free trade in three products: tea (a major export of PNG), canned tuna (a major export of manufactured product of Solomon Islands) and beef (a major pastoral export of Vanuatu).

Formidable force

The MSG became a formidable entity soon after Fiji joined the group in 1998. During the next three years, 180 more products were covered under free trade. In 2005, a revised agreement was adopted for further integration of the economies of four MSG countries, with greater mobility of skilled personnel between MSG countries.

The military coup of 2006 in Fiji and the isolation of the country with political and economic sanctions gave a big boost to MSG solidarity. Negotiations led to signing of the MSG constitution in 2007 and establishing the MSG Secretariat in Vanuatu in May 2008. There was a renewed emphasis on greater economic integration not only in trade but also in services. It was agreed to liberalise the negative list of goods, reducing to zero tariffs by January 2013. The MSGTA also provided protection to 'infant industries' until such time they can grow and compete with goods from trading partners.

In March 2012, a Memorandum of Understanding on Skills Movement Scheme (SMS) was signed for facilitating the movement of skilled MSG workers for temporary employment in MSG Countries. The SMS became effective 30 September 2012. Under this, trained teachers and nurses, engineers, accountants, pilots, doctors and those with trade skills would move to work within MSG.

On 13 September, PNG removed 400 items in the negative list of goods. This means these items will be imported into PNG duty free from other MSG countries. Others in the list which would continue to be protected would include mackerel, salt and sugar.

Thus, these two developments make the MSGTA more meaningful amongst all existing regional trade agreements: Pacific Island Countries Trade Agreement (PICTA) amongst 14 Pacific island countries and Pacific Agreement on Closer Economic Relations (PACER), both signed in 2001. Vanuatu will remove tariffs on its negative list by 2013, while Solomon Islands will do that by 2017. It is to be noted that Fiji has no negative list, which means goods from PNG, Solomon Islands and Vanuatu can enter Fiji free of duty.

Sub-regional cooperation, which was once looked upon as too parochial and a divisive step, has now emerged to be more acceptable in Melanesia, more because of the dragging of PACER Plus negotiations and the exclusion of Fiji.

The Caribbean success

One can look at the experiences of another region. The Caribbean Community (population: 16 million) people is an organization of 15 independent Caribbean nations and various dependencies, similar to our Pacific Islands Forum. Regional integration efforts were slow. But, a sub-regional effort initiated three decade ago is now a success. Seven member states (Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and Grenadines) and two associate members (Anguilla and British Virgin Islands), with 700,000 are known as an Organization of Eastern Caribbean States (OECS). It has also a common currency. The Eastern Caribbean dollar, which is pegged to the American dollar is one of the most stable currencies of the world (1 US\$ = EC\$ 2.76) since 1976, when the Eastern Caribbean Central Bank was set up. The OECS is now a model before the Caribbean Community.

Melanesian example

Last year, Prime Minister of Samoa hailed the MSG experience in a speech under the Pacific Islands Forum 40th Anniversary Leaders Lecture Series in Apia. The theme of the speech was *Pacific Regionalism: A Tale of lessons, identity and boundless opportunities*.

In his address, Prime Minister Tuilaepa declared: “Melanesia has led and shown the way in establishing sub-regional groups”.

Citing the contribution of MSGTA to the economic integration of the sub-region as complementing and re-enforcing region-wide efforts to address issues and problems facing the whole Pacific, the Samoan leader acknowledged the importance of sub-regional effort thus:

“Besides the preservation of languages, culture and traditions, sub-regionalism may also provide better platforms for the effective and efficient delivery of programmes that not only benefit the immediate sub-region but the region as a whole”.

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