Regional Economic Integration and Transnational Labour Mobility in the Pacific Island Countries

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Introduction

The Pacific Islands Forum (PIF), a regional organization comprised of 14 Pacific Island Countries[1] plus Australia and New Zealand, is accelerating regional economic integration. Formation of a free trade area (FTA) is a central issue in PIF economic integration. As the first step toward formation of an FTA, PIF adopted the Pacific Agreement on Closer Economic Relations (PACER) and the Pacific Island Countries Trade Agreement (PICTA) in 2001. In order to propel the FTA further, PIF launched negotiations over PACER Plus in 2009.

It is widely recognized that current regional integration processes rest upon deep integration. Agreements go beyond liberalisation of tariffs to include the removal of regulatory barriers relating to liberalisation of services and investment issues (Gavin and De Lombaerde 2005: 73). This applies to PIF economic integration. Among the removal of these regulatory barriers, liberalisation of transnational labour mobility is a particularly important issue for the Pacific Island Countries.

Since it is said that "the history of the Pacific is a history of migration" (Opeskin and MacDermott 2009: 353), transnational labour mobility has been a major characteristic of the Pacific Islands. Especially since the end of the World War II, migration from Polynesian islands has often created a phenomenon in which the size of the population living abroad is bigger than that of population at home (Sudo 2008: 19). Then, how will the transnational labour mobility in the Pacific Islands be influenced by PIF economic integration, namely the liberalisation of transnational labour mobility? This article examines the impact of PIF economic integration on transnational labour mobility in the Pacific Island Countries.

The article begins by considering functions and patterns of transnational labour mobility in the Pacific Island Countries. Next, it explores the background of PIF economic integration, followed by an examination of PICTA and PACER. The third section investigates how the liberalisation of transnational labour mobility has been dealt with in the negotiations over PICTA and PACER Plus. Finally, the article discusses the impact of PIF economic integration on transnational labour mobility in the Pacific Island Countries and its implications for PIF regionalism.

I MIRAB Model and Networks of Transnational Labour Mobility

(1) Economy of Migration and Remittances

On transnational labour mobility in the Pacific Islands, some scholars have argued that no other region in the world has experienced larger outflows of people, although the absolute number of migrants is small, proportionate to the size of their home populations (Opeskin and MacDermott 2009: 353). When we consider such transnational labour mobility in the Pacific Islands, sometimes konwn as "mass exodus" (Sudo 2008: 4), the MIRAB model provides a noteworthy argument.

The MIRAB model was originally presented by Bertram in the 1980s as an attempt to model the stylized facts of modern economic development in a number of small Pacific islands (Bertram 2006: 1). He claims that economies and societies in these islands are sustained

by migration (MI), remittances (R), aid (A) and bureaucracy (B). For the purpose of this article, let us focus on migration and remittances.

According to Bertram, migration in the Pacific islands is a "profitable" allocation of household resources, potentially of long-run benefit to the growth of living standards in the sending community, not a straightforward developmental loss to the community (Bertram and Watters 1985: 498-499). In short, it is a "collective" decision by migrants' family units rather than an "individual" decision, and "the internationalization of the economic activities of island kin groups or households, acting to allocate their labour resources internationally to take advantage of niches of economic opportunity" (*Ibid.*: 498, 501).

Bertram calls the family or kin units in the small Pacific societies, which act and calculate on a transnational scale, especially via the regional labour market, a "transnational corporation of kin" (*Ibid.*: 499, 511). The migration conducted by the "transnational corporation of kin," therefore, takes place without severing the links binding the migrants in their kin group of origin (*Ibid.*: 499). Pointing out the difference from a familiar hypothesis which claims that the level of remittances from migrants is predicted to tail off as ties to the home community weaken, Bertram argues that the migrants from the small Pacific societies will continue to send back high levels of remittances to the home community (*Ibid.*: 514).

Furthermore, he notes that the flow of remittances from oversea-resident members of island households is a major source both of cash incomes in the village economy and of import capacity in the balance of payments for most small Pacific Islands (*Ibid.*: 504-506). For example, gross remittance inflows in total imports were 14 percent for the Cook Islands 1970-83, and 20 percent for Tuvalu 1979-82 (*Ibid.*: 506). We can recognize that remittances from migrants play a significant role in the Pacific Islands' economy.

It is important to note that such transnational labour mobility from the Pacific Islands has been mainly destined for New Zealand, Australia and the United States. This article broadly divides transnational labour mobility to these countries into two types, one being through relations with ex-colonial powers and the other through relations with the developed Pacific countries, and examines them in the following sections.

(2) Transnational Labour Mobility through Relations with the Ex-Colonial Powers

Relations with the ex-colonial powers have provided a foundation for transnational labour mobility in a "New Polynesian Triangle" stretching from the North American continent in the east to Australia in the west and New Zealand in the south (Barcham, Scheyvenst and Overton 2009: 322). The Cook Islands and Niue are regarded as typical examples of this type.

Under the Free Association Agreement which left external affairs[2] and defense to New Zealand, the Cook Islands moved from the status of a New Zealand territory to a self-governing state in 1965, followed by Niue in 1974. Upon decolonization, Cook Islanders and Niueans were granted New Zealand citizenship in what has been described as "possibly one of the most generous post-colonial arrangements in modern history" (Opeskin and MacDermott 2009: 365). Because of this arrangement, they can enter and move freely within New Zealand, and get access to the labour markets.

The number of migrants from the Cook Islands and Niue to New Zealand has been increasing, due to a shortage of labour force stemming from economic growth of New Zealand through the 1950s and 1960s and the spread of new transport technologies and infrastructure in the 1960s and 1970s (Barcham, Scheyvenst and Overton 2009: 326). According to the 2006 census, there were three times as

many Cook Islanders and 14 times as many Niueans in New Zealand than in their home islands (Opeskin and MacDermott 2009: 365).

In contrast to ex-New Zealand territories, ex-United Nations Trust Territories which were governed by the United States, namely the Federated States of Micronesia, the Marshall Islands and Palau, were not granted United States citizenship upon decolonization. Instead, they were granted the rights to travel to the United States, to establish residence there as "non-immigrants" without a visa and to "lawfully engage in occupations" under the compacts of free association with the United States (*Ibid.*: 367)[3]. For example, the 2000 census showed that, in the case of Palau and Marshall Islands, 11 percent of the population was living in the United States (*Ibid.*: 365).

While the ex-New Zealand territories and ex-United Nations Trust Territories have maintained relations with their ex-colonial powers as a foundation for transnational labour mobility, Papua New Guinea has not had this kind of relationship with its ex-colonial power, Australia. This was because granting citizenship or rights of migration to Papua New Guinea, which was both proximate and highly populous, was impossible for Australia (*Ibid.*: 366).

However, Papua New Guinea, as well as Tonga, Kiribati and Vanuatu, was selected as a sending country of seasonal workers to Australia under the Pacific Seasonal Worker Pilot Scheme (PSWP Scheme) which Australia introduced in 2008. Australia conducted this scheme as a developed Pacific country, not as an ex-colonial power. The following examines this kind of transnational labour mobility through relations with the developed Pacific countries.

(3) Transnational Labour Mobility through Relations with the Developed Pacific Countries

The temporary worker schemes provided by developed Pacific countries are the other important foundation for transnational labour mobility in the "New Polynesian Triangle". Apart from the PSWP Scheme mentioned above, the Recognized Seasonal Employer Scheme (RSE Scheme) conducted by New Zealand plays a significant role in this type of transnational labour mobility[4].

The seasonal demands of labour at peak times and the levels of productivity were major problems in the horticulture and viticulture industries in New Zealand (Ramasamy, Krishna, Bedford and Bedford 2008: 173-174). On the other hand, pressure from leaders of Pacific countries on Australia and New Zealand to open up their labour markets to more unskilled/low-skilled migration from the Pacific was mounting, especially to meet the labour demands in these industries (*Ibid,*: 176). That was why the New Zealand government introduced the RSE Scheme in 2007.

One characteristic of the RSE Scheme is that it accepts unskilled/low-skilled workers from the Pacific Island Countries. The scheme initially allowed for up to 5000 workers, and later 8000 workers, as a labour force in the horticulture and viticulture industries in New Zealand for 7 months maximum in any 11-month period[5]. This broadened the opportunities for unskilled/low-skilled people in the Pacific Island Countries to work and earn money in New Zealand.

The other characteristic of the RSE Scheme is that all Pacific Island Countries are given access to the scheme, except three countries: the Cook Islands and Niue, to which New Zealand granted citizenship, and Fiji, to which New Zealand launched sanctions after the 2006 coup. In the beginning, Kiribati, Tuvalu, Tonga, Samoa and Vanuatu were selected as the "kick-start" states, then later on, other Pacific Island Countries were also approved as sending countries[6]. The RSE Scheme made a significant impact, particularly on the Melanesian countries, namely Papua New Guinea, the Solomon Islands and Vanuatu, which had little access to a labour

mobility scheme.

Although the RSE Scheme is regarded as an attempt to achieve the “triple win” for migrants, their countries of origin and the destination countries (*Ibid.*: 172), we should also note its fundamental characteristic as a part of the aid provided by developed Pacific states. This was shown in the statement given by Winston Peters, New Zealand's Minister of Foreign Affairs. He stated that the RSE Scheme would help alleviate poverty directly by providing jobs for rural and outer island workers who often lacked income-generating work (Gibson, McKenzie and Rohorua 2008: 187).

Following New Zealand, Australia introduced the PSWP Scheme as a part of aid provided by developed Pacific states. It held an immigration policy which was “selective, skilled and tightly managed,” and “designed for nation building rather than alleviating temporary shortage,” since it abandoned the “White Australia Policy” in the mid-1970s (Opeskin and MacDermott 2009: 366). However, it changed the policy and decided to launch the PSWP Scheme because of a number of factors, such as the perceived early success of the New Zealand RSE Scheme, an evolving foreign policy that has sought greater engagement with the Pacific and requests from Pacific Island governments (*Ibid.*: 368).

The PSWP Scheme allowed up to 2500 overseas workers in the horticulture industry in Australia for 7 months maximum each year over a three-year period. The scheme shared a fundamental characteristic with the New Zealand RSE Scheme, in the form of aid which aimed at giving opportunities to unskilled/low-skilled people in the Pacific Island Countries to work and earn money in the developed Pacific countries. But it did not bring about tangible results, when compared with the New Zealand RSE Scheme.

The reasons can be summarized in three points. First, because of its position as a “pilot” scheme, the PSWP Scheme nominated only Kiribati, Papua New Guinea, Tonga, Vanuatu, Samoa and Timor-Leste as the sending countries. In addition, it only accepted a small number of workers, about half the number of the initial stage of the New Zealand RSE Scheme.

Second, there was a large presence of undocumented workers in the horticulture industry in Australia, which the PSWP Scheme targeted. Those workers were overseas students working beyond their visas, individuals working while in receipt of Australian social security benefits and those with no visa entitlement to work (MacDermott and Opeskin 2010: 301). Their presence was a serious structural impediment to the expansion of the PSWP Scheme (Ball 2010: 123). While New Zealand sought to clean up illegal labour supply in its horticulture and viticulture sectors ahead of the RSE Scheme (*Ibid.*: 126), Australia did not take action upon introducing the PSWP Scheme.

Third, the PSWP Scheme was put under the high degree of government oversight of what would otherwise be private employment arrangements (MacDermott and Opeskin 2010: 293). The Australian government has tried to closely regulate the scheme in its efforts to minimize risks of adverse outcomes, including exploitation of workers (Ball 2010: 122). The PSWP Scheme was unnecessarily rigid and uncompetitive because of these tight controls, in contrast with the New Zealand RSE Scheme which provided individual farmers or collectives of employers greater flexibility (*Ibid.*).

Consequently, only 1614 visas had been allocated under the PSWP Scheme by the end of the scheme in June 2012 (*Islands Business*, November 2012:25). Due to the malfunction of the PSWP Scheme, Australia replaced the scheme with the Seasonal Worker Programme (SWP) and expanded the number of sending countries and workers, as well as industry sectors[7].

Thus, transnational labour mobility of the Pacific Island Countries has been carried out

through relations with ex-colonial powers and the developed Pacific countries. Now there emerges a potential pattern of transnational labour mobility stemming from regional economic integration.

II Toward PIF Economic Integration

(1) Background of PIF Economic Integration

It was global trade liberalization that made PIF propel regional economic integration. In other words, global trade liberalization threatened the existing economic foundation of the Pacific Island Countries and urged them toward regional economic integration.

Until then, various trade preferences sustained the vulnerable economic foundation of the Pacific Island Countries, which were categorized as the Small Island Developing States in the international society. The Lome Conventions were one of the important trade preferences for the Pacific Island Countries. The conventions, which were signed by the European Economic Community (EEC) on the one hand and the Africa, Caribbean and Pacific (ACP) Countries on the other[8)], offered various preferential arrangements to the Pacific Island Countries during the period between the first convention, which came into force in 1975, and the fourth one, which ended in 2000.

The System of Stabilization of Export Earnings (STBEX) was one of the preferential arrangements under the Lome Conventions. It enabled the ACP Countries to receive financial aid from the EEC when the export earnings of their commodities decreased to a certain level because of fluctuations in market prices.

The preferential arrangement under the Lome Conventions also provided special quotas and prices for key commodities of the ACP Countries. A notable example was the Sugar Protocol. Due to the Sugar Protocol, the ACP Countries could export sugar to the European market with a special quota and price, which was higher than market price.

Furthermore, the ACP Countries enjoyed unilateral preferences under the Lome Conventions. For instance, the Lome Conventions offered a low tariff for cocoa beans from the ACP Countries. Because of this preference, cocoa beans from Solomon Islands and Vanuatu were almost exclusively exported to the European market (Ogawa 2002: 51-53).

Along with the Lome Conventions, the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) has also sustained the economic foundation of the Pacific Island Countries. It was signed by Australia and New Zealand on one side and the Pacific Island Countries on the other in 1980. Under SPARTECA, the Pacific Island Countries were allowed non-reciprocal, duty free access of their products by the Australian and New Zealand markets without quantitative restrictions.

However, these trade preferences were challenged by a wave of global trade liberalization. The General Agreement on Tariffs and Trade (GATT) Uruguay Round reached an agreement in 1994, and consequently, the World Trade Organization (WTO) was set up in 1995. With the establishment of WTO, the Pacific Island Countries were concerned about the future of the Lome Conventions. Since the Lome Conventions provided non-reciprocal preferential arrangements, they were apparently incompatible with the non-discriminatory trade principles of WTO. It was even anticipated that the conventions might be phased out when Lome IV reached its end in 2000.

It would be impossible for the Pacific Island Countries to get stable export earnings from their products if preferential arrangements under the Lome Conventions were to be abolished. Even if the preferential arrangements were not abolished, non-reciprocal preferences under the Lome Conventions would apparently lose significance for the Pacific Island Countries, because the European Union (EU) would reduce tariffs under the WTO regime. For example, the

EU decided to eliminate the tariff for cocoa beans. This meant that non-reciprocal preference under the Lome Conventions was de facto lost for cocoa beans from the Pacific Island Countries.

As well as the Lome Conventions, SPARTECA was also eroded by the WTO regime. Under the WTO regime, Australia and New Zealand reduced tariffs and the Pacific Island Countries were no longer able to enjoy the benefits of non-reciprocal, duty free access to their products by the markets of both countries.

Therefore, the Pacific Island Countries had to adapt themselves to the changes in global trade liberalization. The PIF economic integration was an initiative for adapting to these new circumstances.

(2) PICTA and PACER

The 1997 PIF annual meeting agreed to set up an FTA among the Pacific Island Countries. Two years later, PIF annual meeting endorsed the FTA, and adopted PACER and PICTA in 2001.

PICTA was the framework to form an FTA among the Pacific Island Countries. It stated that Small Island States and Least Developed Countries, namely the Cook Islands, Nauru, Niue, Tuvalu, Kiribati, the Marshall Islands, Samoa, the Solomon Islands and Vanuatu, would eliminate tariffs by 2012, and the rest of the Pacific Island Countries would do so by 2010, excepting some goods for which tariffs were to be eliminated by 2016. On the other hand, PACER was signed by all the PIF member countries, that is, the Pacific Island Countries plus Australia and New Zealand. It is not an FTA, but "a framework agreement providing for trade negotiations in the region," which "sets out obligations to negotiate in certain circumstances" (von Tigerstorm 2005: 263). In short, the PIF tries to carry out trade liberalization among the Pacific Island Countries using PICTA as a "training ground" (World Bank 2002:1), since the amount of trade among them is relatively small (von Tigerstorm 2005:264). Then, as the next step, it will proceed to set up an FTA including Australia and New Zealand on which most imports of the Pacific Island Countries rely. And finally, it will move toward full integration with the global trading regime (*Ibid.*: 264-265).

It has been claimed that "stepping stone" approach (*Ibid.*: 265) is appropriate for the Pacific Island Countries which have limited capacity for adjustment to global trade liberalization. Rather than jumping off the deep-end into FTAs with the industrial economies, the Pacific Island Countries may have an easier time if they first develop an FTA or regional trade agreement amongst themselves as a "stepping stone" to FTAs with the rest of the world (Narsey 2004:76-77). It is important to note that this "stepping stone" approach was also adopted by the Cotonou Agreement, which was signed by the EU and the ACP Countries[9] in 2000.

The Cotonou Agreement proposed introducing reciprocity through the establishment of a series of Economic Partnership Agreements (EPAs), while the Lome IV trade arrangements were to be continued until 2007 (Morrissey 2011: 6; Narsey 2004: 79). The agreement also stated that economic and trade cooperation between the EU and the ACP Countries shall build on the regional integration initiatives of the ACP Countries, "bearing in mind that regional integration was a key instrument for the integration of the ACP Countries into the world economy" (*Ibid.*: 77). Specifically, the ACP Countries are to form regional groups for integration, that is, the Caribbean, the Pacific, Central Africa, West Africa, the Southern African Development Community and East and Southern Africa. Following this, these regional groups and the EU are to sign the EPAs respectively. The final step is to achieve integration of the ACP Countries into the world economy. Therefore, the Pacific Island Countries

have to achieve regional integration as the condition for negotiating over the EPA with the EU. In this regard, the “stepping stone” approach of the Cotonou Agreement also urges the Pacific Island Countries to form an FTA by PICTA.

Moreover, it should be noted that the Pacific Island Countries have to start negotiations over an FTA including Australia and New Zealand as the next step following PICTA if they start negotiations over the EPA with the EU. The PACER, which was signed between the Pacific Island Countries and Australia and New Zealand, stated that the Pacific Island Countries would undertake consultations with Australia and New Zealand with a view to the commencement of free trade arrangements if any of the Pacific Island Countries, or the parties to PICTA jointly, entered into negotiations for a free trade agreement with a non-Forum country (von Tigerstorm 2005:263)[10]. Connecting each other, PICTA, PACER and EPA with the EU are functioning as driving force for PIF economic integration.

After being adopted, PACER came into force in 2002, followed by PICTA in 2003[11]. While negotiations over the EPA between the Pacific Island Countries and the EU started in 2004, PACER Plus negotiations started in 2009 in order to form an FTA including Australia and New Zealand[12]. Thus, PIF launched regional economic integration. In the negotiations of PIF economic integration, transnational labour mobility, which has played a significant role in the Pacific Islands' economy, has been discussed as one of the important issues on the agenda.

III Transnational Labour Mobility in the Negotiations on PICTA and PACER Plus

(1) PICTA Temporary Movement of Natural Persons Scheme

PICTA, as the first step in the “stepping stone” approach for PIF economic integration, came into force in 2003. Nevertheless, there were only three countries, namely the Cook Islands, Fiji and Samoa, which implemented PICTA at the time of the second PICTA Parties Meeting in 2007 (Forum Secretariat 2007). This was because there was only small amount of trade among the Pacific Island Countries due to their similar exports. At the launching of PICTA in 2003, Noel Levi, the Secretary-General of the PIF Secretariat, stated that the volume of inter-island trade was around 3 percent of total trade, and that the remaining 97 percent presented opportunities rather than constraints (Forum Secretariat 2003). In spite of his statement, most of the Pacific Island Countries found the PICTA trade liberalization unattractive.

For the smaller Pacific Island Countries in particular, PICTA trade liberalization was apparently disadvantageous in two ways. One was that there was little possibility for expansion of their exports under PICTA. Since the smaller Pacific Island Countries had little to export, they would most likely face an excess of imports over exports under PICTA. The other was the loss of tariffs as revenue. The smaller Pacific Island Countries depended heavily on import taxes as government revenue. For instance, nearly 20 percent of the Marshall Islands' locally generated revenue in 2004 was gained from import taxes (*Pacific Islands Report*, 10 August 2004). If imports from non-PICTA parties were to decrease under PICTA, the smaller Pacific Island Countries would lose a significant portion of the government revenue which import taxes generated. Even though trade liberalization under PICTA was a “training ground,” it was not easy to implement for the Pacific Island Countries.

Needless to say, trade liberalization under PICTA itself was not an ultimate goal, but a “stepping stone” to an FTA with Australia and New Zealand, and to EPA negotiations with the EU. As mentioned earlier, the EPA negotiations between the Pacific Island Countries and the EU started in 2004. Furthermore, the 2007 PIF

Trade Ministers Meeting held discussions on launching PACER Plus negotiations in order to form an FTA including Australia and New Zealand. Although the Pacific Island Countries had few economic benefits from PICTA, they had to implement it for further economic integration.

In such situations, PICTA moved to extend its coverage to trade in services. The extension of trade in services to PICTA was already agreed upon in principle at the PIF Trade Ministers Meeting in 2001. In 2008, the PIF Trade Ministers Meeting officially launched the negotiations for a trade in services agreement as an extension to PICTA. After seven rounds of negotiations, the PICTA Trade in Services Protocol was signed at the Pacific ACP Leaders' Meeting in 2012.

Liberalization of transnational labour mobility among the Pacific Island Countries has been discussed as the Temporary Movement of Natural Persons Scheme in the PICTA trade in services negotiations. The scheme would allow skilled professionals to move freely among the Pacific Island Countries, and semi-skilled/trades professionals would be subject to a mechanism based on minimum quotas. Also, the scheme would extend to nationals of the Pacific Island Countries, regardless of whether or not the nationals are resident in a Pacific Island Country, and persons with rights of permanent residence in a Pacific Island Country, whether or not they are resident in a Pacific Island Country.

Compared to trade in goods, labour mobility as an issue of trade in services has substantial meaning to the Pacific Island Countries. Under the PICTA Temporary Movement of Natural Persons Scheme, the Pacific Island Countries can fill the shortage of skilled and semi-skilled labour from a pool of professionals in the region. In other words, the scheme will create a regional labour market of skilled and semi-skilled professionals, which individual Pacific Island Countries cannot provide. This would raise the possibility of attracting more investment to the Pacific Island Countries and contributing to their economic development. Even for the smaller Pacific Island Countries, which have little to gain from PICTA's trade in goods, labour mobility under the scheme would expand the potential of work opportunities in home countries and other Pacific Island Countries.

It should be stressed here that the scheme has another important meaning for the Pacific Island Countries. That is the implications in the negotiations for the EPA with the EU and PACER Plus with Australia and New Zealand. Labour mobility has also been discussed in both negotiations as an issue of trade in services. Although the labour mobility issue in these negotiations is mainly about the movement of labour from the Pacific Island Countries to the EU, Australia and New Zealand, it is important for the Pacific Island Countries to demonstrate to their counterparts that they commit themselves to labour mobility under the PICTA Temporary Movement of Natural Persons Scheme as a "stepping stone" for further economic integration. This could help holding a labour mobility issue on the agenda for the negotiations with those developed countries.

How, then, has the labour mobility issue been dealt with in the PACER Plus negotiations with Australia and New Zealand? Let us investigate it in the following section.

(2) Regional Labour Mobility in the PACER Plus Negotiations

The PIF annual meeting, which was held in August 2009, decided to start PACER Plus negotiations. PACER Plus, the second step in the "stepping stone" approach for PIF integration with the global economy, was fundamentally different from PICTA. While PICTA was to form an FTA among the developing countries, PACER Plus was to form an FTA between the developed countries and the developing countries. Furthermore, the imports of the Pacific

Island Countries were heavily reliant on both Australia and New Zealand. Therefore, it was expected that PACER Plus would have a deeper impact on the Pacific Island Countries than PICTA would. According to one analysis conducted before the start of negotiations, a number of Pacific Island Countries would lose more than 10 percent of their overall government revenues when PACER Plus eliminated duties on imports from Australia and New Zealand (*Islands Business*, September 2007:36).

Because of this, the Pacific Island Countries have been cautious about the launching of PACER Plus negotiations. They claimed to hold national consultations on PACER Plus with the stakeholders, such as the civil society, prior to the start of PACER Plus negotiations (*Islands Business*, July 2009:32). In addition, they wanted to set up the Office of the Chief Trade Advisor separately from the PIF Secretariat to help them in negotiations with Australia and New Zealand (*Islands Business*, February 2009:34)[13].

In spite of their concern, Australia and New Zealand pushed the launching of PACER Plus negotiations. It was because of the EPA negotiations between the Pacific Island Countries and the EU. As pointed out earlier, the Pacific Island Countries had to start the PACER Plus negotiations with Australia and New Zealand if they started the EPA negotiations with the EU. In short, it was implied that PACER Plus negotiations should prevent disadvantages for exports from Australia and New Zealand in case the EU got favorable access to the markets of the Pacific Island Countries under the EPA. The EPA negotiations between the Pacific Island Countries and the EU were still underway, extending the deadline for conclusion from 2007 to the end of 2009[14]. Australia and New Zealand wanted to start the PACER Plus negotiations with the Pacific Island Countries before the conclusion of the EPA negotiations.

It was no wonder that the Pacific Island Countries regarded labour mobility as one of the most important issues in the PACER Plus negotiations with Australia and New Zealand. When the special PIF Trade Ministers Meeting was held in October 2009 in order to discuss a framework for PACER Plus negotiations, it agreed to identify labour mobility as one of the issues for priority consideration (Forum Secretariat 2010). Since then, the Pacific Island Countries have actively addressed Australia and New Zealand regarding labour mobility in the PACER Plus negotiations.

Nevertheless, Australia and New Zealand have been reluctant to negotiate the labour mobility issue. Both countries had already introduced temporary worker schemes, that is, the RSE Scheme of New Zealand in 2007 and the PSWP Scheme of Australia in 2008. Under these schemes, both countries were able to flexibly adjust the intake of temporary workers from the Pacific Island Countries according to labour demand. If regional labour mobility was included in PACER Plus, they would be obliged to accept a quota of temporary workers from the Pacific Island Countries regardless of labour demand. There was also a comment that both countries were concerned about their other neighbours in Asia, that would want the same in the trade negotiations if they gave a real binding offer of labour market access to the Pacific Island Countries (*Islands Business*, June 2012:28).

The PACER Plus negotiations were due to be concluded by the end of 2012. However, the negotiations have been prolonged because of the disagreement between the parties over several issues including regional labour mobility. For the Pacific Island Countries, regional labour mobility is a significant issue on which they cannot easily compromise. Their stance was well reflected in the remarks of Tuioma Neroni Slade, the Secretary-General of the PIF Secretariat, delivered at the meeting of officials for the PACER Plus negotiations in December 2012. Drawing the attention of the officials to the

importance of regional labour mobility to the region, he called regional labour mobility "a specific area which would yield arguably the quickest and most significant benefits for many of our communities in terms of lucrative employment and elevating rural economic developments through remittances" (Forum Secretariat 2012). He also stated that the PIF Trade Ministers Meeting in May 2012 had re-emphasised that PACER Plus should not result in a conventional free trade agreement and that it should contain provisions that would ensure sustainable growth and development of the Pacific Island Countries (*Ibid.*).

It is not certain whether PACER Plus will be an "unconventional" free trade agreement including regional labour mobility. While Australia and New Zealand have fundamentally maintained their position on regional labour mobility, the Pacific Island Countries have continuously advocated to insert regional labour mobility into PACER Plus. Tonga, for example, makes demands that PACER Plus should include a higher immigration quota for their people moving to Australia and New Zealand, and expand to semi-skilled labourers (*Pacific Islands Report*, 14 March 2013). There is even a possibility that frustrated Pacific Island Countries will withdraw from the PACER Plus negotiations. The Trade Minister of Papua New Guinea, Richard Maru, told a meeting of trade ministers from the Melanesian Spearhead Group[15] in May 2013 that his country was considering withdrawing from the PACER Plus negotiations, since it felt that PACER Plus would be one-sided in favor of Australia and New Zealand (*Pacific Islands Report*, 20 May 2013).

Like PICTA, PACER Plus is regarded as a "stepping stone" for PIF integration with the global economy. In this sense, whether regional labour mobility is included in PACER Plus is quite important to predict the future for PIF integration with the global economy. It is apparent that PACER Plus as "a conventional free trade agreement" will not lead the Pacific Island Countries to much favorable economic integration with the rest of the world.

Conclusion

Transnational labour mobility with a "mass exodus" in the Pacific Islands has attracted much attention because of its unique function to support the economies of the home islands by remittances. In addition to this MIRAB model, a new pattern of transnational labour mobility without a "mass exodus" has emerged in the form of temporary worker schemes, such as the RSE Scheme of New Zealand and the PSWP Scheme of Australia. And in recent years, transnational labour mobility has been discussed in the negotiations over PICTA and PACER Plus for regional economic integration.

In terms of economic effects, regional labour mobility in PACER Plus, when compared to the PICTA Temporary Movement of Natural Persons Scheme, has much importance for the Pacific Island Countries. It is expected to bring a more direct impact to their economies by means of remittances which a number of unskilled temporary workers will send. Although it is also labour mobility of unskilled temporary workers from the Pacific Island Countries to Australia and New Zealand, there is a remarkable difference from existing temporary worker schemes. Under the existing temporary worker schemes, overseas recruitment is permitted only if an employer cannot recruit his own nationals. In short, the existing schemes are greatly subject to labour supply in Australia and New Zealand. Therefore, the schemes are not stable for the Pacific Island Countries in the longer term. If regional labour mobility is included in PACER Plus as a provision, the flow of unskilled temporary workers from the Pacific Island Countries will become more stable. This would ensure economic effects of labour mobility from the Pacific Island Countries.

On the other hand, the PICTA Temporary Movement of Natural Persons Scheme will bring smaller economic effects than that of the regional labour mobility in PACER Plus. It is because the number of skilled and semi-skilled professionals under the PICTA Temporary Movement of Natural Persons Scheme is not as high as the number of unskilled workers under regional labour mobility in PACER Plus. In terms of flow of the transnational labour mobility, however, there would be a possible effect of the PICTA Temporary Movement of Natural Persons Scheme. The scheme would increase the flow of labour mobility of skilled and semi-skilled professionals among the Pacific Island Countries, which has already existed.

As the Solomon Islands Chamber of Commerce Chief Executive Officer, Jerry Maiki Tengemoana, stated, many Pacific Island Countries were faced with a shortage of skilled labour in various sectors and the gap was filled with professionals from neighbouring countries, such as Fiji and Papua New Guinea in the case of the Solomon Islands (Forum Secretariat 2013). If a regional labour market of skilled and semi-skilled professionals is formed by the PICTA Temporary Movement of Natural Persons Scheme, those professionals could move more freely to not only the neighbouring countries but also far distant countries in the region. This would adapt to the case for teachers who are abundant in Fiji, but not in the Marshall Islands (*Islands Business*, August 2011: 30).

In the same vein, we have to note the ongoing de-population particularly in smaller Pacific Island Countries. The Prime Minister of the Cook Islands, Henry Puna, stated at the 2012 PIF annual meeting, which he chaired, that the Cook Islands continued to lose highly qualified people to overseas jobs to the extent that they had to import labour into the country (*Islands Business*, August 2012: 18)[16]. Because of a "mass exodus" , the populations of smaller Pacific Island Countries are declining and, especially because of "brain drain" , the shortage of skilled and semi-skilled professionals is becoming a serious problem in these countries. This "negative remittances economy" (*Islands Business*, October 2012: 34) could be one factor in enhancing the flow of labour mobility under the PICTA Temporary Movement of Natural Persons Scheme.

Another possible effect of the PICTA Temporary Movement of Natural Persons Scheme is that it might contribute to retaining the skilled and semi-skilled professionals within the Pacific Island Countries. A regional labour market of skilled and semi-skilled professionals formed by the scheme would offer opportunities to those people to work not necessarily in their home countries, but still within the Pacific Island Countries, It might prevent "brain drain" to overseas countries, namely Australia and New Zealand.

Furthermore, the scheme would possibly "brain return" to the Pacific Island Countries. The scheme would extend to nationals of the Pacific Island Countries, regardless of whether or not the nationals are resident in a Pacific Island Country, and persons with rights of permanent residence in a Pacific Island Country, whether or not they are resident in a Pacific Island Country. It intends to attract the Pacific Islands migrants living in the developed Pacific countries by presenting work opportunities within a wider regional labour market. However, it largely depends on whether the scheme is attractive enough for those skilled and semi-skilled professionals. Since high incomes can not be expected in the Pacific Island Countries, the scheme should offer other incentives, rather than high incomes. According to Barcham, Scheyvens and Overton, return migration is not necessarily the end of the journey, but merely one stop along the ongoing journey across and through the Pacific (Barcham, Scheyvens and Overton 2009: 333). In this context, it would be helpful to consider short-term incentives accord-

ing to the target groups' different stages of life.

It does not automatically mean that PIF economic integration will lead to the formation of a regional identity. Yet, it will raise awareness among the people in the Pacific Island Countries that the region is moving toward integration through transnational labour mobility, which is more closely related to their everyday lives.

Notes

1) They are the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, the Solomon Islands, Tonga, Tuvalu, and Vanuatu.
2) The Cook Islands have basically conducted external affairs in their own right as far as they have not deviated from the Free Association Agreement.
3) The first Compact of Free Association came into force between the Federated States of Micronesia and the United States in 1986, followed by one between the Marshall Islands and the United States in the same year, and the one between Palau and the United States in 1994. Under the compacts, they left defense/security rights to the United States and obtained financial aid for 15 years. Upon ending the compacts, they signed the amended compacts granting financial aid for 20 years for the Federated States of Micronesia and the Marshall Islands, and for 15 years for Palau.
4) The United States also listed Fiji, Kiribati, Nauru, Papua New Guinea, the Solomon Islands, Tonga, Tuvalu and Vanuatu as the sending countries of seasonal workers under the Guest-Worker Scheme in January 2011 (*Islands Business*, May 2012: 38).
5) In the case of citizens of Kiribati and Tuvalu, permits for a maximum stay of 9 months are granted because of the long distance travel costs.
6) On the details of the RSE Scheme, see (Ramasamy, Krishna, Bedford and Bedford 2008), (Gibson, McKenzie and Rohorua 2008) and (McKenzie, Martinez and Winters 2008).
7) For instance, cotton and cane farming, the fishing industry and aquaculture, and accommodation providers in the tourism industry (*Islands Business*, November 2012: 25).
8) Among the Pacific Islands Countries, Samoa, Fiji, Papua New Guinea, the Solomon Islands, Tuvalu, Kiribati and Vanuatu were the parties of the Lome Conventions. On the European side, the European Community (EC) replaced the EEC when the fourth convention was signed.
9) Along with the Pacific Island Countries that were parties of the Lome Conventions, nonsignatory countries of the Lome Conventions, that is, the Cook Islands, the Federated States of Micronesia, the Marshall Islands, Nauru, Niue and Palau joined the Cotonou Agreement.
10) If not, the Pacific Island Countries are to commence negotiations over a FTA with Australia and New Zealand eight years after PICTA comes into force.
11) French territory New Caledonia, an associate member of the PIF, stated the intention to join the PICTA at the PIF Trade Ministers Meeting in 2001. On New Caledonia's interest in the region, see (Diver 2012).
12) Fiji has not participated in PACER Plus negotiations because the PIF has suspended Fiji's participation in PIF meetings and events since 2009, claiming that Fiji did not meet PIF's requirement for implementing procedures for democratic elections after the military coup in 2006. On Fiji's suspension from the PIF, see (Ogashiwa 2012).
13) There was discord over the Office of the Chief Trade Advisor between Australia and New Zealand, and the Pacific Island Countries. It was in 2010 that the Office of the

Chief Trade Advisor officially started its operation.

14) Among the Pacific Island Countries, only Fiji and Papua New Guinea signed the Interim Economic Partnership Agreement with the EU in November 2007, which was to remain in force until a full EPA was agreed upon. The EPA negotiations were halted for almost three years since October 2009 because of a disagreement between the Pacific Island Countries and the EU. The negotiations resumed in October 2012 and set 2013 as the new deadline of conclusion. However, the deadline of conclusion was extended to 2014. On the Interim Pacific Economic Partnership Agreement, see (Dearden 2010).

15) The Melanesian Spearhead Group is a subregional group comprised of Papua New Guinea, the Solomon Islands, Vanuatu, Fiji. Front de liberation nationale kanak et socialiste of New Caledonia also joined the group. The group launched the Melanesian Spearhead Group Skills Movement Scheme in 2012, which allowed skilled professionals of the member countries to move freely across the member countries, under the Melanesian Spearhead Group Trade Agreement.

16) It is estimated that 3000 foreign workers, mainly from the Philippines and Fiji, are staying in the Cook Islands (*Islands Business*, October 2012: 35).

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