

The six signatories below make the attached submission to the above Senate Inquiry:

**Emeritus Professor Ron Duncan AO, Professor Satish Chand, Mr Malcolm Bosworth
Mr Bill Bowen, Dr Uwe Kaufmann, Dr Haruo Nakagawa**

**Submission to the Joint Standing Committee on Foreign Affairs, Defence
and Trade—Trade Sub-committee Inquiry into “Australia Activating
Greater Trade and Investment with Pacific Island Countries”**

Introduction

The six economists making this submission have long familiarity with the Pacific island economies, in particular with their trade policies and the trading relationships between them and Australia and New Zealand. In 2015 we carried out a study for the then Office of the Chief Trade Adviser (OCTA) on behalf of the Forum Island Countries (FICs), which required us to conduct an assessment of the opportunities provided to the FICs by their participation in the PACER Plus Agreement with Australia and New Zealand and assess the capacity of the FICs to take advantage of these opportunities. As well, we were asked to identify at a sectoral level the constraints preventing the FICs from participating fully in international trade and which may, in particular, constrain their capacity to benefit from PACER Plus; and to prioritise for each country the development assistance needed from Australia and New Zealand—whether on a country or a regional basis—to help them overcome the constraints.

The team was also requested to (i) carry out an analysis of the FICs’ current trade and economic cooperation relationships with Australia and New Zealand and identify areas where the FICs might benefit from those relationships in the future; (ii) identify areas where external or internal obstacles have been constraining the deepening of trade and economic cooperation with Australia and New Zealand; (iii) explore the possibilities of Aid for Trade (AfT) assistance measures in overcoming the obstacles; (iv) identify ways in which investment growth can be stimulated in the FICs; and (v) identify areas of further analysis/research that may be needed to design appropriate support for the public and private sectors.

The team visited all 14 FICs (except for Cook Islands, which was only willing to supply published reports) to hear from them in detail about the constraints to benefiting fully from the opportunities offered by the PACER Plus Agreement. To elicit this information in a comprehensive manner, the team adopted the Binding Constraints framework formulated by Hausmann, Rodrik, and Velasco (HRV) (2004, 2005, and 2006). The focus of this framework is on identifying the binding constraints to economic growth within a country: a process that relies on the investigator acquiring detailed knowledge of the country context. The expected outcome of this diagnostic approach is a priority listing of where to focus economic reform efforts in attempting to establish a favourable environment for investment and growth.

There are usually many factors hindering improved performance within an activity, a sector, or across an economy but the HRV approach insists that it is necessary to remove the most constraining factor first for better performance to be achieved. Once the most binding constraint is removed, another constraint will become the most binding. Hence, the analysis should reveal a priority listing of the changes needed, as well as the sequence with which

these constraints are best addressed. As circumstances differ from country to country, the most limiting factor in one sector or country is not necessarily the most limiting factor in another—meaning that the set of binding constraints are likely to be country-specific.

Most of the potential constraints in the FICs relate to supply-side (i.e. ‘behind-the-border’) constraints on taking full advantage of the opportunities offered by the PACER Plus Agreement. However, there may also be external barriers to trade-related economic growth opportunities (demand-side barriers). Therefore, the team attempted to identify both kinds of constraints for each of the 14 FICs.

It was obvious that one of the major reasons the large amount of development assistance extended to FICs in the past has yielded less than expected results is because the binding constraints to their development have not been tackled. FICs have been reluctant, even opposed, to making such necessary economic reforms; there has been a tendency to focus on the easier, less controversial reforms rather than the more essential, though more difficult, reforms needed to boost economic performance. Unless binding constraints to the development of FICs are tackled head-on under PACER Plus, it is likely that past mistakes will be repeated. Indeed, development assistance under PACER Plus (or any development assistance) should be provided in a competitive framework whereby successful efforts by individual FICs to tackle their binding development constraints are rewarded by additional development assistance. Continuing to provide such assistance to FICs not tackling these constraints is likely to be counter-productive.

The subjects covered in the discussions with the FICs were divided into three main areas: Trade in Goods, Trade in Services, and Investment. Within each area there was a general discussion of potential developments under PACER Plus and the problem areas—binding constraints to such developments—as perceived by the FICs, and recommendations for relaxing the capacity constraints.

The recommendations were divided into two ‘baskets’: the first is what we called Implementation Measures and the second Development Assistance Measures. Implementation Measures were recommendations for assistance for capacity development that could be provided to the FICs to implement the PACER Plus Agreement as quickly and effectively as possible in order to gain the greatest benefit from the Agreement. The Development Assistance recommendations were measures that, for the most part, appeared to be necessary to overcome binding constraints to investment and trade in the FICs that bilateral and multilateral development partners could undertake outside of PACER Plus. However, some of the capacity constraints leading to the recommended Development Assistance measures may be so restricting that the Development Assistance measures to overcome them could be included as Implementation Measures.

Separating these two ‘baskets’ of assistance was not always a clear-cut decision: there was often considerable overlap between the two and ultimately difficult decisions will have to be made as to when it is necessary to place Development Assistance measures in the Implementation ‘basket’. If not there will be little benefit to the FIC from the PACER Plus Agreement. For example, secure, individual rights to land—to the mostly custom land of the FICs—is often a binding constraint to the growth of investment and trade. Thus, without the relaxation of this constraint, there will be little or no increase in investment and trade as a result of the Agreement. But improving individual access to custom land for potential investors (whether domestic or foreign) is often a politically sensitive issue and a very difficult change for governments and development partners to tackle. Therefore, the dilemma

facing Agreement members is that, on the one hand, bringing about such change could take a long time and hold up the implementation of the Agreement; on the other hand, without the needed change the countries will benefit little from the Agreement.

Another difficult area is where there may be a large expenditure needed in order to overcome a binding constraint. An example is limitations in port facilities. In some cases, these limitations are major obstacles to increased trade; however, the cost of overcoming the constraint is very large.

It is vital that in the implementation of development assistance under PACER Plus sufficient flexibility be adopted in its provision. Some of the components will be more relevant to some FICs and not others. For example, the requirements of larger FICs for tax and customs reforms are likely to differ substantially from those of the smaller economies, as will reform feasibility and aid absorptive capacities. It is also essential that PACER Plus implementation assistance be well coordinated with other sources of assistance, such as from bilateral and multilateral agencies, to ensure minimal duplication and over-reaching.

The FICs also expressed concern that PACER Plus assistance is “additional”; that PACER Plus assistance does not duplicate existing aid; and that PACER Plus capacity building measures do not impose additional compliance costs on bureaucracies already stretched thin.

Throughout this project and previously, members of the team have built strong and ongoing networks within the FICs and have continued to work on related projects and capacity training programs, such as Australia Awards Papua New Guinea 2017 or most recently the Australia-Fiji Joint Economic and Trade Study commissioned by the Prime Ministers of the two countries.

In the following we aggregate recommendations made from the individual country investigations, which have been confirmed in follow-up discussions with the team’s networks in the FICs. Most of our original recommendations continue to be valid for most FICs. Our recommendations are listed under the headings of Trade in Goods, Trade in Services, and Investment. Additionally, the two ‘baskets’ of recommendations are discussed, with priorities assigned to measures; and with measures recommended either as regional or individual country priorities.

Trade in Goods

A. Implementation Measures

Implementation of Tariff Commitments

In order to implement the commitments made with respect to tariffs, most of the FICs will have to undertake capacity building with respect to the following: transposition of tariff schedules from HS 2012 (or other classifications) to HS 2017; understanding of the Rules of Origin (ROO) requirements of the Agreement; and certification of compliance with ROOs. FIC governments should be assisted to develop and/or improve legislation, regulations, and attendant processes to ensure the smooth implementation of ROO requirements. In part, this will mean the development of procedures to administer documentary evidence of origin provisions, including the verification of origin. Further, to ensure compliance with the Agreement, programs will have to be run to educate the private sector about the meaning and use of ROOs.

The team's network in the FICs continues to raise considerable concern about the loss of tariff revenue due to the PACER Plus Agreement—importantly by many within government. In part this concern has been fostered by uninformed comment about the speed at which FICs may be asked to commit to tariff reductions. The reality is that for most FICs the implementation time frame under the agreement is more than ten years, in some cases 25 or even 35 years. However, the fact that the concern is so widespread shows that there has been little or ineffective public education about what the FICs will commit to as regards tariff reductions and the possibilities for off-setting action on the loss of government revenue.

In the US Compact countries (FSM, RMI, and Palau)—which import much less from Australia and New Zealand than the other FICs—there was considerable concern expressed that the erosion of government revenue due to tariff reductions would be serious by virtue of the Most Favoured Nation (MFN) clause contained in their Compact Agreements with the US. This commitment would require the three countries to extend to the US—where most of their imports are sourced—any tariff preferences granted to Australia and New Zealand under PACER Plus. However, it is unlikely that PACER Plus would lead in these cases to substantial revenue loss because of the existing low base rates, the extended length of time over which any cuts would take place, and the exclusion of sensitive commodities. As for all FICs, tax reform measures could be implemented to offset the likely losses.

Customs

Well-functioning Customs Administrations in the FICs will be an integral outcome of the effective implementation of the PACER Plus Agreement. Discussions with Customs Administrations in the FICs point to the need to improve training of Customs staff in the various aspects of the Agreement, particularly on ROOs. More broadly, for effective operation of Customs Administrations, capacity building is needed on adoption of automated Customs data systems such as ASYCUDA or PCTrade, on the Valuation of imports, familiarity with HS 2017, risk management in relation to preventing tariff evasion, pre-shipment inspection, and implementation of bio-security measures.

A very helpful form of capacity development for most of the FICs would be the building of IT platforms that allow Customs Administrations and Finance Departments to enter their data on the same system. Bio-security administrations could also use the same IT platform. With a large share of government revenues coming from imports, either by way of tariffs and excise duties and value added taxes (VAT), Customs and Finance are dealing with the same clients and therefore face the same risks to the revenues they collect. Modern, efficient risk management of across-the-border goods movements concerns the identification of the riskier clients and riskier countries, so that efforts to counter avoidance can focus on where the largest net revenue gains are likely to be made. A good case can be made for making the construction of such IT platforms for the FICs an important Implementation Measure, which would go a long way towards the FICs having effective border control mechanisms.

Given the importance of developing integrated databases for Customs, Finance, and Bio-security, and given the work underway in several FICs to move to the ASYCUDA system (such as in Fiji, PNG, and Samoa), Implementation Assistance in the form of help with the design and implementation of IT platforms to make this possible would be most useful. Such assistance would build on the work already undertaken by the FICs towards this end.

On the training of Customs Officers on the use of the new, integrated data systems and the implementation of measures to be introduced under PACER Plus, smaller FICs suggest that it

would be helpful to have internships in the larger, more advanced countries, such as Fiji and PNG; while in these larger countries it is suggested that short-term attachments in Customs Administrations in Australia and New Zealand would be the best way to lift skills. A combination of both of these approaches would appear to be very useful.

Sanitary and Phytosanitary (SPS) Measures

All FICs continue to show concern about the need to implement the SPS measures of PACER Plus (and of the WTO, for those FICs that are members), which is underlined by the poor export performance of agricultural products from FICs to Australia and New Zealand. Many FICs have potential to increase exports to Australia and New Zealand, and in turn to other markets, if quarantine barriers to their agricultural, livestock, forestry, and aquaculture products can be overcome. Therefore, it is important that the governments and the private sectors in the FICs have a good understanding of the policies and processes that need to be put in place with regards to SPS measures. This understanding applies to FIC imports as well as to exports as it affects the entire value and supply chain.

Bio-security concerns in relation to animal and plant pests and diseases are closely related to SPS concerns. Thus there will be need for public education about the reasons for quarantine measures; in particular, that implementation of quarantine measures must be science-based. However, it is obvious from discussions with the team's networks in the FICs that the FICs continue to have a severe lack of scientific expertise in regards to control of animal and plant pests and diseases; for example, in respect of the scientific skills needed to make the case that specific exports should be allowed, or to devise emergency response management for animal and plant pest and disease outbreaks. Even a country as large as Fiji with its relatively highly-skilled workforce continues to struggle with a lack of skilled veterinarian officers. Other, smaller FICs are even more deficient with respect to the expertise necessary to implement SPS awareness training, disease and pest diagnostic training, and bio-security capacity building.

The implementation of PACER Plus would benefit from awareness training for all FICs about SPS policies and procedures and their enforcement. As Dispute Resolution processes are an integral part of the implementation of SPS policies and processes, the training should include staff of Attorneys-General departments, or their equivalent, as well as Customs staff. This training should build on an understanding of the WTO SPS Agreement, especially for PACER Plus members that are not members of the WTO.

Technical Regulations, Standards, and Conformity Assessment Procedures

All FICs continue to express demand for capacity building in relation to technical regulations, standards, and conformity assessment procedures. The intensity and depth of the training needed varies from country to country. For example, Kiribati Fish Ltd (KFL) began tuna loining operations in 2014, with the product sold domestically and overseas (to Japan, US, Australia, and New Zealand). KFL seems to be capable of meeting SPS standards but faces potential TBTs in importing countries under international certification rules on by-catch. Thus there is also a need for technical assistance on TBT issues, particularly with respect to environmental compliance.

In Solomon Islands, tuna exports are one of the most likely replacements for the declining timber exports. Thus, there is keenness for improved standards in fish exports. It is argued that if this is not done, a risk is that the EU could turn up un-announced to assess the testing procedures: with the non-trivial risk that if procedures were found not to be up to EU

standards a major opportunity to develop the fish export industry could be lost. (Note that it took Fiji four years to regain the certification rights that were cancelled by the EU.)

Arguments are also brought forward that heat treatment facilities to meet Australian and New Zealand bio-security requirements on timber pallets used for exports should be a high priority for assistance. However, such infrastructure is very expensive. Therefore, the question arises: should Solomon Islands (and other FICs) have its own facility via capacity building under PACER Plus or use regional heat treatment options?

With respect to standards, in Samoa a Metrology Act (covering weights and measures) was passed in April 2015. However, required training that officials need to be able to provide efficient enforcement of the Act remains limited at best. Further work is required to identify the best options for training: whether training would best be provided in Samoa via technical experts being brought in for short-term training; or whether a better option would be to provide practical training for selected officials in Australia and/or New Zealand (or in FICs that have received such training in the past or have the capacity to implement such training)?

In Fiji, the private sector continues to seek a lift of standards to Australian and New Zealand levels. Frequently, issues with Australia over SPS (but not so much with New Zealand, apparently) are mentioned. The need for laboratories for testing and training of personnel remains one of the biggest bottlenecks; the existing testing practices (if available) are said to be insufficient, inefficient, laborious and costly.

There appears to be widespread demand for training to gain an understanding of the Standards applied in other PACER Plus member countries. This will be necessary for any successful development of supply and value chains, in order to trade between FIC members, and FICs and Australia and New Zealand. However, this will have to be an ongoing process in order to meet the improving standards in other FICs.

B. Development Assistance Measures

As for Development Assistance recommendations, several apply to virtually all FICs. These recommendations are made in the spirit of the WTO's commitment to Aid for Trade (AFT) assistance to developing countries. These recommendations are given priority as it is believed that they are tackling binding constraints to the investment, production, and trade response from the FICs to the economic incentives provided by PACER Plus. In other words, providing assistance to enable FICs to implement the PACER Plus Agreement without providing effective development assistance is likely to benefit them minimally. Thus, it is fundamental that Australia and New Zealand ensure that substantial development assistance is provided under PACER Plus, and that the FICs are open to it being used effectively and are prepared to tackle the challenging institutional, policy, and other reforms needed to remove binding constraints that inhibit efficient investment, production, and trade.

(i) Secure Access to Land for Investors

Most of the land in the FICs is held under customary ownership. Secure, individual title to land, whether as long-term leasehold or as freehold, is necessary for the development of the private sector. Secure individual title to land provides the physical basis for businesses as well as collateral for loans from commercial lenders. With the exceptions of Fiji and PNG, FICs do not have a comprehensive legislative framework that can provide secure, individual title to land for domestic and foreign investors. Providing such security for foreign investors

is critical if the FICs are to benefit from the innovation and market linkages that they can bring.

Therefore, it is recommended that for the FICs other than Fiji and PNG there be a review of the legislation relating to customary land tenure and of the possibilities for improving investor access to customary land (for example, through long-term leasing as is provided by Fiji and being developed in PNG). Without the easing of this binding constraint, it is doubtful that there will be much increase in production and exports, or the developments of important value and supply chains as a response to PACER Plus by most of the FICs.

(ii) *Review of Investment Legislation and Business Regulations*

In all FICs private sectors continue to face significant difficulties in setting up and running businesses as evidenced by the poor global rankings of the FICs according to the annual surveys carried out by the World Bank Group on the private sector *Costs of Doing Business*. Indeed, in many FICs there is a bias against foreign investors, with often a wide range of activities reserved for local investors. Such restrictions inhibit the introduction of new ideas and new technology. Moreover, such restrictions are counter-intuitive: the FICs need all the help with innovation that they can get due to their inbuilt constraints on development as a result of their remoteness and small markets.

Therefore, a review of the FICs' domestic and foreign investment legislation and regulations is recommended. Fiji is in the process of framing a new Investment Act with assistance from the World Bank, which may provide a model for the rest of the FICs. The review should be aimed at facilitating investment by identifying policy and regulatory barriers to investment and examining options for its promotion. Such investment policy reforms would be directed not only at improving investment inflows from Australia and New Zealand as part of PACER Plus but also from other countries; as well as to stimulate domestic investment.

(iii) *State-owned Enterprise Reform*

State-owned enterprises (SOEs) are widespread in the FICs. Often these are blamed for "crowding out" of the private sector due to their monopoly status, their preferential treatment by governments in awarding contracts, and payment of subsidies for losses incurred, or because of the high wages they are able to pay due to government subsidies. Where the SOEs are utilities providing essential services, their inefficiency means higher costs for the private sector.

Therefore, it is recommended that FICs be supported in undertaking reviews of SOEs with the aim of reforming and/or privatising them where they constrain efficiency and private sector development by adversely affecting the business and investment climate.

Trade in Services

A. Implementation Measures

This component supports implementation of the PACER Plus Agreement's Chapter on Trade in Services and the Chapter on the Temporary Movement of Natural Persons. The objective of this component is to facilitate cross-border flows of services among the member countries, including by assisting them to adopt and/or improve regulations affecting services flows or removing barriers to the flow of services.

Tourism

Transit visa arrangements for tourists flying to Tonga via New Zealand are effective and do not inhibit tourism growth in Tonga; Australia's requirements for transit visas for tourists flying through Australia are, however, a serious constraint.

Labour Mobility

In one form or other, mutual recognition of qualifications is important and in need of assistance with regard to improving labour mobility throughout the PACER Plus members. For example, in 2017 the Solomon Islands Tertiary Education and Skills Authority Act was passed. The established authority aims to facilitate regional and international recognition of tertiary qualifications obtained in Solomon Islands. However, assistance will be required to have the authority running efficiently based on international standards: including in the areas of human resources and building the capacity of staff. The Solomon Islands government wishes to have both a regional and a bilateral framework for the mutual recognition of qualifications. As regards the goal of a regional framework, the Solomon Islands is working with Kiribati, Nauru, and Tuvalu on a sub-regional Pacific Qualifications Framework. However, it would be desirable to look into a whole-of-region solution for the mutual recognition of qualifications.

Through the Kiribati Teachers College and the Kiribati Institute of Technology, the Kiribati Ministry of Education is attempting to raise the qualifications of teachers and TVET trainers to the international standards adopted under the Pacific Qualifications Framework and thereby raise the quality of graduates of TVET and other colleges to international standards. Kiribati government officials see this as an important component of its philosophy “to migrate with dignity”.

In Fiji too, there is a focus on having domestic Higher Education providers move to international standards. Fiji has established the Fiji Qualifications Framework, which has adopted Australian and New Zealand standards. Now they are looking at pathways to raising provider standards to the required level. A Program Accreditation process is being undertaken, which is a huge task—about 1,300 programs have to be accredited, but the Higher Education Commission (HEC) can only do around 50 per year (at this rate it will take 25 years). Thus, assistance would be very welcome in speeding up the accreditation process. The HEC is also looking into the assessment of qualification from countries outside the region. It could do with help on this process from Australian and New Zealand universities and other tertiary institutions.

Cook Islands has benefitted from inflows of skilled, professional workers from other FICs such as Fiji. But skill recognition measures and easier entry conditions would assist with this labour movement within the Pacific. A Pacific Skills Visa, as proposed by Satish Chand (2019), for skills in demand across the FIC has the potential to incentivise skills recognition across the FIC and lead to an integrated labour market for skilled workers.

B. Development Assistance Measures

From the experiences of many FICs (especially Fiji, Samoa, Tonga, and Vanuatu), deregulating international airline services can be a driver of tourism growth in the Pacific. Therefore, if tourism is to be developed in countries presently not doing well in this regard, removing any constraints on competition in international airline services would be desirable. For example, air travel to and from Kiribati, the Solomon Islands, Nauru and other remote

countries remains expensive and constrains tourism. Countries such as Fiji have shown little development in price competitiveness in international air travel over the past decade and this can be linked to domestic regulations and out-of-date and restrictive air service agreements with its major tourism markets, Australia and New Zealand. However, these relatively restrictive air services agreements extend throughout the FICs. The high costs of international travel are an inhibiting factor for tourism as well as in the involvement of people from Kiribati, the Solomon Islands, and other FICs in Australia's Seasonal Worker Program and the New Zealand RSE program. It is recommended that the FICs be supported in reviewing, revising, and harmonising all regional FICs-Australia-New Zealand air service agreements to include modern components. This would send a positive signal to air service operators by providing them with greater flexibility.

Investment

A. Implementation Measures

All FICs need an improved environment for investment, both domestic and foreign. If trade in goods and services is to increase between the members of the Agreement in response to the opportunities created by PACER Plus, there must be increased private sector investment. Of course, public investment in infrastructure and essential services will often be needed to enhance the environment for private investment.

The costs of doing business continue to be one of the major factors inhibiting investment. The private sector is generally aware of how poorly the FICs rank in the World Bank Group's Ease of Doing Business surveys. One option to overcome the constraint could be the establishment of a one-stop-shop for starting a business. This could assist in overcoming the difficulty of accessing information about the processes involved in starting a business. Establishing a region-wide website with information about the FICs' current legislation and regulations pertaining to investment would be a good place to start.

However, in most cases the current legislation and regulations relating to both domestic and foreign investment are the inhibiting factors. Several years ago, the Foreign Investment Advisory Services (FIAS) of the International Finance Corporation (of the World Bank Group) undertook reviews of the investment legislation and regulations in most of the FICs. However, there was little follow-up to the advice given about the reforms needed to improve the investment environment. Such reviews should be undertaken again region-wide and assistance should be considered. For example, Fiji has been receiving assistance in the draft of a new Investment Act.

B Development Assistance Measures

As noted, there is the question as to how far development assistance should go with respect to reforms to unshackle the private sector in the FICs through PACER Plus? While PACER Plus offers incentives to expand investment and trade, it can be argued that the supply response will be very limited unless the constraints on access to land are eased, education and skills training is improved, infrastructure and essential services become more efficient, and the "crowding-out" of the private sector by SOEs is eliminated. Should these issues be tackled through PACER Plus development assistance?

To illustrate, in Tonga around one-third of land titles have been digitised. However, it is not clear when the most recent cadastral mapping was undertaken and accordingly how accurate it is. If the substantial increase in foreign direct investment that is envisaged for the tourism

and agricultural sectors in Tonga is to be forthcoming, potential foreign investors clearly need to know who owns particular blocks of land over which they may wish to negotiate leases. A relatively modest investment in identifying when the most recent cadastral mapping was undertaken and into capacity building to enable the Ministry for Land and Survey to digitise the remaining land titles could deliver major benefits to Tonga.

In Kiribati there has been a very heavy dependence on SOEs since the country's independence. This has had the unfortunate effect of almost entirely crowding out the private sector, as private businesses cannot compete with SOEs that receive government subsidies to survive. Moreover, the subsidies have placed a large burden on the country's budget, restricting its ability to fund other more useful public services.

Competition Policy

An essential component of a vibrant private sector is openness to competition. However, there has been little attention paid to Competition Policy in the FICs. The widespread use of SOEs is one form of restriction on competition. The adoption of "reserved activities" lists, which reserve investment opportunities to local investors, is another. A further widely-used restriction on competition is the use of price controls. If economic activity generating innovation and productivity is to be encouraged through PACER Plus, FIC governments should abandon these restrictions on competition. However, there is the issue of how effective competition policy can be enforced within such small countries, especially any efforts to implement complex competition laws. There is room for regional cooperation here. Moreover, public education will be necessary to make the public aware of the need for these kinds of reforms.

Conclusions

We submit that the Australian government has an important opportunity to assist Pacific island nations, i.e. the 14 Forum Island Countries (FICs), to better utilise the existing Pacific Agreement on Closer Economic Relations (PACER Plus), and to deepen international trade linkages for economic prosperity. In particular, increased trade in goods and services and the establishment of regional value and supply chains can be enhanced through improved public infrastructure; further, increased private investment may be facilitated through lowering of the costs of doing business in the islands, and achieving increased flows of workers across the FICs through a Pacific Skills Visa Program. Importantly, the set of assistance measures are likely to be unique to the country circumstance—that is, the binding constraints to growth are likely to vary across FICs. Consequently, policies and assistance targeted at addressing the binding constraints across FICs would need to reflect these differences.

References

Chand, Satish, 2019. 'Pacific Skills Partnership: Improving the APTC to meet skills need within the region', paper presented to the *Pacific Skills Summit*, University of the South Pacific, Suva, 23rd June 2019.

Hausmann, Ricardo, Dani Rodrik, and Andres Velasco, 2004. *Growth Diagnostics*, October, John F. Kennedy School of Government, Harvard University.

Hausmann, Ricardo, Dani Rodrik and Andres Velasco, 2005. *Growth Diagnostics*, March, John F. Kennedy School of Government, Harvard University. Available from <http://ksghome.harvard.edu/~drodrik/barcelonafinalmarch2005>.

Hausmann, Ricardo, Dani Rodrik and Andres Velasco, 2006. 'Getting the diagnosis right', *Finance and Development*, 43(1):1-8.