Regional integration has been a “buzz word” for Pacific Island Countries (PICs) for more than a decade, with many agreements signed, such as the most recent and comprehensive one, the Pacific Island Countries Trade Agreement (PICTA).

It has been expected that PICTA will increase the effective market size for all PIC producers so that companies can experience greater competition, with the most efficient being able to expand production and achieve economies of scale, thereby benefitting all consumers. Such regional integration is also supposed to be a “learning ground” or “stepping stone” for PIC producers, governments and trade officials, who are all expected to thereby become better prepared for integration with the wider world through broader agreements such as PACER (with Australia and NZ), and the World Trade Organisation rules.

PICTA has unfortunately failed to take off. What little trade that has occurred, such as Vanuatu kava exports to Fiji, have faced the usual protectionist pressures from local producers who vehemently resist greater competition from other PICs. It is extremely likely that any trade and greater competition that occurs under PICTA will face similar resistance.

This study of the alcohol and tobacco industries, which are not currently part of PICTA illustrate clearly the nature of the tensions that will arise if and when PICTA rules are applied to these two products and free trade in the future includes Australia and NZ under a likely PACER agreement. The study makes recommendations as to how the alcohol and tobacco products can be included in the PICTA trade while protecting the considerable tax revenues that PIC governments derive from them. The study also illustrates the whole range of problems (such as disagreements over Rules of Origin issues, health and safety issues, and a number of other trade-related technical matters) that would need to be resolved when trade does get instigated under PICTA.

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