



PACIFIC ISLANDS  
FORUM SECRETARIAT

# PACIFIC AID FOR TRADE STRATEGY (PAFTS) 2020-2025



## EXECUTIVE SUMMARY

**“Aid for Trade is about helping developing countries**, in particular the least developed, to build the trade capacity and infrastructure needed to benefit from trade opening.”<sup>1</sup> It has a critical role to play in helping developing countries turn trade policies and strategies into real world trade development.

2. **The development of a Pacific Aid-for-Trade Strategy (PAfTS)** was endorsed at the Forum Trade Officials Meeting (FTOM) in Apia in July 2018. Members “supported the formulation of a new regional PAfTS, to ensure effective coordination of Aid-for-Trade (AfT) resources, and priority setting, at the regional level”.

3. **The purpose of adopting a PAfTS is to identify regional trade policy priorities** and ensure that they are properly resourced through AfT interventions. PAfTS will help ensure that regional AfT projects are Member-driven, that key priorities are being addressed and that donor duplication is prevented.

4. **PAfTS will include a process of identifying high priority issues** where there is value in addressing them at the regional level, with coordination provided by the Secretariat. Recalling that Member consultations in the lead up to FTOM identified several priority topics, including **critical services** (transport, finance, telecommunications and tourism), **e-commerce, connectivity, trade facilitation** and **quality infrastructure**.

5. **Previous regional AfT strategies attempted to create a Pacific regional voice** on AfT. The strategies represented a strong signal for development partners on regional trade priorities and guiding principles. However, reviews of those strategies have also revealed certain weaknesses, especially on prioritization of selected issues.

6. **Implementation of this strategy will be guided by 4 guiding principles:** *Strategic Regional Impact; Prioritisation; Leveraging existing mechanisms; and Ownership.*

7. **To contextualise the strategy, background information is provided** in a separate paper which addresses lessons learnt from the previous Strategies; AfT trends; and the AfT operating environment.

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1 WTO, Aid for Trade fact sheet.

## Purpose of new Strategy

8. The Blue Pacific calls for Forum Members to work together as one Blue Continent, hence the PAfTS is designed to help Members articulate what the Blue Pacific means for economic and trade policy in the region, especially through the pursuit of sustainable and inclusive development.
9. FTOM endorsed the development of a Pacific Aid-for-Trade Strategy (PAfTS) at their convening in Apia on 11 July 2018. Members “supported the formulation of a new PAfTS, to ensure effective coordination of AfT resources, and priority setting, at the regional level”.
10. The purpose of adopting a PAfTS is to identify regional AfT priorities and ensure that they are properly resourced. In this case, regional AfT priorities are defined as those priorities that can usefully be addressed through forms of regionalism included in the Framework for Pacific Regionalism.<sup>2</sup>
11. PAfTS provides an opportunity to identify how the Secretariat can best support its Members through regional AfT projects, including the mobilization of development partners and funds. PAfTS will help ensure that: *regional AfT projects are Member-driven; that all priorities are being addressed; and that donor duplication is prevented*. The strategy will also draw from, and contribute to, national-level trade and sustainable development strategies.
12. Pursuant to a mandate from FTOM, the Secretariat has produced PAfTS as a Forum Strategy to be endorsed by all Members. For implementation purposes, PACP Members will be the beneficiaries of AfT interventions under PAfTS.
13. The objective of PAfTS is to establish a handful of trade policy priorities for the region which will form the basis for the Secretariat’s technical assistance to Members and efforts to develop regional AfT projects. The Secretariat will also mobilise its AfT expertise in Geneva to support Members with those priorities identified in the Strategy.

## Guiding Principles

14. The PAfTS is guided by the following four principles:
  - i. **Strategic Regional Impact:** The PAfTS is a high-level document providing strategic direction on regional AfT priorities. In this regard, the approach will evolve from the previous strategies which were more prescriptive and open-ended.
  - ii. **Prioritisation:** This strategy identifies a small group of high priority issues that can usefully be addressed by forms of regionalism, with coordination provided by the Forum Secretariat, and in partnership with relevant implementing CROP agencies. This is consistent with the approach taken more broadly under the Framework for Pacific Regionalism. Regional AfT Strategies have tended to focus on pure trade-related priorities, including trade agreements and market access issues—largely taking their cue from the global classification of AfT priority areas. However, the current Pacific regionalism construct requires a new narrative which pursues priorities through forms of regionalism envisaged in the Framework for Pacific Regionalism. Notably, the Blue Pacific Narrative places the Pacific Ocean at the heart of regionalism. As such, trade-related options become regional priorities when they can support PICs “acting together as one Blue Continent to define a Blue Pacific Economy”.<sup>3</sup> While core trade matters

<sup>2</sup> Pacific Islands Forum (2014), *the Framework for Pacific, Regionalism*. <https://www.adb.org/sites/default/files/linked-documents/robp-pacific-2016-2018-ld-04.pdf>

<sup>3</sup> Pacific Islands Forum, (2017), “Opening address by Prime Minister Tuilaepa Saailele-Malielegaoi of Samoa to open the 48th Pacific Islands Forum 2017”. <http://www.forumsec.org/opening-address-prime-minister-tuilaepa-saailele-malielegaoi-samoa-open-48th-pacific-islands-forum-2017/>

maintain a central position in the PAfTS, adjacent trade-related issues, such as non-communicable diseases (NCDs), labour mobility, and trade digitalisation are also addressed.

- iii. Leveraging existing policies and mechanisms:** The PAfTS builds from and incorporates aspects of the national Trade Policy Frameworks (TPFs) and acknowledges existing regional studies such as the Pacific Agreement for Closer Economic Relations Plus (PACER Plus) needs assessment. Interventions undertaken under the umbrella of the PAfTS should complement, but not replace, other AfT interventions, including under PACER Plus and the European Development Fund (EDF).
- iv. Ownership:** a steering committee involving selected national representatives will be established to oversee implementation of the PAfTS. The Pacific Islands Forum Secretariat (PIFS) will structure a continuous and active dialogue on PAfTS while trying to keep the institutional structure as lean as possible.

### Key Intervention Areas

- 15.** In-line with the set of guiding principles and existing regional frameworks, the strategy will focus on mobilising AfT projects in **four thematic priority areas:** *the services sector; electronic commerce; comprehensive connectivity; and deepening Forum markets.* These priority areas all have the potential to make a major contribution to the performance of PICs in the World Bank's Doing Business indicators (see **Figure 1**).

**Figure 1:** Pacific Island Countries Ease of Doing Business Ranking (2019), Out of 190 Countries

Country	Rank, Trading Across Borders Indicator	Overall DB Rank
Solomon Islands	160	115
Samoa	151	90
Vanuatu	147	94
Papua New Guinea	140	108
Palau	137	133
Kiribati	131	158
Tonga	94	91
Fiji	79	101
Marshal Islands	75	150
Federated States of Micronesia	61	160

**Source:** Ease of Doing Business Report, 2019. Note: Not all PICs are covered.

### Services Sector

- 16.** Pacific regional merchandise trade continues to be dominated by niche agricultural and fisheries products, and bigger economy Forum Members. On the other hand, trade in services is driving inclusive economic growth and structural transformation across the Forum Membership — including Smaller Island States (SISs) like Niue, Palau and Cook Islands. Even for countries with larger agricultural output services trade is diversifying and rebalancing national economies.
- 17.** For example, tourism services have protected Fiji's economy from the effects of a weakening sugar sector, and Vanuatu from the weakening of the beef industry. Moreover, competitive support services (such as transport, telecommunications, finance and energy) are crucial for improving the competitiveness of the export sector and promoting investments. Liberalisation of the telecommunications sector in countries such as Vanuatu, Samoa and Kiribati provide examples of the benefits arising from better services.

18. Trade in traditional and new services presents Forum Members with unique opportunities to overcome structural connectivity barriers such as: small and dispersed national markets; small land mass; limited natural resources; as well as isolation from global and regional markets. The production is also less resource-intensive than trade in goods. As such regional initiatives on services are well aligned with the Blue Pacific narrative.
19. To better position the region in the right path for a vibrant services sector, this strategy will promote regional projects to modernise the policy and regulatory environment, thus maximising the benefits that can arise for the implementation of existing and future trade agreements.<sup>5</sup> The Strategy will also support projects to build productive capacity in key sectors with export potential for example: tourism (which has been identified by many Members as a potential driver of development); and Information and Communication Technology (ICT). The PT&I network will use its trade and investment promotion expertise to support these sectors.

### **Comprehensive Connectivity**

20. Pacific economies are faced with several structural connectivity barriers that, by generating high transportation costs and delays (see Figure 2), render their participation in the world economy difficult compared to other regions. The Small Island States (SIS) are among the least connected countries in the world. In addition to physical connectivity constraints, Members are yet to fully address digital connectivity issues. Some PICs continue to lack submarine cables which connect them digitally to the rest of the world, although there are plans to rectify this (See Figure 2).

**Figure 2: Digital Infrastructure (Internet Submarine Cables) in Pacific Island Countries**

Country	Currently Active Submarine Cables	Proposed Additional Submarine Cables
Cook Islands; Republic of Marshall Islands; Nauru; Solomon Islands; Tuvalu; Niue; Palau	0	1
Kiribati	0	2
New Caledonia; Vanuatu; Tonga	1	0
French Polynesia	1	1
Federated States of Micronesia	1	2
Samoa	1	5
Papua New Guinea	2	1
Fiji	3	2

Source: ITU, ICT Status Connectivity Benchmarks and Pacific Report, 2017

21. Forum Members, in partnership with development partners, continue to advance their infrastructure connectivity. At the global level, economic infrastructure, including digital infrastructure represents a key destination of Aid for Trade.

<sup>5</sup> Existing Agreements include Pacific Islands Countries Trade Agreement (PICTA), Pacific Agreement on Closer Economic Relations Plus Trade Organization (WTO)

22. To realise the Blue Pacific vision, the concept of connectivity needs to be expanded beyond infrastructure to capture elements of people and institutional connectivity. The former relates to the need to enhance business-to-business engagement and labour mobility. Labour mobility is particularly important as it creates employment opportunities for Pacific workers and enables Members to bring-back skills and resources which are essential for social and economic development.
23. Institutional connectivity relates to the need to strengthen inter-agency trade policy coordination at the regional and national levels, to promote coherence and the mainstreaming of trade priorities into national development strategies.

### **Electronic Commerce (E-Commerce)**

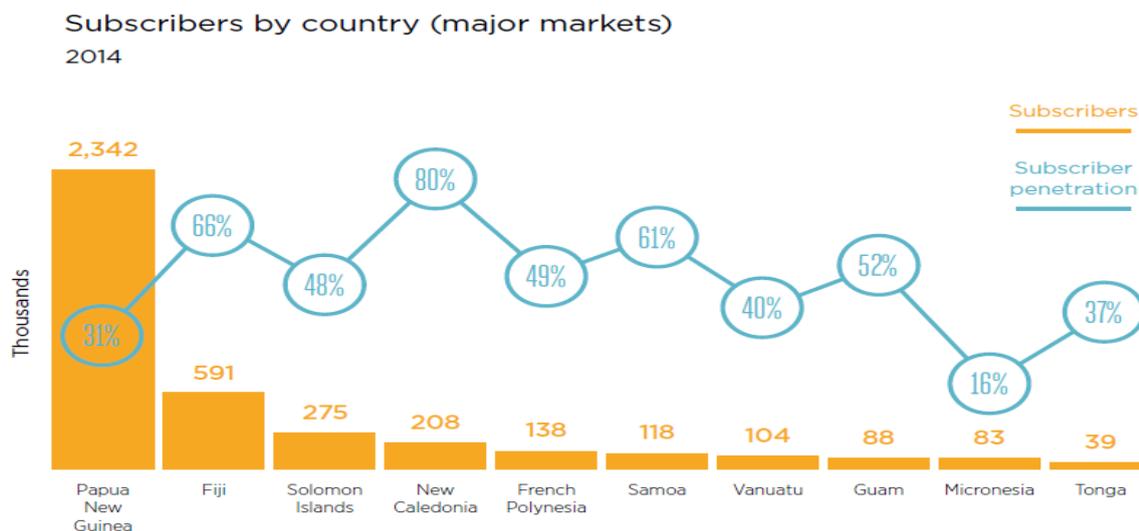
24. Electronic commerce sits at the intersection between the previously-discussed priority areas- it refers to a specific way of trading whose efficiency is boosted through the application of electronic means made possible by the enhancement of digital connectivity
25. Featuring services and connectivity as its constituent elements, e-commerce presents an unprecedented opportunity to narrow connectivity distances and trade costs among Forum Members, and between the Blue Continent and the rest of the world. If conditions are right, e-commerce presents opportunities for Members to explore new ways of producing and trading, including using customer data to drive productive activities. Through the PT&I exporter survey, the private sector in the region has highlighted some of the key enablers which could facilitate more e-commerce transactions (see Figure 3).

**Figure 3:** E-Commerce Enablers (Pacific Islands Export Survey 2018)

Positive Factors	Overall	Export area			
		Agriculture	Manufacturing	Tourism	Services
Base no.		44	43	62	14
Easier access to digital devices		43%▼	53%	68%	71%
Increased need/ usage of online channels		48%	44%	56%	57%
Improved ICT Infrastructure, including better internet/email connection		30%	42%▲	29%	41%
Increased capacity and scale of company		30%	42%	29%	21%
Improved logistics and shipping methods/options		32%▲	21%	13%	36%
Regulatory reforms in the telecommunications sector		5%	5%	11%	36%▲
Other legislative reforms (consumer protection, cybersecurity)		5%	7%	8%	7%
Avg. positive factors mentioned		2.02	2.21	0.02	3%

22. Recent years have seen Forum Members reducing the digital divide through completion of submarine internet cables, expanded coverage of mobile broadband networks (see **Figure 4**), deepening mobile/smart phone penetration; and establishment of new digital products and services which are necessary to undertake electronic transactions as either buyers or sellers – from websites, to e-commerce platforms, e-banking, etc. These recent technological advances are already transforming the trade landscape for Forum Members. For example, retail e-commerce sales in the Pacific are estimated to have grown 31.5% in 2016 compared to 2015.

**Figure 4:** Mobile Phone Penetration



**SOURCE:** The Mobile Economy Pacific Islands, GSMA Report, 2015.

23. Despite progress, growth in e-commerce remains uneven across the Forum membership. SIS countries continue to lag behind the larger Members and recent e-commerce transactions are largely domestic, thus signalling the structural challenges preventing access to international markets, either directly or via e-commerce trading platforms.
24. The Secretariat has already supported its LDC members to mobilise funding for undertaking a comprehensive review of their readiness for e-commerce. Assistance will continue in this area, including through the development and implementation of regional strategies to improve readiness to trade electronically and to benefit from e-commerce.
25. Despite its surge, e-commerce remains among a handful of cross-border issues which are not regulated by the WTO. In January 2019, 76 WTO Members including the United States, China, the European Union, Japan as well as Australia and New Zealand, agreed to start negotiating multilateral e-commerce rules under WTO auspices. In their statement ministers committed to “take into account the unique opportunities and challenges faced by Members, including developing countries and LDCs, as well as by micro, small and medium sized enterprises, in relation to electronic commerce”. The Secretariat will continue to monitor and advise members on the opportunities arising from these negotiations.

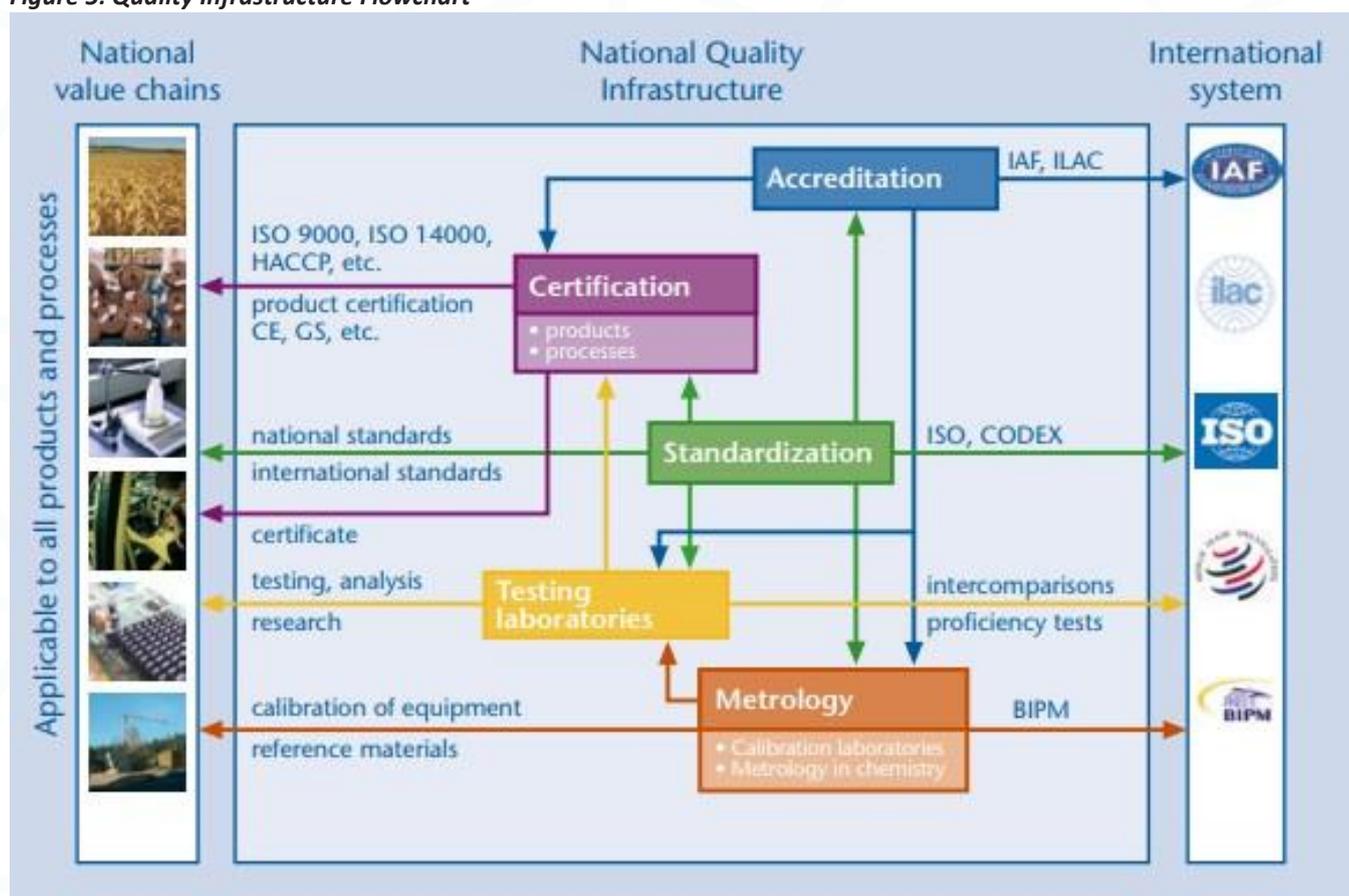
### ***Deepening Forum Markets***

26. Regional and global markets provide Pacific people with access to goods and services that wouldn't otherwise be locally available, whilst at the same time offering the opportunity to scale up Pacific production to a level that can provide formal jobs within PICs' economies.
27. Forum Members are actively involved in the establishment of free trade agreements at the sub-regional and regional levels with a view to deepening regional economic integration by eliminating tariff and non-tariff barriers to trade. History shows that "exercising a sense of common identity and purpose"<sup>7</sup> will be difficult unless the members of a community promote the free movement of goods, services, capital, and people. In this sense, regional trade agreements remain essential to advancing the Blue Pacific Narrative and are therefore an area that the Secretariat will continue supporting, including by mobilising Aid for Trade projects.
28. Beyond its boundaries, the Blue Pacific Continent continues to advocate the deepening of a rules-based multilateral trading systems as an avenue to increase its international leverage and increase its chances for development. Six PICs are full WTO Members, of which four have already ratified the WTO TFA.<sup>8</sup> Non-WTO Forum Members are also engaged in implementing TFA provisions, which are often reformulated in agreements such as the Melanesian Free Trade Agreements and PACER Plus.
29. Trade agreements, combined with unilateral reform, have significantly reduced customs tariffs. But the difficulties in addressing overseas safety and quality requirements (also known as Non-Tariff Measures or "NTMs") continue denying Forum producers a chance to enjoy the full benefits of trade liberalisation. In the domestic market, the insufficient development of safety and quality systems, and the lack of a safety and quality culture, does not only undermine the competitiveness of PICs' economies, but also acts to significantly reduce the quality of life of PICs' citizens. Quality Infrastructure can play a useful role regarding the health or environmental standards of goods being produced and consumed in PICs.
30. To further deepen Forum markets within and beyond its membership this strategy will prioritise mobilisation of resources to assist members advance: (1) trade facilitation reforms and capacity building to implement trade facilitation aspects of existing trade agreements; (2) strengthening of Pacific quality systems – also known as Quality Infrastructure Systems
31. It covers all elements required to assure and demonstrate quality including state and private sector institutions and the regulatory framework within which they operate. QIR is the totality of the institutional framework needed to provide acceptable evidence that products and services meet defined requirements. The five (5) components of a Quality Infrastructure System include: (1) quality-related policy, legislation and regulations; (2) metrology systems; (3) standardization systems; (4) accreditation systems; and (5) conformity assessment systems (testing, inspection, and certification).

<sup>7</sup> Pacific Islands Forum, (2017), "Opening address by Prime Minister Tuilaepa Saailele Malielegaoi of Samoa to open the 48th Pacific Islands Forum 2017". <http://www.forumsec.org/opening-address-prime-minister-tuilaepa-saailele-malielegaoi-samoa-open-48th-pacific-islands-forum-2017/>

<sup>8</sup> Fiji, Samoa, Solomon Islands and Papua New Guinea

Figure 5: Quality Infrastructure Flowchart



### Implementation, Coordination and Monitoring and Evaluation

32. The Strategy prioritises trade-related areas of regional intervention over the next five years. Upon approval, implementation will consist of monitoring the regional landscape on priority issues, promoting coordination, and mobilising Aid-for-Trade where existing resources are insufficient to fill observed gaps.
33. PIFS will provide annual updates to relevant regional meetings. In the first instance, the Strategy will be monitored through Forum Trade Ministers (FTMM) or Officials (FTOM) Meetings, when convened. The Secretariat will also take advantage of these meetings to seek strategic guidance from Members with respect to the implementation of the strategy, such as the adoption of new priorities or high-level decisions about the implementation of existing priorities.
34. The Secretariat will also identify relevant regional meetings to sensitise development partners to the Forum's AfT Strategy and to promote effective coordination. This could include Donor Roundtables (in the margins of regional meetings) and steering committees for regional projects.
35. Mobilization of resources for specific projects will be FIC-driven, meaning that priority projects will be agreed at the regional level – by Forum Trade Officials and Ministers Meetings. Priority projects should be justified in the light of the same principles (and underlying criteria) which have justified prioritization of intervention areas. Furthermore, mobilisation efforts will be pursued in strong partnership with the CROP agencies which are best suited to play a leading role on implementation.

36. The strategy will last from 2020 to 2025. It will be updated if required to consider new regional priorities selected through the Framework for Pacific Regionalism (FPR) process, and the new priorities triggered by subsequent AfT Global Reviews.
  
37. The success of the strategy will be measured by its ability to agree on a list of regional trade policy priorities for AfT interventions and to mobilise resources to support trade development in Members. At the national-level, the Secretariat will provide technical advice to Members on AfT priority issues and use its Geneva office to support national AfT requests to Europe-based development partners. There will be a particular focus on supporting SIS countries and LDCs under the Strategy.



