



Brussels, 26 October 2018.

SMALL ISLAND ECONOMIES

- Panel discussion on peculiarities and challenges of Customs administrations -

(Item VIII. on the Agenda)

I. Introduction

1. During the 79th session of the Policy Commission and the 132nd session of the WCO Council in June 2018, the Secretary General, in his report, had indicated that during this fiscal year more attention would be paid to small island economies (SIEs), among others. The specific reference to small island economies for a focused capacity building and tailor-made assistance was welcomed by delegates.
2. The envisaged work on this item will be launched through a panel discussion at the Permanent Technical Committee (PTC) that is expected to provide more insights into the current situation prevailing in small island economies, unique peculiarities, and challenges being faced by them, as well as opportunities and strategic initiatives for improving facilitation, control and security in these countries/jurisdictions, thereby further connecting them with global value chains. The panel will set the scene for a discussion aiming to explore potential solutions including associated capacity building and technical assistance requirements based on respective national and regional priorities and specificities.

II. Small Island Economies

3. Small Island Economies comprise a broad group of states/jurisdictions that have similarities in terms of a variety of criteria ranging from population to land area, national income, or the share of world trade. There is no formal definition of small island economies be it based on the population criterion or size or share in the international trade, as defining 'smallness' is difficult. Accordingly, such group of states/jurisdictions are loosely termed by different names such as "small economies"¹, "small and vulnerable

¹ https://www.wto.org/english/thewto_e/minist_e/min05_e/brief_e/brief12_e.htm

economies²”, “small island developing States (SIDS)³” or “structurally weak, vulnerable, and small economies⁴”.

4. According to the United Nations Office of the High Representative of the Least developed Countries, Landlocked developing countries and Small island developing States (UN-OHRLLS), three geographical regions have been identified for the location of SIDS, namely, the Caribbean, the Pacific and the Atlantic, and Indian Ocean, Mediterranean and South China Sea (AIMS). Each of these regions has regional bodies to which the respective SIDS may belong for purposes of regional cooperation. These are the Caribbean Community (CARICOM), the Pacific Islands Forum (PIF) and the Indian Ocean Commission (IOC). There are also sub-regional organizations for similar purposes⁵. Some of these sub-regional bodies are the Oceania Customs Organization (OCO) and the Caribbean Customs Law Enforcement Council (CCLEC).
5. Small Island Developing States were recognized as a distinct group of developing countries facing specific social, economic and environmental vulnerabilities at the United Nations Conference on Environment and Development (UNCED), also known as the Earth Summit, held in Rio de Janeiro, Brazil (3-14 June 1992). This recognition was made specifically in the context of Agenda 21 (Chapter 17 G). The United Nations recognizes the 39 UN Member States belonging to the Alliance of Small Island States (AOSIS)⁶, an ad hoc negotiating body established by SIDS at the United Nations.
6. Small Island Developing States have a special mention in the Millennium Development Goals (MDGs) of the United Nations. Under Goal 8, the development of global partnership for development, Target 14 is said to address the special needs of landlocked countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States).

III. Peculiarities and challenges

7. Small Island Economies are facing special economic, social and environmental challenges, including less connectedness with global value chains, geographical locations - remoteness from large markets, natural disasters, maritime and air connectivity - high transportation and communication costs, transit and transshipment issues, lack of institutional capacity, impact of climate change and high strategic imports volume vs limited competitiveness for exports.
8. There are many disadvantages faced by SIEs are magnified by the fact that they are not only small but are themselves made up of a number of small islands. Their disadvantages include: a narrow range of resources, which forces undue specialization; excessive dependence on international trade and hence vulnerability to global developments; growing population density, which increases the pressure on already limited resources; overuse of resources and premature depletion; relatively small watersheds and threatened supplies of fresh water; costly public administration and infrastructure, including transportation and communication; limited institutional capacities and domestic markets, which are too small to provide significant scale of economies;

² https://www.wto.org/english/thewto_e/minist_e/min11_e/brief_svc_e.htm

³ <http://unohrlls.org/about-sids/>

⁴ <https://unctad.org/fr/Pages/MeetingsArchive.aspx?meetingid=14609>

⁵ <http://unohrlls.org/about-sids/>

⁶ <http://aosis.org/about/>

limited export volumes with a narrow range of products, sometimes from remote locations, lead to high freight costs and reduced competitiveness; and the tendency to have high degrees of endemism and levels of biodiversity, but the relatively small numbers of the various species impose high risks of extinction and create a need for protection.

9. These economies also face challenges in terms of accession to, and implementation of, international conventions and standards.
10. The UN-OHRLLS has recognized a distinct group of 58 developing and least developing countries as Small Island Developing States⁷. From this list, it appears that 28 countries/jurisdictions are WCO Members and only 11 have acceded to the Revised Kyoto Convention (RKC) including Kiribati who the first non-WCO Member to accede to this Convention. Additionally, 12 SIEs are Members of the UN and the World Bank but are not Members of the WCO.
11. The accession of Kiribati (a non-WCO Member) to the RKC is one of the significant milestones in the history of the WCO. This could be achieved through a high-level policy advocacy by the WCO Secretary General and the National RKC Workshop organized by the WCO in Port Vila (Vanuatu) on 26-30 June 2017 with the support of Vanuatu Customs and by the Oceanic Customs Organization (OCO). Thanks to the generous financial support provided by the OCO within the framework of the Memorandum of Understanding (MoU) with the WCO, this national workshop was extended to 6 SIEs and non-WCO Members (the Cook Islands, the Federated States of Micronesia, Kiribati, Nauru, Solomon Islands and Tuvalu) that prepared a sound ground for these SIEs to explore opportunities and move forward with the accession to the RKC. Another SIE, the Cook Islands (a non-WCO Member) has also made progress with the accession to the RKC and has already completed their cabinet approval process in this regard.
12. It is pertinent to mention that those SIEs who are already WCO Members have been benefiting from capacity building support missions and trainings in various Customs areas. As for the fiscal year 2017-2018, almost 60 regional and national capacity building activities have been organized for those WCO Members. The WCO is also planning to organize a sub-regional event for Caribbean countries/jurisdictions to support them with the accession to, and the implementation of, the RKC. This event will be opened to non-WCO Members too.
13. Concerning the accession to the Convention establishing the Customs Cooperation Council (WCO) and/or its various conventions (e.g., the RKC), instruments, standards and tools, some other challenges being faced by SIEs include the lack of political will, legislative and operational challenges for accession and implementation, membership fee, resource constraints for the participation in WCO meetings, and non-accessibility to WCO capacity building activities.
14. In order to address some of these challenges faced the Customs administrations of SIEs, the WCO is planning to engage with these countries/jurisdictions in order to have a deeper understanding of their current realities and develop tailor-made and effective solutions, responding to their unique peculiarities and challenges.

⁷ <http://unohrlls.org/about-sids/country-profiles/>

15. To begin with, the proposed panel discussion at the PTC aims to examine comprehensively various aspects of SIEs related issues by bringing on board the relevant international/regional bodies, SIEs, domain experts and donors.

IV. Potential considerations

16. The panel is expected to reflect on the following points in the connection of SIEs (but not limited to) :
- What kind of challenges the Customs administrations are facing in facilitating and securing the international trade via different modes, for example maritime, air?
 - What are the key issues with the accession to, and implementation of, various international conventions and standards such as the WCO RKC, the WTO Agreement on Trade Facilitation, the HS Convention, and the SAFE Framework of Standards?
 - Whether Customs procedures (e.g., clearance, risk management, transit, and transshipment) need to be adapted/attuned to the specific needs and requirements of SIEs?
 - How to engage with SIEs and respond to their specific needs and priorities including capacity building needs to enable them enhance their connectedness with the global economy?
 - How can the WCO collaborate with relevant international/regional bodies to address SIEs challenges and assist them exploiting global opportunities, given their peculiarities?
17. In addition, the PTC may like to examine a draft outline of an envisaged guidance for Customs administrations of Small Island Economies (appended as an Annex to this document) for its further development, as appropriate.
18. The outcomes of the discussions will be reflected in a policy paper to be presented to the upcoming Policy Commission for its further consideration and policy guidance, going forward.

V. Action required

19. The PTC is expected to discuss the peculiarities and challenges of Customs administrations of SIEs and explore opportunities for improved trade facilitation, security and controls, as well as how best the WCO can support them. Following a panel discussions, the PTC delegates will be invited to :
- discuss the main challenges faced by SIEs and opportunities for improvements at national and regional levels;
 - examine, and provide inputs to, the draft outline of an envisaged guidance for Customs administrations of Small Island Economies;
 - provide guidance on how the cooperation between WCO and international/regional bodies can best support the Customs administrations of these SIEs; and

- suggest specific measures on engagement with SIEs to support them becoming WCO Members and acceding/implementing various international instruments and tools by adapting them to their unique requirements and specificities, where required.
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