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Emerging Lessons from Integrating Labour and Fisheries into Trade Agreements: A New Vision for the Pacific Region

Chapter 9

Introduction

The economic vulnerability of small states, including those in the Pacific region, has largely been attributed to their inherent characteristics and problems. These include their physical isolation and distance from main markets, minimal share of world trade, low productivity and insufficient supply, inability to diversify production, high transport and transit costs, difficulties in attracting foreign investment, and low competitiveness.[1] The literature has also shown that there are notable examples where small island states such as Barbados, Malta and Cyprus have managed to build relatively high resilience through sound macroeconomic management and good governance policies (Briguglio et al., 2006).

The rapid pace of globalisation, coupled with the financial and economic crisis, food price hikes and climate change, present new opportunities and challenges for developing countries, particularly small states and least developed countries (LDCs). The Pacific region is not immune and is increasingly tested as it seeks to develop, formulate and implement policy responses to build up its economic resilience in order to achieve sustained economic growth and higher living standards for its people.[2]

With aid levels declining to the Pacific Islands Forum countries (Forum island countries – FICs), also known as the Pacific ACP (African, Caribbean and Pacific Group of States) countries (PACPs), various avenues are being pursued to improve their competitiveness, productivity and to find new export markets for their products (fisheries, forestry) and service (tourism). The continuous erosion of trade preferences for traditional exports (e.g. sugar, fish and canned tuna, tree crops etc.) to developed country markets will have a significant impact on the future livelihood prospects of farmers and fishermen and women in these small island states. Development-oriented ‘circulatory’ migratory schemes for unskilled/semi-skilled workers continue to be explored by the region to address the rapid population increase, with people potentially seeking work in Melanesian and Micronesian countries (Graf and Kamenasu, 2006).

The Pacific region has now developed and agreed on a new vision for a region that is ‘respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values, and for its defence and promotion of human rights’.[3] The Pacific Plan,[4] which provides the agreed framework for realisation of this vision through enhanced regional co-operation and economic integration, is centred on four pillars which all members of the Pacific Forum have endorsed.

This chapter is divided into five sections. The first section provides an overview of FICs, including some of the main obstacles they face as small states, as well as observations on their economic performance to date. The second section provides a brief introduction to the Pacific Plan, and also reflects on a number of fundamental conditions that Pacific Forum countries have agreed to if international trade is to deliver positive outcomes for them. The next sections outline rationales for prioritising labour mobility and fisheries in the two regional trade arrangements, i.e. the Pacific Island Countries Trade Agreement (PICTA) and the Economic Partnership Agreements (EPAs). The final section draws a number of conclusions based on the above assessment. Reference will only be made to the Pacific Agreement on Closer Economic Relations (PACER Plus) where linkages can be drawn with the ACP–European Union (EU) EPA negotiations.

Pacific Islands Forum countries (FICs) – setting the context

Most Pacific islands are typically characterised by a small landmass, but they vary enormously in terms of size of economy, natural resource endowments, population size and GDP growth. In terms of the overall economic progress of the Pacific island countries, table 9.1 illustrates that growth and development vary between the countries. For Cook Islands, Fiji Islands, Samoa, Tonga and Vanuatu, tourism, agriculture, fisheries and some basic industries have been the main sources of growth.

Table 9.1 Pacific Forum member states: average annual GDP growth, population and Human Development Index (HDI) (2008)

Country	*Average annual GDP growth*	*Population (thousands, 2008)*	*Annual population growth (1998–2008)*	*HDI (2007)*
Cook Islands	3.6	21	1.9	0.829
Fiji Islands	2.0	838	0.5	0.718
Kiribati	1.6	99	0.1	0.597
Marshall Is., Rep. of	2.3	53	1.7	0.708
Micronesia, Federated States of	0.5	108	0.5	0.716
Nauru	(9.6)	10	0.3	0.637
Palau	1.0	20	0.9	0.810
Papua New Guinea	2.3	6,450	4.1	0.437
Samoa	3.5	182	0.6	0.762
Solomon Islands	1.4	524	2.9	0.579
Tonga	1.8	102	0.3	0.730
Tuvalu	3.0	10	0.5	0.691
Vanuatu	2.4	233	2.5	0.640

( ) = negative, GDP=gross domestic product

Source: Asian Development Bank Pacific economic database; and Human Development Report, 2008[5]

For Papua New Guinea (PNG) and Solomon Islands, growth has largely been resource-based – predominantly oil, forestry etc. For Kiribati, Marshall Islands, the Federated States of Micronesia (FSM), Nauru, Palau and Tuvalu, income is generated from tourism, fish processing and licensing, trust fund incomes and remittances.

The Pacific islands face a number of labour market challenges, characterised by shortages of adequately skilled people and an oversupply of unskilled workers. Government spending is heavily dependent on revenues from import duties – which comprise up to 50 per cent of some of Pacific island governments' revenues. Remittances provide an increasingly important revenue or income stream in the region (see table 9.2). However, since the financial and economic crisis, remittance receipts have been on a downward trajectory in the Pacific islands. For example, in Fiji, a 26.7 per cent annual decline in remittance receipts was registered for 2008.[6]

Table 9.2 Remittance inflows in Pacific island countries, 2000–2008 (percentage of GDP)

	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*
Fiji	1.6	1.7	1.5	6.3	7.5	7.4	6.2	6.0	6.2
Kiribati	10.5	11.2	9.7	7.7	7.0	6.6	6.6	5.5	6.4
PNG	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Samoa	19.5	18.8	17.1	14.0	22.8	25.3	24.0	22.0	25.2
Solomon Islands	0.7	0.7	0.9	1.7	3.2	2.3	5.7	4.8	3.9
Tonga	30.1	39.0	44.3	32.7	33.3	30.3	30.3	38.4	35.8
Vanuatu*	14.3	22.6	1.8	1.4	1.5	1.4	1.2	1.0	1.2

*Estimates do not include regional seasonal worker inflows.

Source: World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008.[7]

Investment data for the FICs is notoriously weak. Notwithstanding, there are some clues that suggest levels of domestic (government and private sector) and inward foreign direct investment (FDI) have been very low. Between 1991 and 1993, Vanuatu, Solomon Islands and Fiji featured in the top 10 destinations for FDI in developing Asia. However, between 1998 and 2000, only Vanuatu and Fiji remained listed, having slipped down the rankings. Fiji's domestic political situation might provide an explanation there. For Fiji and PNG, investment growth between 1999 and 2000 was around 11–12 per cent of GDP – well below the 25 per cent generally regarded as necessary for achieving steady growth. A study concluded that FDI inflows in the region were failing to keep pace with the depreciation of existing capital stock (UNCTAD: 2001).[8]

Most FICs remain highly dependent on external trade. Australia and New Zealand are the FICs' main trading partners, accounting for 57 per cent of Samoa's exports, 47 per cent of Cook Islands' exports, 24 per cent of Fiji's exports and 26 per cent of Papua New Guinea's exports (Scollay and Gilbert, 2001). The EU is the Pacific ACP region's second most important trade partner. In 2005, EU-bound exports from the region were valued at around 1,245 million euros (€) and imports from the EU were valued at around €568 million. The US is an important destination for canned fish exports from Fiji and PNG. The Asian markets of Singapore, China and Japan are of increasing importance to the region, particularly for Solomon Islands, Vanuatu and Papua New Guinea.

By contrast, intra-FIC trade accounts for very small share of the region's total trade (Scollay, 2001). Only Tuvalu, Kiribati and Samoa's total trade accounts for more than 10 per cent of total intra-FIC trade. For the others (such as Solomon Islands, Fiji, Nauru, Marshall Islands, PNG, FSM and Palau), intra-FIC trade accounts for less than 4 per cent of total trade. The low level of intra-FIC trade reflects a number of factors, including high transportation costs (owing to large distances separating the islands) as well as existing trade barriers – the latter are expected to be reduced or eliminated under their free trade agreement, PICTA.

The Pacific Plan: setting out regional priorities for sustainable trade and investment

The Pacific Plan is intended to herald the dawn of a new '**Pacific Regionalism**'. It embodies the expectation of significant change in the nature of relations, especially trade and economic relations, between all members of the Pacific Forum. This new **Pacific Regionalism** is to be founded, initially, on a commitment to greater **regional co-operation** (e.g. services provided nationally, but based on increased co-ordination of policies between countries). This is be followed by a gradual movement towards greater **regional provision of public goods/services** and/or **regional integration** (e.g. lowering market barriers between countries). The Pacific Plan is estimated to deliver a reduction in the costs of poor economic governance to the tune of US$8 billion in PNG, Solomon Islands and Fiji Islands.[9]

The Pacific Plan represents an important step in securing a comprehensive framework for the pursuit of common objectives through regional co-operation and action. The Plan sets out four pillars on i) economic growth, ii) sustainable development, iii) democracy and iv) security. Responsibility at the regional level for policy advice, co-ordination and assistance in implementing decisions taken in the context of the Pacific Plan will rest with the Pacific Islands Forum Secretariat (PIFS).[10] The objective is not to replace or undermine existing or future national development plans and strategies, but rather to support, complement and reinforce them. It is a regional approach or strategy, to be pursued only where it is expected to 'add value' to individual member or national efforts.

The **economic growth pillar** of the Pacific Plan endorses a number of sectors where regional co-operation and action on trade-related matters is deemed to warrant priority attention. These include initiatives relating to better access to markets and goods, trade in services (including labour), fisheries and tourism.

It is perhaps not surprising that the Pacific Plan has identified fisheries as a priority sector for regional co-operation. In addition to being an important source of foreign exchange and employment, fisheries contributes to poverty alleviation and food security in the region. The emphasis placed in the Pacific Plan on the adoption of an ecosystem approach is consistent with the regions' coastal fisheries policy (Apia Policy).[11] The level of exploitation of different fish species (including skipjack tuna and albacore) clearly varies, and there remains some uncertainty with respect to the status of the overall fish stocks. The Forum Fisheries Agency (FFA) has indicated that limits have been reached on the regional tuna and several inshore fisheries.[12]

Labour mobility is of increasing importance to economic development in the FICs. The priority granted to labour mobility in the Pacific Plan derives not only from the findings of a number of recent studies, but also the historical experience of a number of the FICs with bilateral labour mobility agreements. In particular studies,[13] including those commissioned by the Pacific Islands Forum Secretariat, have proposed elements of a possible development-oriented framework for labour mobility that would both seek to address future population pressures in the region, as well as facilitate a greater flow of remittances to the region.

To reinforce the priority attached to fisheries and labour mobility, a number of specific initiatives and milestones against which implementation progress would be measured and assessed are set out in the Pacific Plan.[14] The main focus is in enhancing market access for Pacific island workers, as well as expanding sustainable trade in fisheries resources into developed country markets through regionalism, including free trade agreements.

The Pacific Plan is therefore notable in three important respects:

- The emphasis placed on linking regional priorities and action to national development priorities. For example, FICs are required to incorporate the identified regional priorities into national sustainable development strategies (NSDS), where appropriate.
- The emphasis placed on the pursuit of greater coherence in negotiations between Pacific Forum members with external trading and other partners. For example, aspirations regarding the application of any labour mobility arrangements secured in the context of the EPA negotiations as a benchmark for any future trade agreements with Australia and New Zealand under PACER Plus.
- The commitment it has made to monitor progress through the use of common indicators across the region in all the identified priority sectors.

The successful implementation of the Pacific Plan will require a number of hurdles to be overcome. One obvious challenge will be to maintain sustained political commitment on the part of individual FIC member governments to support and complement these regional initiatives through their own national development programmes.[15] Another challenge, particularly with respect to regional-level negotiations on fisheries, will be to maintain coherent and unified negotiating positions.[16] A third challenge will be to produce measurable national-level indicators that are comparable across the region – for example, there is an acknowledged dearth of fish stock data and assessments.

The recent financial and economic crisis, food, fuel, security and climate change challenges further threatens the growth and development prospects of Pacific island countries in terms of declining remittances, investment and trade.

Labour mobility in the Pacific Forum island countries

Labour mobility has become an outlet for the population pressures evident in many island nations, and remittances sent home play a vital part in the economy of countries such as Tonga, Samoa, Niue, Tuvalu, Kiribati, Cook Islands, Wallis and Futuna and Fiji. These patterns of migration provide benefits such as the transfer of remittances, the repatriation of skills and education, the promotion of tourism and the seeding of funds for small business development (Brown and Walker, 1995). However, migration also has social costs. The immigration policies of developed nations favour those with skills and high levels of education, and there is extensive literature on the 'brain drain' from the Pacific as rugby players, teachers, nurses, accountants and other professionals and tradespeople move to jobs offshore that offer better pay or career advancement.

The Pacific island countries have a history of bilateral and other agreements with a number of developed countries, including the USA and New Zealand, to facilitate the movement of their citizens. In the 1980s, Fiji citizens benefited from opportunities under a temporary migration scheme for farm workers to New Zealand. Fiji citizens have also taken advantage of migration opportunities to Australia and New Zealand under skilled and family migration streams, and through finding niche employment elsewhere. There are other bilateral labour movement arrangements that also favour the movement of Polynesians and Micronesians (e.g. Samoa Access Quota) to New Zealand.

The pressing need to find jobs for Pacific island workers coincides with the emergence of gaps in the labour force of developed nations. In countries such as Australia, lower birth rates, the ageing demographic profile, increased personal wealth, the provision of social welfare, sustained economic growth, low unemployment and higher levels of education have combined to reduce the supply of workers who are available (or willing) to undertake physically demanding labour for relatively low pay. This has opened up debate about the potential for temporary employment schemes for Pacific islanders to work in overseas labour markets, particularly in seasonal pursuits in agriculture. Similar interests have been advocated by Pacific island countries in regional trade agreement negotiations with the EU under the EPAs, the deepening of the PICTA and potentially in the current PACER Plus. Existing bilateral labour mobility arrangements like the Tuvalu and Kiribati seafarers' schemes[17] and elements of other relevant schemes (e.g. the Canadian seasonal workers' scheme)[18] have been used as a basis for formulating demands on labour mobility in these negotiations. Capacity building and skills upgrading are key development components of these negotiations, to facilitate the absorption of workers within temporary migration schemes.

In their EPA negotiations with the EU, the Pacific island countries (also referred to as PACPs) have proposed the introduction of a system of incentives and as part of their 'Managed Migration Scheme' in order to maximise the number of returnees (return migration policy). These include compliance with regulations of the scheme directly linked to rewards – such as guaranteed future opportunities for temporary movement, social security contributions paid in the EU and/or a proportion of wages earned to be available upon return, as well as public servants involved in the scheme being allowed to re-enter public service without loss of seniority and leave entitlements. Private participants under the scheme would be provided with active assistance in finding a job. Recognising that the problem of 'overstaying' would continue to be a concern under any such scheme, the region would continue to work with the EU to ensure effective mechanisms are in place.

Generally, there has been a great reluctance by developed country trading partners to include the movement of semi-skilled or unskilled workers within the framework of regional level agreements. This situation is in marked contrast to bilateral arrangements, which have served to facilitate the temporary movement of workers, including semi-skilled and unskilled workers, from the relevant participating countries. However, the compatibility of such arrangements with World Trade Organization (WTO) commitments has been the subject of debate in Geneva, within the context of the expiry of the Uruguay Round most-favoured-nation (MFN) exemptions.[19]

The PACPs are also pursing bilateral approaches to securing temporary jobs for their semi-skilled and unskilled workers in selected EU member states and in services sectors of development interest to the region – where similar demand exists in Europe. The aim is to secure an agreement that is compatible with the development criteria of the envisaged 'Managed Migration Scheme'.

In 2006, the New Zealand government announced the launching of a Regional Seasonal Employment Scheme (RSES), which allowed for the employment of unskilled workers from five 'kick-start countries' (Kiribati, Samoa, Tonga, Tuvalu and Vanuatu). At the time of writing, the scheme had entered into its second season. A number of issues arose in the first season of the scheme, and these need to be addressed through more extensive policy dialogue involving the New Zealand Department of Labour.

In Solomon Islands, a pre-feasibility study to explore the possibilities of implementing a pilot scheme for its caregivers was commissioned in 2007. The results of this now form the basis for consultations with the Canadian government for its qualified workers, an initiative currently undertaken by Solomon Island government in partnership with Canadian caregiver recruitment agencies. The application of this pilot scheme to other Pacific island countries is currently being considered as part of a second phase.

At the multilateral level, economic integration for trade in services and labour are dealt with within the context of the WTO General Agreement on Trade in Services (GATS) Article V and the Annex on

Temporary Movement of Natural Persons. For their part, Pacific island governments have similar interests with other WTO 'demandeurs' advocating for liberalised market access for semi-skilled and unskilled workers.

Fisheries and regional integration in the Pacific

The fisheries sector has traditionally been important to Pacific island countries, and will continue to underpin the social, cultural and economic wellbeing of its people in the future. In Pacific island countries where fish processing and licensing are a key source of growth, creating and maintaining policies that support sustainable resource management along with increasing international competitiveness will pose a challenge for these capacity constrained economies.

Pacific island states conduct their fisheries policy at the national, sub-regional and regional levels. Two key bodies are responsible for co-ordinating fisheries policy in the region, namely the sub-regional Parties to the Nauru Agreement (PNA) and the regional South Pacific Forum Fisheries Agency (FFA). Technical and scientific advice is provided through the Secretariat of the Pacific Community (SPC).

The sustainability of the fisheries sector in the region is largely being supported and promoted through existing management regimes reinforced through FFA programmes and a number of treaties, such as the US Western and Central Pacific Fisheries Convention. The extent to which these current arrangements are robust enough to address growing concerns regarding corruption and bribery in the fisheries sector is questionable. The adequacy of existing monitoring, control and surveillance systems is also of a concern, given that the region is not immune from fishery border control challenges including illegal, unreported and unregulated (IUU) fishing.

- Trade negotiations on fisheries at the bilateral, regional and multilateral levels are of significant importance to the FICs in three main respects:
- The impact on **access fees**. Access fees are paid by distant water fishing fleets and are a major source of government revenue.
- The impact on the activities of **domestic and foreign fishers operating for export in the EEZ and territorial sea** of the region. These activities play an important role in supplying canneries, loining facilities and domestic processing facilities.

The impact on the activities of **artisanal fisheries** within the territorial sea for the domestic and export markets. Artisanal fisheries are the most important source of protein intake and are critical to household food security.

Oceanic fisheries cover migratory pelagic species, including tuna. These fisheries are mainly targeted by non-Pacific island states' **distant water fishing (DWFs)** purse seine vessels under access agreements, and catch is usually skipjack tuna or albacore. The current value of this catch is approximately US$2 billion, with a landed volume of 1,650,000 tonnes. **Pacific island domestic tuna fisheries**, on the other hand, comprise mainly small domestic longliners or purse seine vessels mainly targeting albacore, bigeye and yellowfin tuna. The domestic or locally based fleet includes 19 vessels in PNG, five in FSM, five in Marshall Islands, one in Kiribati, two in Vanuatu and three in New Zealand. The current value of the domestic catch is approximately US$5–700 million, with a landed volume of around 260,000 tonnes.[20]

The other fisheries sub-sector, **coastal fisheries**, covers near-shore and coral-reef species. This includes the **domestic food fisheries** and the **coastal export fisheries** – also referred to as **'artisanal/ small-scale' fisheries**. The former largely comprises fish caught for domestic consumption, but there is now a move towards commercialisation in some Pacific island countries. The latter, however, is where 'fisheries sustainability' issues exist – the current value of the catch in this sub-sector is around US$50–80 million (Gillett and Lightfoot, 2001).

Marine and freshwater farming or '**aquaculture**' is also becoming significant in the region, such as the black-pearl farms in Cook Islands and French Polynesia, as well as tilapia, shrimp and seaweed – the economic value of this sub-sector is estimated at US130–180 million (as at 2000, Gillett and Lightfoot [2001]).

Access fees paid by distant water fleets are an important source of revenue for governments in the region (see table 9.3). Japan is the largest distant water fishing nation in the region (active in all three major fisheries). It has bilateral agreements with eight Pacific island states.[21] Access fees are paid on a 'per trip' basis and funded by the Japanese fishing industry. The Japanese government also provides fisheries grant aid and technical co-operation support. The access fee is on average about 5 per cent of the catch value, using the previous three years catch to calculate the fee level. Almost all Japanese-caught tuna is landed in Japan.

Table 9.3 Exports and access fees of selected Pacific island countries (1999)

Country	*Estimated exports (US$)*	*Estimated catch[a] (tonne)*	*Estimated value of catch (US$)*	*Access fees (US$)*	*Access fees as % of catch*
Fiji	23,000,000[b]	15,600	40,000,000	212,000	0.053%
Federated States of Micronesia	4,623,000[c]	134,499	180,000,000	15,400,00	8.6%
Kiribati	2,302,000[d]	138,000	139,000,000	20,600,000	14.8%
Marshall Islands	473,000	33,217	50,000.000	4,984,000	9.96%
Nauru	0	41,000	37,000,000	3,400,00	9.2%
Papua New Guinea	48,000,000 (85,000)	141,000 (75,000,000)	140,000,000	5,840,000	4.1% (7.3%)[e]
Solomon Islands	5,000,000	74,000	70,600,000	273,000	0.3%
Tuvalu	4,500	40,532	37,400,000	5,900,000	15.8%

Source: **FFA** (see: http://www.ffa.int/), Gillett and Lightfoot (2001)

a) Based on total commercial (non-subsistence) catch.

b) These estimates are based on official figures of the Fiji Fisheries Division. The Reserve Bank of Fiji estimates that these figures are $28,000,000. The EU estimates that these figures are closer to $40,000,000.

c) These are 1997 estimates for FSM.

d) Kiribati exports are dominated by live aquarium fish.

e) The bracketed estimates for PNG are based on the assumption that all access fees are paid only by off-shore foreign based vessels.

Although FICs only play a minor role in the fish-canning sector (due to the significant distance between these island countries and their principal markets), there are nonetheless several tuna canneries and loining plants located in a number of FICs that produce for a small number of principal markets, especially the EU and the US. There are two general types of models of FIC-based processing firm – those with integrated fishing-to-processing operations[22] and contract processors.[23] The margin of preference (24 per cent) that has been obtained through EU preferential market access arrangements has, historically at least, probably been the single most important factor governing the PACPs' focus on the EU market for canned tuna.[24] The total market share of EU canned tuna imports from PNG increased from 2 per cent in 2002 to 5 per cent in 2005.[25] Solomon Islands resumed exports of canned tuna ('Solomon Blue') to the UK under the Cotonou preference in 2007, with the commencement of the Soltai Fishing and Processing Company operations.[26]

Apart from canned tuna, the PACPs also supply **loins** to the EU for processing. These exports have benefitted from Cotonou trade preference (subject to rules of origin or ROOs). Between January–June 2006, PNG exports of loins to the EU were 972.6 tonnes (t) (worth €3.07 million), and for Solomon Islands it was at 650t (€2.02 million). It is worth noting that domestic processing within the EU is likely to remain economically feasible only for as long as the margin of preference is maintained, the absence of which would lead to a possible shift in such production to lower-cost producers such as Thailand and Philippines. Fiji and PNG also export fish fillets and steaks to the EU. In 2005, the exports of this product totalled 34.5t and 50t respectively.

Philipson (2006) has suggested that a combination of fishing and domestic processing in the region would yield the highest net economic benefit (in terms of the profit made by a fishing operation and the wages of the crew). See table 9.4.

Table 9.4 Economic benefits of domestic tuna longline fishery for the Pacific region

Model	*Net local purchases*	*Employment earnings*	*Balance of payments*	*Gross profit*	*Government revenue*
Longliner – conventional	525	562	1,830	365	174
Longliner – foreign cannery	0	0	416	416	13
Value-added processing	602	201	1,364	602	46
Combined catching and processing	602	763	1,110	968	220
Foreign access longliner	0	0	350	n/a	350
	All values in US$ per tonne of tuna (catch or factory throughput)				

Source: Philipson, 2006: table 8

Under the Pacific ACP countries' EPA negotiations with the EU, their key interests have centred on: a) maintenance of existing EU market share, b) widening and deepening of this market share (i.e. through reform of EU rules of origin for fish and through the effective meeting of EU standards by PACPs who have yet to break into the EU market), and c) the need for development assistance.

On rules of origin (ROOs), the key considerations for the PACPs are that the rules must allow them the flexibility to expand and diversify their production base into the future (including through value addition). The region's concerns regarding ROOs are understandable, given that the ROOs provisions specifically relating to the **'Everything But Arms' (EBA)** initiative[27] and the Generalised System of Preferences Plus (GSP+)[28] were guaranteed only until 1 January 2010.

Global sourcing rules of origin have been provided to Fiji and Papua New Guinea in their Interim Economic Partnership Agreements (IEPAs) with the EU. The new rule here is that, regardless of where the fish is caught or the status of a vessel's flag, registration or ownership, the fish is considered as having originated from an ACP country and thereby qualifying for preferential treatment in the EU as long as it is transformed from being fresh or frozen into being a pre-cooked, packaged or canned product (categorised under HS 1604 and 1605). This is known as the change in tariff heading method, and was a core demand of the PACPs in their negotiations with the European Commission. In principle, these new ROOs are a huge step forward for PACP-based processors (mainly of canned tuna and tuna loins), but in practice the ability of processors to maximise the benefit remains to be seen. The most important limitation is the fact that fish still needs to meet mandatory EU sanitary and phytosanitary measures (vessels must be registered and approved by the local competent authority, which is in turn regulated by the Health and Consumer Protection Directorate, better known as DG SANCO). The ability of PACPs to supply a range of fish and fish products that fulfil all EU import requirements remains a major challenge.

For the remaining PACPs, the least developed countries, namely Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu, continue to benefit from the EU's Everything but Arms (EBA) regime, which offers similar preferences to Cotonou (apart from the provisions for sharing production processes among them or 'cumulation'). By contrast, Cook Islands, Tonga, Marshall Islands, Micronesia, Niue, Palau and Nauru have reverted to the less favourable GSP trade regime, which means a tariff increase of up to 20.5 per cent. However, because these countries currently export few goods, including fish, to the EU, they have not so far faced any significant commercial difficulties. For these five LDCs (whose fish exports currently benefit under EBA), and the seven other PACPs (whose fish exports currently qualify under GSP), the EC has indicated that new GSP rules will enter into force on 1 January 2010 (as regards the rules for determining origin) and 1 January 2013 (as regards procedures) respectively. It appears that those to be affected first by the new ROOs are likely to be the PACP non-LDCs that have not signed IEPAs.

Notwithstanding developments in the Pacific ACP–EU EPA negotiations highlighted above, it is notable that reservations have been expressed by some PACPs regarding regional co-operation and integration approaches in certain sectors like fisheries. Such reservations have been expressed particularly by those states that already have existing bilateral agreements with developed countries, which are part of the regional trade agreement (RTA) negotiations mentioned in this chapter.

At the WTO, four Pacific island countries have been engaged in the negotiations regarding proposals for expanded rules on fisheries subsidies. The region's stance reflects a concern that recently tabled disciplines would pose a direct threat to the region's artisanal and small fisheries sector. Through the WTO Doha Development Agenda (DDA) mandated Small Vulnerable Economies Work Programme (SEWP), the region has been actively involved in the Geneva process and stressing the need for WTO members to take account of the negative implications that any new discipline on fisheries subsidies could have for their artisanal fisheries sector. The debate, however, continues at the WTO about appropriately formulating defensive safeguard measures to promote the development artisanal sectors without necessarily creating **overfishing** or **overcapacity** in the sector. In addition, the interface between trade and climate change has also entered the international policy arena, which FICs will now have to address simultaneously in the United Nations and the WTO's negotiating process if they are to continually realise the opportunities emanating from globalisation.

If the current WTO DDA negotiations recommence, then efforts to multilaterally liberalise barriers to trade in fish and fish products are likely to result in dramatic changes to preferential arrangements between developing countries and their developed trade partners. A reduction in aid levels and devaluing of preferential arrangements between ACP countries and the EU, for instance, are likely to emanate from WTO non-agricultural market access (NAMA) and WTO rules negotiations on subsidies to the fisheries sector. Sectoral liberalisation, on the other hand, could eventually move the tariff levels to zero, resulting in increased competition among PIC exporters and an increased share of processing and production captured by lower cost Asian producers. The value of the preferences currently enjoyed by Pacific ACP fisheries exporters to the EU under the Cotonou Agreement, however, will nonetheless continue to be eroded through the proliferation of North–South and South–South regional trade agreements, particularly between more lower cost Asian fisheries producers and the EU and US (i.e. a US–Ecuador FTA, US–Thailand FTA etc.).

The most significant access arrangement in the South Pacific is the arrangement between the Pacific Islands and the USA,[29] which regulates access of US purse seine vessels in the EEZs of the South Pacific island states members of the Forum Fisheries Agency.[30] This arrangement currently provides approximately US$21 million per annum of annual returns to the beneficiaries, which is almost a third of the total access fees derived by the Pacific island states **but** less than 20 per cent of total distant water fishing nations (DWFN) catch in their EEZ.[31] Since 2000, there has been a dramatic decline in the number of US per seine vessels operating in Western Pacific waters, although discussions are currently being advanced among some US canning firms focussed on financing the rebuilding of the fleet.

The EU has also signed bilateral fisheries access agreements with Kiribati, which allows their **distant water fishing** purse seine and longline vessels to operate in Kiribati's EEZ. The agreement is heavily subsidised by an EU financial contribution set at €546,000 for the first year, corresponding to 8,400 tonne of tuna. Approximately 19 per cent of this contribution will be allocated to 'targeted measures' to support Kiribati participation in fisheries organisations and the country's institutional capacity. Seventeen per cent of the total cost of fisheries access under the agreement was met by ship owners, with the balance coming from EU public funds.[32]

The Forum island countries also have non-reciprocal preferential trade arrangements with Australia and New Zealand (ANZ) for all products, except sugar, under the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) – which is also subject to rules of origin. Despite this arrangement, FIC exports to Australia and New Zealand of fish and fisheries products have been relatively small. The current discussion in the region is now focusing on the possible negotiation for flexible SPARTECA ROOs for exports of fish and fish products, as well as garments into ANZ markets. The question that currently arises is how the region will move towards integrating the SPARTECA arrangements within the currently negotiated PACER Plus negotiations, and whether FIC market access arrangements with Australia and New Zealand, including rules of origin, will be improved.

Conclusions

The Pacific region undoubtedly faces major development challenges into the future. Most of the countries in the region remain severely hindered and constrained by their small size and remoteness. In particular, it is anticipated that there will be a decline in government revenues and increased competition in traditional markets for the regions' goods, as a result of erosion or loss of existing preferential market access arrangements. International trade including fisheries trade, however, continues to offer most small states in the region some of the best opportunities for delivering the growth and other performance improvements required, including at enterprise level, to address the multiple threats presented by poverty, high youth unemployment, environmental degradation and increased population pressures. In particular, studies have identified a number of areas, including improved harmonisation of fisheries access agreements, as being important for regional co-operation. The trade in services, including remittances received from migrants, are also expected to play an important role in the region's overall investment strategy.

Regionalism, incorporating regional co-operation and moves towards greater regional integration, offers some scope for delivering more competitive exports and market expansion, as well as for attracting new investment – by taking advantage of external economies of scale and through the establishment of more robust performance, including environmental, requirements.

There are some positive signs that leaders in the region have begun to respond to these realities. A Pacific Plan, which sets out a road map for the region, has been endorsed by the 14 small states known as the FICs (or PACPs). This commitment to closer working is, to some degree, reflected in ongoing negotiations with New Zealand and Australia – regarding possible amendments to SPARTECA, as well as deliberations around the anticipated Pacific Agreement on Closer Economic Relations (PACER Plus). In the case of the EPA negotiations with the EU, the FICs have co-operated closely in articulating a regional position regarding a development-oriented 'Managed Migration Scheme' to facilitate labour mobility priorities for the region.

Notwithstanding the progress that has been made towards greater regional co-operation by FICs, a number of obstacles clearly remain. Nowhere is this perhaps more evident than in trade negotiations that have a bearing on access to the region's fisheries resources. While key elements of the region's fisheries policy (e.g. Apia policy) are clearly reflected in the Pacific Plan, fisheries trade negotiations continue to be concluded bilaterally, as evident in the Fiji IEPA and the PNG IEPA as well as the enduring bilateral Fisheries Partnership Agreements between the EU and Kiribati, Solomon Islands, and the Federated States of Micronesia.

The success of the proposed temporary migration scheme, including at the bilateral level, will depend on strong, transparent and enforceable criteria and regulations that govern the entire process from the selection of candidates, their migration and employment in the receiving country right through to their return and successful reintegration in their home country.

Another potential obstacle to effective translation of the Pacific Plan into tangible outcomes is that a number of the initiatives identified for implementation are premised on development assistance being forthcoming. While commendable effort has been undertaken by the FICs themselves (e.g. studies and the pursuit of enhanced technical and vocational educational institutions) to create a more conducive domestic environment for trade and investment, it is clear that a significant level of external support and goodwill from the international community will continue to be necessary.

Important trading partners, such as the EU, New Zealand and Australia, will need to continue to be sympathetic to the particular circumstances of Pacific small states by working in co-operation with the FICs to ensure that their development opportunities are not unnecessarily hindered. This is not to suggest any endorsement for the continued existence of preferential market access regimes into perpetuity, but to highlight the important need for capacity building, including through the enhancement of local skills and knowledge, qualitative technology transfer and infrastructure development. It also requires trading partners to give adequate consideration to the potentially adverse impacts on the growth and trade opportunities on small states in the Pacific arising from the adoption of particular policies and the creation of unnecessary barriers to trade.

Clearly more remains to be done within the Pacific region to ensure that the expressed commitments to regionalism, as embodied in the Pacific Plan, are fully realised. A key demonstration of sustained political commitment of national governments to this 'new regionalism' will be required particularly in ensuring that they have coherent national development strategies in place that reflect the priorities set out in the Pacific Plan. In the case of fisheries, one of the key challenges will be to demonstrate how the adoption and implementation of an ecosystem approach to fisheries management is reflected in trade agreements negotiated by the FICs at bilateral, regional and multilateral levels.

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Notes

1. World Trade Organization Document: WT/COMTD/SE/W/12: Small Economies submission to the WTO Committee on Trade and Development (CTD), providing indicative list of 17 specific characteristics and problems of small economies.
2. Ministers at the 2008 Forum Economic Ministers Meeting (FEMM) alerted the region to the emerging impacts of the global recession. The key points of pressure highlighted included lower prices and reduced demand for commodity exports, pressure on tourism, falls in remittance flows, significant falls in the value of offshore national trust funds and for some, a deterioration in access to finance.
3. See: http://www.pacificplan.org [last accessed 9 July 2010].
4. See: http://www.pacificplan.org [last accessed 9 July 2010].
5. See: http://hdr.undp.org/en/reports/ [last accessed August 2010].
6. See: http://wwwpacificeconomies.blogspot.com/2009/03/fiji-trade-deficit-widens-remittances.html [last accessed 9 July 2010].
7. IMF publication. See: http://www.imfstatistics.org/imf/ [last accessed August 2010].
8. UNCTAD (2001), table 6, p. 11.
9. ADB and Commonwealth Secretariat (2005), p. xxi.
10. Kalibobo Roadmap on the Pacific Plan (2006). Available at: http://www.pacificplan.org [last accessed 9 July 2010].
11. The Apia Policy, covering all 22 Pacific island countries and territories (PICTs) includes sustainable management of coastal fisheries, reducing their adverse impacts on coastal ecosystems, and optimising production to meet local nutrition needs and contribute to economic development.
12. See: www.ffa.org [last accessed 9 July 2010].
13. For example, World Bank (2006) and ADB (2002a).
14. The full Annex can be accessed from http://www.pacificplan.org [last accessed 9 July 2010].
15. For example, Fiji's NSDS only has three of the pillars: economic, social and environmental. It does not make any reference to the Pacific Plan, nor does it have any articulated policies on 'regionalism', although efforts are underway to 'dovetail' the Pacific Plan, the Mauritius Strategy (Mauritius, 2005a) and the Paris Declaration (Paris, 2005) into the country's development strategy. On the other hand, Niue's National

Integrated Strategic Plan (NISP), 2003–2005, covers four strategic objectives: economic, social, governance, financial stability and environment. It also has guiding principles that enshrine sustainable development in a very broad sense, and is currently working towards aligning its NISP for 2005–2008 with the strategic objectives of the Pacific Plan. Also see the Mauritius Strategy and Paris Declaration in http://www.un.org/esa/dsd/resources/res_pdfs/csd-18/csd18_2010_bp9.pdf [last accessed August 2010].

16. A number of countries have already expressed reservations about regional co-operation in certain sectors like fisheries, particularly those countries that have existing bilateral fisheries agreements with the EU.

17. **Kiribati** and **Tuvalu** currently have a seafarers' scheme through which Kiribati and Tuvaluan seafarers are employed on German and Asian merchant ships, as well as on Norwegian cruise liners. Approximately 1,250 seafarers from Tuvalu and 2,500 from Kiribati were registered in 2006. Contracts for seafarer merchants are negotiated directly between the shipping agencies in the sending and receiving countries, while the Kiribati and Tuvalu governments negotiate contracts for their caterers with the Norwegian Cruise Liners (NLC) shipping company.

18. North–South Institute (2006).

19. The logic being that if these developed countries agree to liberalising temporary movement of 'unskilled' service suppliers (TMNP) at the regional level through GATS Article V-type arrangements, then it would go beyond their currently agreed commitments at the multilateral level (which currently apply only to the movement of professionals). This would then send a political signal to other WTO members that they may be willing, in the future, to also multilaterally liberalise TMNP for 'unskilled' workers – which would benefit the developing countries that have a comparative advantage in the factor, but one which has largely been resisted by these developed countries.

20. Ibid.

21. FSM, Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands and Tuvalu. It also has an agreement with Fiji, but Japanese vessels do not fish in Fijian waters.

22. RD Tuna Canners and Frabelle – both located in PNG and actively participating in the process of fishing to eventual sale to importing firms in principal markets, mainly the EU.

23. PAFCO (Fiji), Soltai (Solomon Islands) and South Sea Tuna Corporation (SSTC) (PNG) – primarily contracted processors that do not own the fish. Also FCF and TRI Marine supplies, procures and onward sales.

24. However, with PAFCO's switch to loining and the development of the SSTC loining plant in Lae to supply the US market (which does not apply a tariff of any significance on tuna loins), there is clearly **some** level of competitive advantage to tuna processing in PACPs.

25. Adolfo Valsecchi (2006).

26. Political tensions and the collapse of the world price of tuna during 1999 and 2002 had earlier forced the company to close. See: http://www.foodprocessing-technology.com/projects/soltaituna/ [last accessed 9 July 2010].

27. **Everything But Arms initiative (EBA)** offers duty-free market access to the EU for all states categorised by the UN as least developed countries for all their goods except for armaments and munitions (subject to rules of origin). The EBA is maintained under the legal framework of the Generalised System of Preferences.

28. **GSP Plus (or GSP+)** of the European Union works under the legal framework of the Generalised System of Preferences. The GSP Plus is a trade preference scheme offered to developing countries that are categorised by the EU as 'dependent and vulnerable' and that have signed up to 27 conventions on good governance, labour rights and the environment. The preferential treatment is subject to rules of origin.

29. 1987 Treaty on Fisheries between the Governments of Certain Pacific Island States and the Government of the United State of America (The US Treaty).

30. Parties to the multilateral treaty includes Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

31. Grynberg (2002), p. 12.

32. Ifremer, Cemare, CEP, (1999) Evaluation of Fishing Agreements is concluded by the European Community, European Contract No. 97/S 240-152919.10.12.1197 IFREMER/CEMARE/CEP Ref. ACPC02, quoted in B Gorez and B O'Roidan (2002), p. 17.