



## 3055 BA SANGAM COLLEGE

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### WORKSHEET 14

School: Ba Sangam College

Year: 11

Name: \_\_\_\_\_

Subject: Economics

Strand 4	International Trade
Sub Strand 4.1	International Trade
Content Learning Outcome EC11.4.1.1	Discuss the different aspects of international trade.

### TRADE AGREEMENT FOR FIJI

Trade Agreements play a very important role in the trade relations between countries or a region.

**The three major forms of the trade agreements are:**

**Multi-Lateral trade agreement:** - world wide trade agreement involving many countries. The most famous is GATT. (General Agreement on Tariffs and Trade).

1. Fiji joined the **World Trade Organisation (WTO)**

The WTO provides market access to more than 153 members.

2. **General agreement on Tariff and Trade: GATT-** The general aim of agreement is to reduce trade barriers. GATT is a multi-lateral with a set of rules governing the conduct of world trade.

3. **The Interim Economic Partnership Agreement (IEPA)** The IEPA provides duty free and quota free market access on all products from Fiji except for sugar and rice, which are subjected to longer transitional periods.

### Regional Trade Agreement (PICs)

1. The **Melanesian Spearhead Group (MSG)** Trade Agreement which is a free trade agreement that allows trade to take place freely between Fiji, Papua New Guinea, Vanuatu and Solomon Islands;

2. The **Pacific Island Countries Trade Agreement (PICTA)**, which seeks to establish a free trade area among the fourteen Forum Island Countries (FICs). Six countries have already completed the legislative requirements and are ready to commence trading under PICTA;

3. The **South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA)**, benefits from the SPARTECA-TCF Scheme which allows its textiles, clothing and footwear (except wool and wool blend fabrics) to be exported to Australia duty free under more favourable rules of origin.

4. The **Pacific Agreement on Closer Economic Relations (PACER)**, It also provides for assistance to FICs including Fiji, to enable them to implement PICTA and address customs matters, standards and conformance and quarantine issues.

**Bi-Lateral trade agreement:** - trade agreements between two countries. E.g. trade agreement between Fiji and Australia.

1. **European Union (EU):** This is a bilateral trade agreement. It involves setting of what is called a customer union in which members remove all barriers to trade amongst themselves and adapt a common sense of external barriers therefore eliminating the need for customer and internal borders.

### Activity

#### Question 1

Use the excerpt given below and your knowledge to answer questions (i) – (iii).

#### **Trade Agreements Among Small Developing Countries**

PICTA was seen as a stepping stone toward more multilateral trade liberalisation. The idea that trade liberalisation should be a gradual process to limit disruption and structural adjustment was first in the minds of the parties to the agreement. However, the lack of progress in implementing the agreement suggests that seeing PICTA as a stepping stone to further liberalisation may be a highly optimistic assessment. Moreover, the perception that the agreement could be a “training ground” for businesses and governments completely misunderstands the political economy of trade reform.

The FICs are mostly very small economies with similar exports (mostly agricultural) and little trade between them. The preferential removal of tariffs on higher-cost imports from member countries would allow them to displace lower-cost goods previously imported from countries outside the bloc. The adverse impacts of this kind of trade agreement are likely to be even worse than envisaged above.

The governments of the importing countries no longer receive tariff revenues from the imports that come from within the trade bloc. Essentially, the tariff revenue is transferred in large part to the exporting firms in member countries and, to some extent, to domestic consumers. Therefore, rather than being a “stepping stone” toward fuller trade liberalisation, PICTA is likely to be a **stumbling block**.

(i) What does the abbreviation PICTA stand for?

\_\_\_\_\_ (1 mark)

(ii) State one benefit of small developing countries signing the PICTA.

\_\_\_\_\_  
\_\_\_\_\_ (1 mark)

(iii) According to the article, why is PICTA likely to be a stumbling block rather than being a stepping stone toward fuller trade liberalisation?

\_\_\_\_\_  
\_\_\_\_\_ (1 mark)

**The End**