

**Pacific High-level Policy Dialogue on  
“The Role of Macroeconomic Policy and Energy Security in supporting  
Sustainable Development in the Pacific”**

**8-9 October 2012, Nadi, Fiji**

**Jointly organized by  
UN ESCAP and Sustainable Development Working Group of the Council of Regional  
Organizations in the Pacific (CROP)**

**Session 4 – Opportunities in Asia for the Pacific**

*Presentation*

**Pacific Response - Opportunities in Asia for the Pacific**

by

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**October 2012**



## MSG Presentation

Pacific Response - Opportunities in Asia  
for the Pacific

9 October 2012  
Tanoa Hotel, Nadi



## Melanesian Spearhead Group (MSG)

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- | four Members – Fiji, PNG, Solomon Is, Vanuatu & FLNKS
- | comprise over 80% of Pacific population and over 80% land area
- | established in 1988
- | Secretariat established in 2008
- | work programme
  - | based on Leaders' decisions



## MSG in context of trade integration

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MSG countries are participating in:

- i **MSG Trade Agreement** (1993/2005)– 4 MSG
- i **PICTA** (2001)– FTA amongst 14 Pacific countries
  - | Trade in Services & labour mobility (TMNP) negotiations
- i **Economic Partnership Agreement (EPA)** – with EU
  - | Interim EPA (iEPA) signed by PNG & Fiji in 2009
  - | comprehensive EPA negotiations ongoing
- i (PACER) **PACER Plus** – with Aust & NZ
  - | launched in Cairns in August 2009 – ongoing
  - | fallback – SPARTECA – duty free quota free
- i **Asia/China/ASEAN** – on radar for future FTA
- i **World Trade Organisation (WTO)** – Fiji, PNG, Solomon Is and Vanuatu (Tonga & Samoa)



## MSG in context of trade integration

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Why trade integration?:

- i response to globalisation
  - | competitive new global environment as trade barriers reduce
- i **Compatibility with WTO rules**
  - | loss of non-reciprocal preferences
  - | move to reciprocal preferences – significant change
- i **technological advances** – eg telecommunications and internet:
  - | new opportunities for trade – goods & services
  - | overcomes smallness and remoteness
- i **New crises** –financial, fuel, environmental crisis
  - | present challenges and opportunities



## MSG Trade Trends

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- i 2010 Study on MSG Trade for 2005-2009:
  - | overall MSG trade increased:
    - | Ms 1.6b euro to 4.2b – 163%; Xs – 0.8b to 2.7b euro -238%
  - | Intra-MSG trade for 2009 – small (3%) but growing
    - | Imports – increased by 64%
    - | Exports – over 300%
- i By country – Australia is main trading partner
  - | 2009 – 31% imports and 43% exports
- i By region:
  - | Asia – 43% imports, 16% exports
  - | ANZ – 37% imports, 45% exports
  - | EU - 5% imports, 15% exports
  - | US – 7% imports, 4% exports
- i Asia: - Ms – China 15%, Singapore 15%,
  - Xs – China 5%, Singapore 5%



## MSG Trade

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- i Low intra-MSG trade:
  - | MSGTA not being implemented
  - | Trade statistics – accessibility and accuracy
- i But recognising potential MSG countries re-committed to (MSG Leaders 2011):
  - | MSGTA (goods) heightened implementation; and
  - | Expansion - services, labour mobility
  - | Deepening MSG integration through
    - | customs union or common market
    - need more detailed analysis
- i Encourage synergies with – PICTA, PACER+, EPA
  - | MSGTA – nucleus of MSG integration;
  - | to advance ahead of the rest to remain relevant



## MSG Trade Integration

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### i MSG Trade Agreement (MSGTA) implementation

- | all members now implementing MSGTA
- | Fiji and PNG - duty free on MSG goods
  - i (except mackerel, sugar, salt for PNG)
- | Vanuatu – currently 6% duty - duty free from 2013
- | Solomon Is – over 60% of tariffs will be duty free in 2015 and remainder in 2017
- | Rules of Origin Handbook – launched in 2012



## MSG Trade Integration – labour mobility

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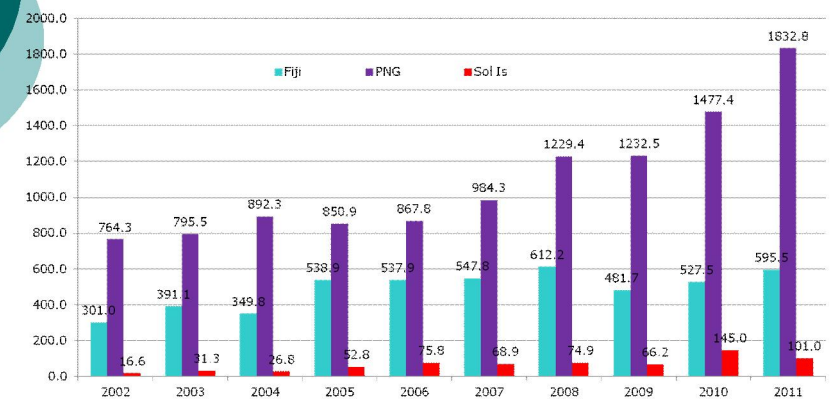
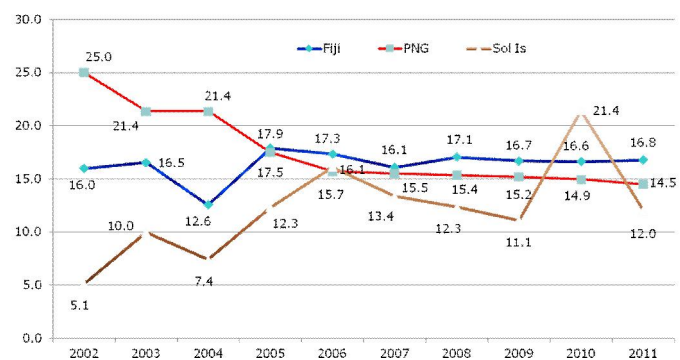
### i MSGTA expansion and deepening

- | Labour mobility first and services later
- | Skills Movement Scheme (SMS) – launched in March 2012, entered into force 30 September 2012
- | framework to facilitate movement of skilled MSG nationals – fill skilled shortages
- | based on a quotas and job offers and job categories specified by Members
- | in response to members' priorities – eg Vanuatu's interest to recruit Solomon Is nurses

### i However..... demand is also coming from an emerging trend:

- | growing intra-MSG investment

## MSG Investment trends





## MSG Trade Integration - investment

- i Emerging trends - intra-MSG investment growing
- i Coverage widening:
  - | Tourism – hotel (PNG investment in Solomon Is and Fiji, Fiji in Vanuatu)
  - | Financial sector – banking (BSP, Credit Corp, BRED Bank in Vanuatu and Fiji)
  - | Retail – Fiji in Vanuatu and PNG
  - | Computer/IT – Daltron and Datec in all MSG countries
  - | Communications – Fiji TV in PNG, and Solomon Is?
  - | Entertainment – Fiji in PNG (Damodar cinemas)
  - | Airline services – Air Niugini and Air Vanuatu
- i ..these dynamics reinforce need for:
  - | services agreement and investment agreement
- i Redrafting of MSGTA to include these



## MSG Challenges

- i Regional integration not without costs:
  - | Fiscal impact – revenue loss new tax systems
  - | Reforms eg customs and quarantine laws and systems
  - | Strengthening supply side – exporters
  - | Skilled MSG nationals
  - | Promotion of Trade and SMS opportunities
- i High cost of doing business
  - | Internal policies and processes
  - | Transportation
  - | Energy
- i Environmental considerations
  - | Integration should not be at the cost of environment
  - | MSG Declaration on Environment and Climate Change



## Outlook for Asia

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Two converging mandates

- | MSG Trade & Economic Officials (2010) – explore trade co-operation with Asia based on growing trade
- | MSG Leaders (2012) – explore co-operation with ASEAN

Next step : 2013 – explore co-operation in potential areas:

- | Trade – market access & international value chain
- | Investment
- | Technology
- | Lessons on industrialisation and entrepreneurship
- | Promoting private sector contacts