WTO and Regional Institutions: Complementary Institutions for Trade Facilitation

Richard Pomfret

School of Economics, University of Adelaide (Adjunct Professor Johns Hopkins Bologna Center)

richard.pomfret@adelaide.edu.au

To be presented at the 2015 Pacific Update Conference, Suva, 15-16 July 2015
Introduction

The WTO is a global institution

- 161 members
- 22 “observers” applying for membership
- Only 14 UN members not in those categories:
  - DPR Korea, Eritrea, Federated States of Micronesia, Kiribati, Marshall Islands, Monaco, Nauru, Palau, San Marino, Somalia, South Sudan, Timor-Leste, Turkmenistan and Tuvalu
  - six are Pacific island countries
# Pacific Island Countries and the WTO

<table>
<thead>
<tr>
<th>WTO Members (joined)</th>
<th>pop</th>
<th>Non-members</th>
<th>pop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiji (1996*) #</td>
<td>861</td>
<td>Federated States of Micronesia</td>
<td>104</td>
</tr>
<tr>
<td>Papua New Guinea (1996**) #</td>
<td>6,859</td>
<td>Kiribati</td>
<td>98</td>
</tr>
<tr>
<td>Solomon Islands (1996**)</td>
<td>526</td>
<td>Marshall Islands</td>
<td>52</td>
</tr>
<tr>
<td>Tonga (2007) #</td>
<td>104</td>
<td>Nauru</td>
<td>10</td>
</tr>
<tr>
<td>Samoa (2012) #</td>
<td>186</td>
<td>Palau</td>
<td>20</td>
</tr>
<tr>
<td>Vanuatu (2012) #</td>
<td>236</td>
<td>Tuvalu</td>
<td>10</td>
</tr>
</tbody>
</table>


Notes: * acceded to GATT in 1994; ** acceded to GATT in 1993. The Pacific Islands Forum has observer status to the WTO Committee on Trade and Development on a meeting-by-meeting basis and to the Committee on Trade ad Environment. # WCO member. The Table only includes members of the United Nations; pop = population in thousands.
What does the WTO do?

Historic evolution from GATT, which

- set out a set of rules that signatories would observe, centered on principles of non-discrimination and transparency
- held “rounds” of multilateral trade negotiations and regulation of NTBs

After completion of Uruguay Round in 1994, GATT superseded by WTO. Main difference:

- a substantial body of world trade law
- dispute resolution mechanism
The WTO in the 21st Century

Doha Development Round a sideshow, but highlighted importance of trade facilitation

- Bali Package – mainly reinforcing the principles of non-discrimination and transparency.
  - GATT Articles 5, 8 and 10 on freedom of transit for goods, fees and formalities connected with importing and exporting, and the publication and administration of trade regulations.

The WTO does not, and is ill-suited to, get into the details of trade facilitation.

[WCO may be more relevant, although it has a much lower profile]
Regional Institutions and TF

- EU – EC92 Single Market program – Schengen

- ASEAN in 1990s
  - ASEAN TC↓ faster than global TC - convergence to Singapore in 1990s
  - Definition: ↓ trade costs (TC) = trade facilitation; TC = (cif-fob)/fob
    (Pomfret & Sourdin, JAE 2009)

Successful because
- Voluntary
- Bilateral negotiations focus on specific obstacles
Trade costs for ASEAN-5 countries 1990-2007
(ad valorem = (cif-fob)/cif -- Australian import data)
Conclusions & Relevance to Pacific

WTO sets desirable principles and general rules,
But specific progress is better done on a regional basis by countries with shared goals
- PACER
- Pacific Forum
- Melanesian Spearhead

The two tracks are complementary
Compare: Timor-Leste & ASEAN + WTO