



REPRESENTATION IN WTO: OPTIONS FOR FORUM ISLAND COUNTRIES

Participants attending the CPA/WTO Regional Workshop for Parliamentarians discussed the most practical way for Forum Island Countries (FICs) to be represented in the WTO.

There are four broad options for FICs to be represented in, and derive benefit from, the WTO:

- Full Membership
- Observer Status
- Regional Representation
- Working through other Like-Minded Delegations/groups.

These are not mutually exclusive options – even full WTO Members such as Fiji itself will frequently be relying on other WTO Members and groups such as the ACP Group in Geneva to ‘carry’ or represent Fiji’s interest on many issues of common concern.

Full Membership:

To date, three FICs have full Membership – Fiji, PNG, and the Solomon Islands. Full Membership, while opening up access to all of the WTO’s facilities including its formal dispute settlement provisions and technical assistance, carries with it obligations and financial costs.

Precisely because the above three were deemed to be ‘founding Members’ of the WTO, they have avoided the long negotiation faced by any new Member and the often complex new commitments that arise from those negotiations.

The costs of membership derive from two sources: Membership fees and the cost of representation. The annual fee for WTO Members, since it is based on shares of world trade, is minimal – around \$20,000 in the case of Fiji. The real cost is the high cost of stationing officials in Geneva, one of the world’s most expensive cities.

As a result, not one of the three existing FIC WTO Members individually has any representation in Geneva; they have one or two representatives in Brussels who will visit Geneva a few times a year. Given that on any one working day in Geneva, there may be a dozen or more formal and informal meetings taking

place on a whole range of sophisticated issues, this pattern of representation obviously does not permit effective professional involvement in WTO affairs. If the two largest FICs, PNG and Fiji, cannot afford a permanent Mission in Geneva, then it is doubtful any of the smaller FICs could overcome the same financial and human resources constraints.

Three other FICs – Vanuatu, Tonga and the Samoa – have applied for full Membership. Because they were not ‘founding Members’, they have had to undergo the full rigor of any application for new Membership – the establishment of what is called a ‘working party’¹, and the negotiations that flow from it.

This is a protracted process – Vanuatu and Tonga began the process 11 years ago (1995) and Samoa began in 1998. In spite of the frustration felt by many developing countries and one or two non-binding (ie ‘best endeavours’) resolutions urging more expeditious negotiations for small or least developed countries, this underlying situation is not likely to change markedly. The process itself will, of course, eventually result in the FIC concerned being asked to subscribe to a number of sophisticated trade policy instruments that make up the body of WTO law.

Observer Status:

This is an option that may be better suited to smaller FICs. Procedurally, nothing could be easier – the Government in question simply writes to the WTO Director-General and requests observer status. To date, agreement has been automatic and unconditional. No legal obligations arise from becoming an observer to the WTO. There is a fixed annual cost of US\$20,000 levied on observers. Again, this low entry cost is dwarfed by the actual costs of direct representation in Geneva.

Normally, a request for observer status from a large country such as Russia is seen as a first step towards full Membership. Upon being granted observer status, the observer country will post a team of officials to Geneva, attend the formal meetings across the range of WTO activities and begin the steep learning curve that is essential for effective and full participation in WTO affairs. Capital-based officials can also attend such meetings along with their Geneva-based observes. Clearly, this involves a heavy commitment of financial and human resources. This strategy is unlikely to be practical for FICs considering their WTO options.

There is however an alternative strategy that may suit the realities of our very small economies. That is, instead of seeing observer status as a first logical step towards full Membership, it is seen as a way of qualifying both for participation in the Forum Island Regional Office in Geneva (see below) and, equally important,

¹ The term ‘working party’ is perhaps a little misleading: all 149 WTO Members are automatically members of the working party.

unlocking access to the considerable sums of money available for Technical Assistance².

With respect to the Forum Regional Office, WTO rules understandably limit participation to WTO Members or Observers. The same restriction applies to WTO technical assistance funds. Thus, the simple act of writing a letter to the Director General can unlock both. It is then entirely a sovereign decision of the FIC concerned to decide the extent to which it wishes to avail itself of those training and technical assistance possibilities now open to it.

For many FICs, their regional trade policy relationships with Australia and New Zealand on the one hand, and the EU on the other, are of higher immediate priority for their trade than the multilateral trading system³ - in simple terms, their trade priorities reflect their main export destinations.

However, it is important to recognize that regional trade negotiations with either Australia/NZ or the EU will inevitably be conducted in the sophisticated language of the WTO, will need to take account of the WTO rules and principles governing both European and A/NZ trade policy, and will in practice be deeply influenced by the culture of the WTO. For example, a discussion on technical barriers to trade or SPS (Quarantine) or the services negotiations in the proposed EPA would be almost incomprehensible to any FIC official who had no understanding of, or experience in, the relevant WTO Agreements and procedures.

Thus, even if the individual FIC calculated that, simply because of the higher priority it gave to its regional trade interests than the multilateral system, greater exposure to WTO affairs would help them to become more effective in regional negotiations. Suffice it to say, of course, that such a novel approach to observership does not rule out the same country reaching a very different conclusion in the future and deciding to take the step towards full WTO membership, if that is what it chose to do.

To summarize, a request for observer status is an extremely low-cost option that opens some training and technical assistance doors and, given the unusual position of our small island economies, need not be seen as an implied commitment to take the next step to the high-cost option of full WTO membership, with all the obligations this involves.

² Strictly speaking, one source of technical assistance funding is available already to any FIC that is a member of the UN – the ITC (International Trade Centre). Additionally, many FICs already receive substantial development assistance already from bilateral donors for trade-related technical assistance, not to mention similar programmes from the multilateral development agencies such as the World Bank.

³ While there is a variety of trade policy instruments involved here, the two key frameworks in the long-term are likely to be the proposed EPA (Economic Partnership Agreement) with the EU and the PACER (The Pacific Agreement on Closer Economic Relations) with Australia and NZ.

Regional Representation:

Forum Geneva Office:

Given the high cost of Geneva representation, the Forum has established an office in Geneva, led by an experienced trade official from the Solomon Islands, Robert Sisilo. This allows:

- a physical presence for all FIC WTO Members and observers in Geneva outside the one or two weeks a year (“Geneva weeks”) for their Brussels-based officials to attend;
- the opportunity to work with like-minded Geneva delegations on issues of common concern;
- training for FIC officials through a pattern of six month secondments to the Geneva office. As previously noted, this is an option open only to FIC WTO Members or FIC Observers.
- A means of monitoring WTO activities and reporting back to FIC capitals from the Forum Geneva office.

While currently the Forum office in Geneva is funded very largely by the EU Commission, future funding is not assured. Furthermore, the office is under-resourced and under-staffed making it difficult for Mr. Sisilo to discharge his duties effectively.

Commonwealth Secretariat ‘Hubs and Spokes’ Project:

The Commonwealth is working with the EU to improve the trade policy and negotiating capacity of the ACP Countries through a ‘Hubs and Spokes’ project.

This Euro20 million project involves the establishment of a network of ACP advisers based in the Headquarters of the regions concerned (the ‘Hubs’), who coordinate networks of analysts (the ‘Spokes’) attached to Trade Ministries in individual countries in the regions.

In the Pacific, the Forum Secretariat in Suva is the ‘hub’ for the Pacific region and the coordinating official is Dr Jim Gosselyn. Currently, there are three ‘spokes’ in PNG, Solomon Islands and Vanuatu. These ‘spokes’ are usually young professionals recruited with Commonwealth Secretariat development assistance funding. They assist Trade Ministries in trade policy related work, such as putting together national positions for regional and multilateral trade negotiations, reviewing legislation, participating in meetings and providing advice. At the same time, they seek to spread knowledge to local trade officials. The term of a person acting as a ‘spoke’ is two years.

FICs interested in acquiring funding for a 'spoke' should get in touch with Dr Jim Gosselyn, Pacific Islands Forum Secretariat.

Informal Coordination With Like-Minded WTO Members:

In practice, all but the very largest WTO Members use this technique continually to ensure their interests are respected. They have no choice: at crucial moments in any negotiation, whoever is in the Chair will restrict participation in the key informal negotiating sessions to a handful of delegations. Even a trading nation the size of China will from time to time be depending on another WTO member to 'carry' their position (eg China's position on agriculture is 'carried' by Brazil and India, its G20 Partners, in all the meetings of the so-called 'Group of 6' negotiations).

There are many positions of key interest to FICs which are fully covered by other WTO Members. FICs' concern over the erosion of preferences is fully shared by other ACP countries – hence the importance of establishing good relations with this group (and work in Brussels is at least as important as work in Geneva on this issue). FICs' strong interests in fisheries are well protected in the 'Friends of Fish' group⁴ – a group trying to negotiate new disciplines to limit subsidization of fishery vessels. FICs' interest in achieving an elimination of export subsidies⁵ and a dramatic reduction in the most trade and production distorting internal subsidies (some \$300 billion in OECD countries), they can be confident that a large group of other WTO Members will be covering their negotiating interests.

Conclusion:

It would seem that there is a menu of options for FICs to consider, ranging from full WTO Membership, which may not be practical for all smaller FICs, through observership, participation in the Geneva office of the Forum countries, use of the Commonwealth Secretariat/EU 'Hubs and Spokes' Project, as well as informal coordination with a range of existing WTO members on issues of common concern.

These are not mutually exclusive options and any FIC can review its decisions at any time. But discussion at the WTO workshop showed very clearly a common concern amongst Ministers and Parliamentarians that each FIC, in making its own choice, needs to be conscious of the practicalities involved.

⁴ Fiji is a full Member of this Group even if, given its lack of direct representation in Geneva, it is unable to participate in ongoing work in Geneva.

⁵ It has, for example, been estimated that elimination of export subsidies in sugar would lead to a 24% increase in the world market price. For FIC sugar exporters seeking to offset the cost of loss of economic rents in the protected EU internal market, exports to non-EU destinations will be assisted by elimination.