

MSGTA3: A New Age of Free Trade in the Pacific

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Key Points

- The Melanesian Spearhead Group Free Trade Agreement (**MSGTA3**) will come into effect on 1 January 2017.
- The Melanesian Spearhead Group (**MSG**) includes Fiji, Papua New Guinea, Vanuatu and Solomon Islands.
- The MSGTA3 expands the previous MSG Free Trade Agreements by covering trade in services, cross-border investment, and labour mobility.
- The MSGTA3 is an exciting step towards the goal of establishing the Melanesian Free Trade Area by 2017.
- The MSGTA3 will greatly facilitate diversification of trade between MSG nations.

Introduction

The MSGTA3 is the most recent development in the MSG's larger 2038 Prosperity for All Plan. The Prosperity for All Plan seeks to establish political stability, economic prosperity, social equality and sustainable development in MSG countries. Part of the Plan is to promote Melanesian sub-regional economic integration, and creating conditions that free up trade is central to this goal.

The MSG officially formed in 1986. The Group originally contained Papua New Guinea, Solomon Islands and Vanuatu. In 1993, the members adopted the first MSG Trade Agreement (**MSGTA1**), a sub-regional preferential trade agreement established to strengthen and encourage economic development through strengthening trade relations between MSG members. Fiji joined the Group in 1998, and over the following three years 180 products were covered by the MSGTA1.

The MSGTA3 will be the third trade agreement negotiated between MSG members designed to accelerate economic development in the Pacific region. Negotiations for the MSGTA3 began in 2014 and completed in June of this year. When negotiations for the Agreement began in 2014, the MSG articulated the goal of establishing a Melanesian Free Trade Area by 2017. The Free Trade Area is a policy environment that facilitates freer trade between MSG members. The MSGTA3 is integral to the creation of this Free Trade Area.

What's new about the MSGTA3?

The MSGTA3 broadens the preferential trade terms between MSG countries to cover a range of additional areas. The new areas covered by the Agreement include trade in services, labour mobility, telecommunications and e-commerce. Including these trade areas further opens up the Pacific region to trade, particularly as it relates to cross-border investment, and is an exciting step towards enhanced economic integration. Hopefully, the MSGTA3 will lead to even greater economic prosperity in the region in 2017.

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The MSG's Programme Manager of Trade and Investment, Johnny Licht has publicly discussed some specifics regarding the agreement. Specifically, he has emphasised the reduction in business costs surrounding labour mobility through the waiver of visas, work permit fees and restrictions on spouses and dependents of expatriates working in MSG countries.¹

The agreement will centre on e-commerce and modern communication frameworks in an attempt to facilitate better connectivity not only between MSG countries, but for foreign enterprises looking to invest in the region. Changes to the way e-commerce is conducted in MSG member states, has been sorely needed as the region lags behind other economies, posing a significant barrier to the growth in digital based start-ups and foreign enterprises. The framework will create new opportunities for Melanesians by allowing the creation of business focused on computer and electronic services through the streamlining of e-commerce regulations across the Group.

With regards to communications, the Group has resolved to liberalise the telecommunications sector allowing for entrepreneurs and already established business people to compete. It is envisaged that the competition will pose great benefits for Melanesians, allowing for cheaper, more efficient and cutting edge telecommunication technology.²

What's next?

While the agreement is not all inclusive, it is an important step towards complete liberalisation between MSG member economies. In 2017, businesses will have the opportunity to compete in new markets across the member countries, opening Melanesians to new methods of doing business and many improvements to already established industry sectors. It's important that businesses consider the ways in which MSGTA3 will affect them and how they can make the most from the new labour mobility and computer technology frameworks. MSG leaders are already considering ways to expand the Free Trade Area further by introducing new industries to liberalised trade, such as aviation and shipping, and opening the agreement to non-member states,

The Pacific Legal Network has extensive transnational expertise across the Pacific and within MSG member states. Contact us to find out more about MSGTA3 and how your company can take advantage of the new frameworks that come into force in 2017.

¹ http://msgsec.info/index.php?option=com_content&view=article&id=1071:19-apr-2016-technical-working-group-meeting-for-the-msgta3&catid=36:news&Itemid=154

² (2015) "Good progress on new MSGTA3 free trade negotiations", 17 *Business Malaysia* 26, <http://www.msgsec.info/images/PDF/msg%20ta3.pdf>

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