



AID-FOR-TRADE CASE STORY

FIJI



CASE STORY ON FIJI'S TRADE POLICY FRAMEWORK





GOVERNMENT OF FIJI

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EXECUTIVE SUMMARY

The paper provides a case story on the formulation of Fiji's Trade Policy Framework that is currently being developed with funding assistance from the European Union under its EDF 9 program titled the Pacific Regional Economic Integration Programme (PACREIP) coordinated by the Pacific Islands Forum Secretariat (PIFS). The project is categorized under the Trade Policy and Development objective of the Aid for Trade (Aft) Initiative.

This paper outlines the objectives achieved, challenges encountered during the process, results achieved and lessons learned whilst formulating the first ever Trade Policy Framework for Fiji.

The formulation of a Trade Policy Framework can be classified as one of the success stories which upon completion will provide the Government with a consistent and comprehensive policy and regulatory guidelines on Fiji's trade and economic development policy. The Trade Policy Framework is aligned to the Government's overall national objective and strategy as stipulated in the Peoples Charter for Change, Peace and Progress (PCCPP) and the Roadmap for Democracy and Sustainable Social and Economic Development (RDSSED). There have been no such guidelines in the past, leaving much of the policy decisions to be made on an ad hoc basis in reacting to particular situations. This approach will endeavor to ensure predictability and consistency in Fiji's policies in order to optimize their effectiveness.

The purpose of the project is to assist the Fiji Government to develop a comprehensive Trade Policy Framework to guide Fiji's trade and economic policies and to help achieve its national objectives, including meeting its Millennium Development Goals (MDG). The Trade Policy Framework will identify Fiji's trade and economic interests in goods and services in international markets, its objectives and strategies to be pursued over time as part of its overall sustainable economic development programme.

It is also expected that the Trade Policy Framework will provide guidance for enhanced and mutually beneficial interactions with all trading partners, whether undertaken bilaterally, regionally or multilaterally. Fiji currently has a number of national documents and strategic plans to guide trade and economic developments. However, weaknesses have manifested themselves through a lack of coordination, sporadic planning, duplication and overlap. The Trade Policy Framework, therefore, will be framed and prepared in a holistic fashion and provide workable strategies with key indicators in their trade-related engagements, including in the negotiation, implementation and exploitation of various trade agreements.

1.0 ISSUES ADDRESSED

Fiji is a small vulnerable economy with a relatively small domestic market and economic base. The small size of the domestic market has a direct implication for the country's export-led trade strategy. The structural openness and the importance of trade to the economy mean that integration with the global trading system is critically important to realize potential economic gains. Potential gains from trade are significant in terms of influencing the country's economic performance as well as a key source of economic growth.

In recent years, Fiji has participated in a number of regional negotiations and initiatives aimed at increasing the level of regional integration firstly amongst Forum Island Countries (FIC's) and gradually into the global economy. The regional trade negotiations between the Pacific African, Caribbean and Pacific (PACP) region and the European Union regarding market access and other trade-related development issues have brought to light issues related to other regional trade agreements to which Fiji is a Party, such as the Economic Partnership Agreement (EPA), South Pacific Trade and Economic Cooperation Agreement (SPARTECA), the Melanesian Spearhead Group Trade Agreement (MSGTA), the Pacific Island Countries Trade Agreement (PICTA), as well as a number of reciprocal and non reciprocal bilateral trade agreements. Fiji has been a member of the World Trade Organization (WTO) since its genesis in 1996. Fiji's trade policy has been, to some extent, formulated on a reactionary basis to address a particular economic event and/or driven by external sources.

Recently, there has been a growing recognition of the need to coordinate, formulate and articulate Fiji's national trade and economic interests, hence the need for a national comprehensive trade policy. The need to formulate an official Trade Policy Framework is a high priority for the Government of Fiji as it will ensure effective participation in the international rules-based trading system. The Trade Policy Framework will also assist in creating an enabling policy environment which is conducive to improving the supply capacity and competitiveness of the domestic productive sectors, with the ultimate objective of promoting trade and export of Fijian goods and services.

The need for a Trade Policy Framework became clearer at the recent Trade Policy Review for Fiji that was undertaken at the World Trade Organisation (WTO) in Geneva from 25 – 27 March 2009. It is envisaged that the Report for Fiji's Trade Policy Review document will be an important reference document for the drafting of the national Trade Policy Framework.

It is anticipated that Fiji's Trade Policy Framework will be consistent with Fiji's development blueprint, that is, the Peoples Charter for Change, Peace & Progress and the Strategic Framework for Change, the Roadmap for Democracy and Sustainable Socio-Economic Development 2009-2014. It will support Fiji's national

trade, economic and socio-economic policies such as the Look North Policy, National Export Strategy; Rural Development, Food Security, Poverty Alleviation, Import Substitution and the Empowerment of Women and will also be consistent with the “stepping stone” approach towards global integration, which promotes Fiji’s economic integration into the greater Asia-Pacific Region and the global economy.

The Trade Policy Framework will ensure private sector development and participation are at the forefront of any trade policy framework which should seek to improve and enhance their production capacities and improve market access arrangements. Further it will be cognizant of the structure of Fiji’s economy and productive sectors including key industries and the private sector and take account of all relevant laws, regulations and international agreements that Fiji is a party to.

An inclusive integrated approach is anticipated with stakeholders including the private sector and civil society groups in the formulation and implementation of trade policies. In addition, it will provide an effective trade facilitation mechanism to support the implementation of the Trade Policy Framework and identify viable resource sources to address gaps and supply constraints to ensure sustainable trade and economic development.

Finally after the completion of the study, the Trade Policy Framework would provide an overall analysis of Fiji’s current trade performances, review Fiji’s trade commitments and analyze the regulatory environment in Fiji. In addition, it will review the sectoral and economic linkages for Fiji, human resource development, Trade Policy formulation and assess institutional capacities.

2.0 OBJECTIVES PURSUED

The primary objective is to develop a holistic and comprehensive Trade Policy Framework to:

1. define Fiji’s national trade policy in the goods and services sectors;
2. guide Fiji’s trade to support private sector development and export led growth;
3. ensure an effective and comprehensive trade policy formulation;
4. facilitate the mainstreaming of international trade into the national policy making, implementation and regulatory institutions of the Fiji government; and
5. facilitate and guide Fiji’s participation in national, regional and multilateral negotiations.

3.0 DESIGN AND IMPLEMENTATION

The Trade Policy Framework report will encapsulate the following:

1. Analysis of Fiji's current trade performances
2. Review of Fiji's trade commitments
3. Analysis of the regulatory environment in Fiji
4. Review sectoral linkages for Fiji
5. Review economic linkages
6. Review human resource development
7. Review trade policy formulation
8. Assessing of institutional capacities
9. Provide recommendation on the way forward

The Project of Establishing Fiji's Trade Policy Framework has formally commenced. The Letter of Agreement was signed between Secretariat of the Pacific Community (SPC) and the Pacific Islands Forum Secretariat (PIFS) on 16 August 2010 and the SPC and Ministry of Foreign Affairs & International Cooperation [MFA] on 16 August 2010. The Terms of Reference was again circulated for comments and finalized at end of August 2010. The SPC advertised the Expression of Interest (EOI) on 17 September 2010.

The Technical Evaluation Committee consisting of SPC, MFA and PIFS was set up to examine the EOI and for the selection the consultant. The TEC unanimously decided to select Professor Robert Scollay in his capacity as the Director, APEC Study Centre, University of Auckland and Associate Professor, Economics Department, University of Auckland who had in the past provided extensive consultancy work in the region and has worked on regional trade agreements such as PICTA, PACER, EPA, and the Sugar Protocol. Recently he had undertaken consultancy work on Nauru's TPF.

The Contract was signed on 22 October 2010 by Professor Scollay which commenced on 2 November 2010 with 60 working days duration and the Final Report was due on 22 December 2010, as per the contract.

The first meeting with the Ministry of Foreign Affairs and the Technical Evaluating Committee was conducted on 7 November 2010. This was the Conceptualization & Scoping Phase with the objective to apprise the consultant to understand the scope of his work in the Terms of Reference. Consultations with stakeholders commenced from 8 to 19 November with the Government ministries, departments and other Private Sector and Civil Society representatives.

Subsequently, a national stakeholders consultation was organized by the Ministry of Foreign Affairs & International Cooperation, with participation from representatives of the private sector and civil society, in addition to the Secretariat of the Pacific Community and the Pacific Island Forum Secretariat on 17 of December, 2010. The

stakeholder consultation invited the opinions of the private sector, the government agencies and the civil society pertaining to the recommendations of the Report. In addition, Fiji's National inter-Ministerial Committee on trade-related issues, the Trade Development Committee (TDC), met on 22 of December 2010 to further discuss the recommendations with the relevant Government ministries.

The outcomes of the stakeholders consultation and the TDC meeting have been incorporated into the draft Trade Policy Framework Report. The final report on the Trade Policy Framework will be submitted to Cabinet for approval in the first quarter of 2011 before the implementation of the prescribed policies in this document.

4.0 PROBLEMS ENCOUNTERED

Fiji's ability to access AfT funds was impeded as a result of the Forum Leaders Decision to suspend Fiji from the Pacific Islands Forum (PIF), from 2 May 2009. The decision stipulated that Fiji will not participate in any future meetings organized by the PIF Secretariat or benefit from any future programs coordinated by the PIF Secretariat. The Pacific Islands Forum Secretariat (PIFS) is designated as the Regional Authorizing Officer (RAO) for the Pacific ACP (PACP) countries, whose responsibility includes the coordination of the European Union's EDF resources (in addition to the coordination of the Economic Partnership Agreement (EPA) negotiations with the EU). The decision of PIF Leaders however made it difficult for Fiji to access EDF resources, which the European Union stated that Fiji should have full access to.

Prior to the Leaders decision to suspend Fiji, the PIFS indicated that there were funds available from PACREIP under EDF 9 regional envelope and requested the PACP countries to propose projects related to trade development and trade negotiations. Fiji was amongst the first PACP to register its interest by submitting a preliminary proposal on its Trade Policy Framework in August 2008. Fiji observed that despite the fact that Fiji's request predated the 2009 PIF Leaders Decision and the EU's stated position that the RAO should separate EDF issues and PACP matters from the Forum Leaders decision, no action was being taken on Fiji's request for a TPF, whilst other PACPs that had made their request after Fiji were being assisted.

Given the above and other such instances where Fiji's rights as a PACP were impeded by the PIFS, Fiji sought the EU's intervention to facilitate its access to EDF funds and its participation in PACP meetings and EPA negotiations. This resulted in the Secretariat of the Pacific Community (SPC) being used as an intermediary to facilitate Fiji's access to EDF and participation in PACP activities, on a non-permanent and limited basis. The SPC Director General was appointed as the Deputy Regional Authorizing Officer by the PIFS Secretary General to facilitate Fiji's participation in PACP meetings and access to EDF funds.

The SPC, therefore, was also involved by the PIFS to facilitate Fiji's TPF Project. However, the logistical and technical delays in signing the Letters of Agreement, releasing of the budget allocations and the commissioning of the Project, led to the Consultant being appointed in October and engaged in November 2010.

The unfortunate delays affected the timeframe of the project, which was shortened to 2 months. The project had to be completed by 31 December 2010, the expiry date of the EU funded PACREIP program, under which Fiji's TPF was being funded. The reduced timeframe directly affected the quality and depth of consultations carried out with the stakeholders, in particular the government ministries and agencies. The lack of direction and support from the regional agencies to provide a clear direction contributed to the delays in getting the project approved. The project was only approved after several exchanges were made with the EU on the case.

The problems encountered relating to the timeframes of completing the project led to inadequate consultations with its stakeholders, which is an essential component of the project. This could have been easily avoided with cooperation from regional partners.

In this regard, a second phase to Fiji's Trade Policy Framework Project is planned to consolidate consultations and engender ownership of the Framework amongst the Fiji Government agencies and other stakeholders and also identify an action plan on the implementation of the Framework.

5.0 FACTORS FOR SUCCESS/FAILURE

The success of the TPF project was primarily due to the funding assistance provided by the EU under its PACREIP EDF 9 funding initiative, in addition, to the interim arrangement that was put in place by the EU and PIFS for Fiji to benefit from EU funding assistance through the involvement of the SPC.

Nonetheless, Fiji faced a number of difficulties and delays in getting the project off the ground. This has meant that a second phase is necessary where further consultations with stakeholders are envisaged and an action plan for the implementation of the Framework is needed. The Fiji Government may face similar problems in soliciting resources for the second phase.

The difficulties were associated with the approach taken by the donors to implement AfT initiative whereby the designated regional organisation (in this case PIFS) was compromised in its ability to serve all the PACP countries in the Pacific region with impartiality. Other donors (Australia and New Zealand) being members to the PIF and parties to the decision to suspend Fiji, confounded the organization's ability to address Fiji's request.

6.0 RESULTS ACHIEVED

A Draft Report on the Trade Policy Framework with recommendations was developed at the end of the TPF Project. The Draft National Trade Policy Framework was presented to a national workshop with all stakeholders (government agencies, private sector and civil society) represented. The TPF Report will be finalized with further consultations with stakeholders and will be presented to the Fiji Cabinet for approval in the first Quarter of 2011.

7.0 LESSONS LEARNED

There is a need to move towards a new approach on AfT initiatives which entail a genuine desire to make a difference at grassroots level, since trade is often touted to be the vehicle of growth and development. Resources should be diverted to where they are needed rather than made conditional upon subjective political indices of any country. Initiatives such as Aid for Trade should contribute meaningfully to poverty alleviation and employment creation and assist developing countries meet their Millennium Development Goals.

Preferably, high ideals such as transparency, good governance, democracy, labor and environmental standards should not be a precondition to trade and development/technical assistance. Fiji, like most other nations, places the highest value on these principles. However, linking them to development aid, including AfT, is counterproductive, especially since the measurement of these principles is often subjective. It should be noted that the most disadvantaged and the poorest of the poor of the community rarely have an impact on the policies relating to these principles and ideals, therefore, curtailing development assistance (including AfT resources) that could assist the disadvantaged, due to the perceived non-compliance is a folly on the part of the donors. The decoupling of trade from politics is a principle espoused by the WTO. A similar approach should be taken with regards to AfT.

Secondly, the 'regional approach' to disbursement of aid and AfT resources by donors is not always ideal as was demonstrated in this case. This approach is severely constrained if the designated organization that has been officially identified to manage these funds is unable to cater for or serve all the countries the AfT assistance is targeted for, leading to uneven distribution of resources. Often regional organisations designated to disburse AfT assistance or commission AfT projects have membership from other donors and developed countries, which leads to a conflict of interests on the part of that regional organization to implement AfT projects. Where the regional approach fails, bilateral and sub-regional approaches for AfT initiatives should be considered.

8.0 CONCLUSION

The Trade Policy Framework once concluded will provide practicable approaches through highlighting key indicators in the trade-related arrangements, including in the negotiation, accomplishment and development of various trade agreements that need to be developed. It will act as a guide to Fiji's trade policy direction in an effort to support private sector development and export led growth and ensuring an effective trade policy formulation.

However, delays encountered in this Project has meant that the timeframe for the projects completion was reduced drastically which may have affected the quality of the final Report. This has meant that a second phase is necessary where further consultations with stakeholders are envisaged and an action plan for the implementation of the Framework is needed. The Fiji Government may face similar problems, as it did with the initial phase, in soliciting resources for the second phase.

Nonetheless, overall, the first phase of Fiji's TPF project could be deemed a success given that, upon Cabinet approval, Fiji will have for the very first time a Trade Policy Framework to guide and develop its trade and economic policies and strategies to enhance trade, leading to the objective of sustainable economic growth. This was made possible by the funding assistance provided by the EU under the PACREIP EDF 9 funding initiative.
