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SMALL ISLAND ECONOMIES' (SIEs) INITIATIVE

- Draft Guidance on Small Island Economies -

(Item VIII. on the Agenda)

I. Introduction

1. During the 79th session of the Policy Commission (PC) and the 132nd session of the WCO Council in June 2018, the Secretary General, in his report, had indicated that, during the coming years, 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 was launched through a panel discussion at the November 2018 Permanent Technical Committee (PTC) that provided more insights into the current situation prevailing in SIEs and opportunities, as well as strategic initiatives for improving facilitation, control and security in these countries/jurisdictions, thereby further connecting them to global value chains.
3. The PTC had intensive and fruitful discussions, following the introduction by a high-level panel on challenges and peculiarities of Customs administrations of SIEs, as well as potential solutions including associated capacity building and technical assistance requirements based on respective national and regional priorities and specificities. The PTC, then, provided guidance on how the cooperation between the WCO and international/regional bodies could best support the Customs administrations of these SIEs.
4. The PTC further suggested specific measures on engagement with some SIEs to support them becoming WCO Members (if not already a WCO Member) and acceding to, as well as implementing, various international instruments and tools by adapting them to their unique requirements and specificities, where required. To that end, the PTC examined and adopted a draft outline for the development of a specific Guidance for Customs administrations in SIEs.

II. The state of play / Intersessional work

5. During the December 2018 Policy Commission, the Secretariat presented the outcomes of the PTC discussions, including the draft outline of the Guidance for Customs administrations in SIEs. The PC acknowledged the work done to date and endorsed the draft outline. During the last PTC, the Secretariat had orally reported on the discussions held during the December 2018 Policy Commission and provided an update on the development of the envisaged Guidance for Customs administrations of SIEs based on the draft outline approved by the December 2018 Policy Commission.
6. A state of play regarding the development of the Guidance for Customs administrations in SIEs was presented by the Secretariat during the March 2019 PTC and progress was approved, as well as relevant feedback provided, confirming the importance of this work for the benefit of this segment of the Organization's membership.
7. During its 10th session held on 8-10 April 2019, the Capacity Building Committee (CBC) discussed the issue of connecting SIEs to the global economy through Capacity building. The CBC participants had the opportunity to be briefed on activities conducted by some international and regional bodies, such as the ACP¹ Group of States, CCLEC², and OCO³, to support Customs administrations in SIEs in their way to integrating the global economy. The presentations and discussions at the CBC indicated that some of the challenges being faced by SIEs, included limited resources, isolation and disconnection from global value chains, high levels of State dependency on Customs duties, lack of border agency cooperation and others. Furthermore, some of the smallest Customs administrations in SIEs had fewer Customs officers, and only few of them were WCO Members.
8. The CBC highlighted the need to avoid overlapping technical assistance, and emphasized for a better coordination with the global community of SIEs in support of experience sharing, recognizing that many issues transcend all regions. The CBC also provided guidance on the Capacity Building support to SIEs noting their specific needs and priorities and concluded by taking note of the work done to date, including the draft outline of the Guidance for Customs administrations in SIEs developed by the WCO Secretariat, discussed during the March 2019 PTC and endorsed by the Policy Commission.
9. Following the discussions held during the PTC and the CBC, a Virtual Drafting Working Group (VWG), comprising interested WCO Members, was established and is co-chaired by New Zealand and Mauritius Customs representatives. Several international and regional bodies (CCLEC, OCO, CARICOM-IMPACS⁴, and the ACP Group of States, etc.) have joined the VWG. They attended the Sub-regional Workshops on SIEs and are now contributing in the development of the envisaged Guidance for Customs administrations in SIEs.
10. In line with the plan presented to the March 2019 PTC, the WCO Secretariat organized three Sub-regional Workshops for SIEs in the Caribbean (in Port of Spain, Trinidad and Tobago on 13-17 May 2019), in the Indian ocean area (Port Louis, Mauritius on 11-14 June 2019) and the Pacific (Suva, Fiji Islands on 10-14 September 2019).

¹ ACP for African Caribbean and Pacific Group of States Secretariat.

² CCLEC for Caribbean Customs Law Enforcement Council.

³ OCO for Oceania Customs Organisation Secretariat.

⁴ CARICOM IMPACS for the Caribbean Community (CARICOM) Implementation Agency for Crime and Security (IMPACS).

11. The key objectives of these workshops was to assist SIEs, through introduction and presentations of WCO activities, instruments and tools, in addressing their unique challenges in the pursuit of Customs modernization and reform programmes, including accession to, and implementation of, key WCO instruments and tools. In a broader context, the overall aim of these workshops was to discuss and suggest potential measures to assist SIEs in integrating into the global supply chain, while strengthening their capacities for effective risk management, trade facilitation, security and revenue collection. The workshops also provided a platform to seek inputs, resource materials, practical experiences and good practices from the participants concerning the development of the envisaged Guidance for Customs administrations in SIEs.
12. In order to have a broader consultation of SIEs, the WCO Secretariat invited all identified SIEs, including those countries/jurisdictions that are not yet WCO Members. It is important to mention that among the 58 developing and least developing countries recognized by the UN-OHLLRS⁵ as Small Island Developing States (SIDS), it appears that only 28 countries/jurisdictions are WCO Members. As a result of these invitations and thanks to the financial support provided by HMRC, the OCO and the ACP Groups of States Secretariats, the workshops benefited from the attendance of participants coming from 16 non-WCO members from the Caribbean sub-region (Anguilla, British Virgin Islands, Commonwealth of Dominica, Grenada, Montserrat and Saint Vincent & Grenadines) and the Pacific sub-region (the Commonwealth Northern Marianas Islands, Cook Islands, the Federated States of Micronesia, Guam, Kiribati, Marshall Islands, Niue, Palau, Solomon Islands and Tuvalu).

III. Outcomes of the Sub-regional Workshops

13. In accordance with the key objectives, the workshops' agendas included an introduction by the WCO Secretariat on the Organization's activities and detailed information on the identified topics such as trade and passenger movement facilitation, safety and security, revenue collection, as well as risk management. The presentations on specific topics were followed by break-out sessions in which participants were invited to present their national situation, discuss SIEs' challenges, as well as priorities and formulate some strategic and policy recommendations.
14. These break-out sessions held during the three Sub-regional Workshops confirmed the challenges and the peculiarities of the Customs administrations in SIEs. Broadly, SIEs 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.
15. There are many disadvantages faced by SIEs, magnified by the fact that they are not only small but are themselves made up of a number of small islands (for example Maldives consists of a chain of about 1,200 small coral islands and sandbanks, Fiji comprises of approximately 330 islands, the Federated States of Micronesia consists of 607 islands, just to list some). Their disadvantages include: a narrow range of resources, which forces undue specialization; excessive dependence on international trade and hence vulnerability

⁵ UN-OHLLRS is the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

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; 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.

16. These economies also face challenges in terms of accession to, and implementation of, international conventions and standards. 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 fees, resource constraints for the participation in WCO meetings, and non-accessibility to WCO capacity building activities.
17. In order to address some of these challenges faced by Customs administrations of SIEs, the participants to the workshops discussed the SIEs' priorities and provided some policy recommendations for the future. All these relevant recommendations will be considered during the drafting process of the Guidance for Customs administrations in SIEs based on their identified priorities.
18. As an overview, the recommendations under the four areas identified by the Secretariat (trade and passenger facilitation, safety and security, revenue collection and risk management) relate to infrastructures, legal and political environment, policy and border agency collaboration, integrity, stakeholder engagement, human resources and capacity building, implementation of risk management, investment on technical capabilities, organizational structure.
19. The identified priorities referred, among others, to reviewing and updating the current legal framework, to automating Customs procedures and systems to improve facilitation, security and revenue collection, to improving engagement with stakeholders, to having more engagement with the political level and training on ever evolving Customs topic and environment. The latter has been indicated as the key enabler to support the SIEs' modernization and reform programmes. This highlighted the importance of Capacity Building in an environment where the lack of human resources has been clearly indicated.

IV. Potential way forward

20. The WCO Secretariat is now compiling many contributions received from Customs administrations of SIEs and some interested WCO Members in the framework of the development of the Guidance for Customs administrations in SIEs. These contributions are complementing the inputs collected during the three Sub-regional workshops. So far, all contributions are aiming to fine-tune the outline and draft content of chapters there included. The compiled version of the draft Guidance will be submitted to the VWG for consideration and further development, as appropriate. It is expected to have a consolidated preliminary draft available very soon and this draft will be shared among all Customs administrations in SIEs for their additional inputs and comments.
21. If this is agreeable for the PTC, the consolidated preliminary draft, including inputs and comments from Customs administrations in SIEs, could be circulated to all PTC

participants to seek their inputs and comments inter-sessionally so that a more definite draft can be made available to the Spring PTC for its examination and potential approval. The outcomes of the discussions will be considered and reflected in the envisaged Guidance for Customs administrations, going forward.

22. The finalized draft Guidance would finally be submitted to the June 2020 Policy Commission and Council for their consideration and potential endorsement.

V. Action required

23. The PTC is expected to pursue the discussions on the peculiarities and challenges of Customs administrations of SIEs and explore opportunities for improved trade facilitation, security and controls, and revenue collection, as well as advise on how best the WCO can support SIEs. The PTC delegates will be invited to :
 - discuss and endorse the work done so far; and
 - provide further guidance on the development of the envisaged guidance for Customs administrations in SIEs.
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