Comments:
'WTO Doha Round: An opportunity or mirage for Fiji'

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This is an interesting read and a fitting paper to bring this workshop on Globalisation to a close. Professor Biman Chand Prasad covers a lot of ground, leaving the reader with an indigestion from an alphabet soup comprising the WTO, DDA, PICTA, PACER, SDT, EPAs, AGOA, SPARTECA, GSP, and heaps more. Navigating through the quagmire of acronyms is no less a challenge than that faced by many developing country policymakers figuring their way through the often complex and cumbersome rules of multilateral and regional trading agreements. Many careers have been made and others lost within the traps and tribulations of international trading rules.

Biman leaves me wondering on his answer to the question posed in the title of this paper. That is, has the Doha Round been an opportunity or just a mirage for Fiji? The answer, in my view, is moot since what a country reaps from an international trading arrangement, be it on a regional or global platform, is very much dependent on the efforts put into realising the potential gains. International trade offers the opportunities, with the attendant risks, for gains from international commerce. It is upon the nations themselves, I would argue, as to what they make out of these opportunities. As pointed out in my discussions of yesterday, Fiji has several inherent advantages that put the nation ahead of others in terms of reaping the benefits of regional and global trade.

For those of us in this room not conversant with the international trading architecture, let me give you a very quick tour of the international trading system. The multilateral trading system is governed by a set of rules agreed to, as of December 2005, by the 149 members of the World Trade Organization (WTO).[1] The WTO is headquartered in Geneva, Switzerland; is currently headed by Director General Pascal Lamy; and, Fiji joined the WTO on 14 January 1996; Papua New Guinea joined on 9

[1] The WTO prior to 1994 was known as the General Agreement on Tariffs and Trade (GATT). It was set up after World War II, along with the World Bank and the IMF, aimed at ensuring that international trade continued under conditions of certainty.

June 1996 while Samoa, Tonga, and Vanutau have observer status. The primary goal of the WTO is to reduce barriers to trade between its members. Members, through 'rounds' of discussions, agree to reduce barriers to trade amongst the group. The last Round, called the Doha Development Agenda, was launched in Doha, Qatar on November 14, 2001.

One of the founding principles of GATT, constituting Article 1 of the Agreement, is that if a member grants trade concessions to another country then it must do the same to all other members. As an example, if Fiji grants trade concessions to PNG, then Fiji must do the same for all other members. Some exceptions to the above are allowed and include: the use of anti-dumping and countervailing duties (Article VI); permission to use protection in the event of balance of payment problems (Article XVII); and allowance for the formation of regional trading agreements (Article XXIV). In the case of the last, the regional trading agreement must not raise trade barriers against non-members that applied prior to the formation of the arrangement.

GATT was motivated by a desire to maintain peace in the post World War II era. It was noted that a deeply integrated world was more likely to remain peaceful. The Great Depression of the 1930s and the breakout of two world wars in a matter of two decades had taught the global community that stability was necessary for peace. The United Nations, founded in 1945 by the five main victors of World War II,[2] was created as a 'global association of governments to facilitate cooperation in international law, international security, economic development, and social equity'. It has since been established that an open and predictable trading regime encourages economic growth. There is a lot of empirical evidence to suggest that economies with liberal trading regimes, ceteris paribus, tend to grow faster than those that don't.

Biman agrees that international trade can be a powerful driver of economic growth. Sudden changes in trade policies, as in the case of withdrawal of price support for Fiji sugar, may cause serious dislocation of resources and thus lead to a rise in poverty. This effect, if well managed, would last a short while and only until the economy has re-adjusted to the revised price signals. Capital and labour caught within the adversely affected sector, in the interim, could lose substantially. Over the longer term, however, these resources (in theory) relocate to other sectors where they earn a return, net of the initial subsidy, higher than that before the change. Importantly, the economy as a whole would have to grow to be in a position to absorb the dislocated labour and capital. The position,

[2] The victors included France, the PRC, USSR, the UK, and the USA.

at least for the dislocated factors, becomes untenable otherwise.

The current plight of Fiji sugar is an excellent case in point. The stagnant growth of employment in the face of an impending crisis within the large sugar industry runs a real risk of catapulting many families into poverty. The expiry of land leases and an absence of alternative livelihood opportunities is likely to affect some thousands of families. The anxiety of those affected is only to be expected. What can be done to ease the pains of dislocation from a declining industry? How can Fiji take advantage of what is on offer via the regional and global trading arrangements to assist with the above? These are the issues that should be exercising the minds of many in Government Buildings, here at this workshop, and around the country.

A number of countries have successfully used their access to the global market for sustained growth of their income and thus poverty reduction. Mauritius, an excellent comparator to Fiji, is a case in point. This island nation at independence in 1968 had a number of parallels to Fiji including a similar structure of production, parallel colonial heritage, similarly sized population, and a slightly lower per capita GDP to Fiji. By 2004, Mauritius had raced ahead to double the per capita income of Fiji, principally on the back of an open trading regime with rapid growth of manufacturing and tourism, even though sugar remained a significant industry. Fiji has a lot to learn from this experience.

Biman expresses concerns about the impact of preference erosion on ACP states. We do not have to go far from this conference venue to see the plight of the affected farmers. The question to be asked is whether the rising poverty within the rural sugarcane growing districts is due to the anticipated falls in the price of sugarcane. My guess is that it is more the problems with access to land and the longstanding issue of insecurity of access to land that has been at the heart of the difficulties faced by many. The lack of investment in the sector could be attributed largely to this insecurity. While Fiji's hand may be tied, as is possibly that of the EU, with respect to Article 1 of GATT, the resolution of the land issue is surely within the reach of the domestic policymakers.

I am confident that large rich nations can support tiny poor states in perpetuity. But can the small poor states afford such a 'favour'? I would, on grounds of welfare-dependency, argue in the negative. Consider the current plight of Nauru, a small island nation that in 1970 enjoyed the enviable title of being 'the smallest richest republic on the planet' but now is on the precipice of state failure. Donors could easily keep the 10,000 or so people on the island alive but can Nauru afford such an 'imposition'? The point made here is not that aid, even in the form of preferences, is

bad but aid in large amounts can distort the incentives for value-adding effort. In the case of Nauru, large phosphate revenues rather than aid created such dependency. The large transfers, through aid or resource rents, can unnecessarily narrow the structure of production, create undue dependence for foreign exchange on the favoured sector, and induce rent-seeking and predatory behaviour amongst the stakeholders.[3]

If we seriously believe that a more liberal trading environment is good for growth of income and that such liberalisation will cause adjustment pains in the interim, then the solution is one of providing adjustment assistance. In the case of preference erosion, the Economic Partnership Agreements provide resources for such adjustment. Fiji could tap into this agreement to rationalise its sugar industry. Those displaced due to the rationalisation would need to be accommodated elsewhere in the economy. The required adjustment calls for short-term relief and concerted effort at creating the conditions for job growth.

On the last, access to the Australian and New Zealand labour markets during the adjustment phase could be of some help. Such temporary access, on its own would not be enough to sustain job-growth over the long term. What Fiji needs is a development package that it can take to its rich country partners to make its case for temporary access to their labour markets. It would have to be part of a *Development Compact* encompassing a wide range of reforms geared at growing the economy. A number of the elements of such a package were covered in my discussion (see above, pp. 30-34).

Finally, Fiji is in a highly privileged position of being the 'natural' hub for the island Pacific. We could be using the advantages of location, infrastructure, and skill base of the population to grow the economy and create jobs via actively participating in international commerce. Many of the points I made earlier in discussing the paper by Professor Kelsey remain pertinent. Unlike Biman, I would suggest that what Fiji reaps from the WTO and Doha Development Round is more in its own hand rather than with the hand dealt out by her trading partners.

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[3] The developing world is littered with conflicts fuelled by rents, whether these are from resources or aid.