

# Marshall Islands: Trade Brief\*

## Trade Policy

The Marshall Islands (a Micronesian island nation of about 62,000) initiated a comprehensive adjustment program in 1996, focusing particularly on private sector development, but no data are readily available about its trade policy.<sup>1</sup> Although the country has made some progress over the past decade, its 2005 International Telecommunication Union (ITU) competition index in telecom remains the lowest possible of 0 (on the scale of 0 to 2, best), the same as in the early 2000s.

## Market Access

The Marshall Islands' exports face relatively low barriers to trade with a rest-of-the-world weighted average applied tariff of 0.4 percent, but its MFN duty-free exports accounted for only 3.6 percent of total exports in 2006, down from the early 2000s figure (5.7 percent) and substantially less than for an average East Asia and Pacific (EAP) or lower-middle-income country. Although not a member of the WTO, the Marshall Islands is a Generalized System of Preferences (GSP) beneficiary with a number of industrialized countries. However, it did not sign the interim Economic Partnership Agreement (EPA) with the other Pacific island countries that replaced the expired trade portion of the Cotonou Agreement, but it has exported under the GSP with the EU since January 2008. Regionally, the country is a member of the Pacific Islands Forum, a signatory to the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), and the Pacific Agreement for Closer Economic Relations (PACER). It did not sign, however, the Pacific Island Countries Trade Agreement (PICTA) as of April 2008.

## Behind the Border Constraints

Marshall Islands' 2007 Doing Business rank was 89<sup>th</sup>, also ranking 15<sup>th</sup> (out of 178 countries, both) on the subcategory Starting a Business. With relatively high per container import costs (US\$800 to US\$1,000 more, on average, than its comparators'), it ranked 46<sup>th</sup> (out of 178 countries) on the Trading Across Borders subcategory. Per capita rates for telephones and mobile phones (9 percent during 2000–04) and Internet users (3.4 percent in 2006) are both below the comparators' most recently reported averages. The country's 2005–06 secondary school enrollment rate (76.5 percent) is above the regional and lower-middle-income country group average, while the tertiary (17.0 percent) enrollment rate falls short of both comparators'. The country's remote location is a drawback for the country's trade endeavors and limited tourist infrastructure further constrains development of this (potentially promising) industry.

## Trade Outcomes

In 2005, the country's main commodity exports were ships (91 percent of total merchandise exports, representing mainly sales of aging ships previously registered under the country's flag), fish and fish products (over 7 percent), and coconut oil (0.4 percent), contributing to its high concentration in the top five exports (99.2 percent of all merchandise exports in 2005). In 2004, the Marshall Islands' main destination markets were the United States, Japan, Australia, and China. The same year imports were obtained from such countries as the United States, Japan,

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\*As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>.

<sup>1</sup> No trade policy indicators for the country could be calculated for lack of internationally comparable data.

Australia, New Zealand, Singapore, Fiji, China, and the Philippines, and were mostly composed of food products, machinery, equipment, fuels, beverages, and tobacco. Foreign direct investment (FDI) inflows (as a percentage of GDP) of 12.6 percent were well above the EAP (5.2 percent) and lower-middle-income group (5.3 percent) averages.

## References

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