

EU-ACP SIA of the EPAs: Phase Two



Inception Report (Revised)

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MIMAP

Micro Impacts of Macroeconomic
and Adjustment Policies

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ACRONYMS

ACP	Africa-Caribbean-Pacific
CAP	Common Agricultural Policy (EU)
CARICOM	Caribbean Community and Common Market
CARIFORUM	Caribbean Forum of ACP States
CET	Common external tariff
CMS	Control and Monitoring Systems
CPC	UN Central Product Classification
EBA	Everything but Arms Initiative
EC	European Commission
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
EU	European Union
FDI	foreign direct investment
FTAA	Free Trade Area of the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GSP	Generalised System of Preferences
LDC	Least-developed country
MFN	most favoured nation
OECD	Organisation for Economic Co-operation and Development
PwC	PricewaterhouseCoopers
SIA	Sustainability impact assessment
SICTA	Standard International Classification of Tourism Activities
SME	small- and medium-sized enterprise
SPS	sanitary and phytosanitary
UEMOA	West-African Economic and Monetary Union
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
WTO	World Trade Organisation
WWF	World Wide Fund for Nature

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1 INTRODUCTION

This report is the first in Phase II (Year 2) of a project funded under a four-year framework contract (Trade 02-F3-02) awarded by the European Commission's DG-Trade to conduct a SIA of the negotiations between the European Union and the Africa-Caribbean-Pacific (ACP) countries to establish Economic Partnership Agreements (EPAs) (hereafter 'EU-ACP SIA').¹

The EPAs are part of the framework put in place between the EU and the ACP countries under the 2000 *Cotonou Agreement*, which replaces the *Lomé IV Convention*.² The *Cotonou Agreement* represents a framework for future ACP-EU cooperation. The central objectives of ACP-EU co-operation under the *Cotonou Agreement* are “poverty reduction and ultimately its eradication; sustainable development; and progressive integration of the ACP countries into the world economy” (Article 19). The *Agreement* presents a comprehensive approach to achieve its objectives based on five pillars: a political dimension, a focus on participatory approaches, a strengthened focus on poverty reduction, reform of financial cooperation, and a new framework for economic trade cooperation, of which EPAs are the central component.³ Negotiations of the EPAs between the EU and the ACP countries began in September 2002 and are to be completed by 31 December 2007. Phase I negotiations were held at an all-ACP level and beginning in late 2003 some regions moved into Phase II of negotiations with the aim of finalising the EPAs by the 2007 deadline.

This SIA explores economic, environmental and social sustainability issues related to the negotiation of the EPAs. Along with liberalization, the SIA considers the

¹ The EU's SIA Programme has as a goal the integration of sustainability concerns into the development of trade policy in a way that mitigates negative impacts and promotes positive impacts of trade policies or agreements on the economy, social development and the environment. The SIA Programme also includes a broad dialogue with civil society as a means for increasing transparency and participation.

² For additional background information please see PwC *et. al*, *SIA of the Trade Negotiations of the EU-ECP Economic Partnership Agreements. Revised Inception Report (Final)*, 31 January 2003. See also ECDPM, “History and Evolution of ACP-EU Cooperation”, January 2001 (Cotonou InfoKit 3).

³ Like *Lomé IV*, the *Cotonou Agreement* included trade preferences for the ACP countries. Sanctioned by a WTO waiver, the trade arrangements under the *Cotonou Agreement* extended existing non-reciprocal preferential access for certain ACP agricultural and other goods to the EU market through 2008. The trade provisions in the *Cotonou Agreement* outline a path towards a new trading regime between the ACP countries (excluding South Africa) and the EU, which will establish conditions for trade agreements that will be reciprocal, cover “essentially all trade”, and be WTO-compatible. These new trade agreements will be implemented between 2008 and 2020. Under the *Cotonou Agreement*, the EU has also pledged to provide ACP countries with official development assistance.

extent to which the EPAs can build upon and strengthen processes of regional integration in the ACP regions and the impacts of this on the ability of ACP regions to pursue development that is economically, environmentally and socially sustainable. It includes consideration of development and capacity building, both directly trade-related and non-trade related.

The overall goals of the EU-ACP SIA are:

- i. To enhance the analytical awareness and understanding of the links between the EPAs and sustainability and encourage negotiators to adopt positions to promote sustainability in the EU and in ACP countries.
- ii. To define and provide input into policy packages in the EU and the ACP countries to accompany the EPAs to encourage an outcome that contributes to sustainable development.
- iii. To increase transparency by developing a basis for discussion with European and ACP stakeholders about potential sustainability implications of the EPAs.

The Consortium is led by PricewaterhouseCoopers (PwC) in France.⁴ Partners in the Consortium are the Forum for Africa and GRET.⁵ In February 2004 the final reports from Phase I (2003) of the SIA were released. These included a *Qualified Preliminary EU-ACP SIA of the EPAs: Phase I* and Regional in-depth SIAs for the Caribbean and Western Africa. Executive summaries were also released. These documents are available at: www.sia-acp.org.

The goal of Phase II of the EU-ACP SIA (2004) is to provide in-depth SIAs of the EU-ACP EPA negotiations in specific sectors. The Consortium will prepare three reports during 2004: an Inception Report, a Midterm Report and a Final Report (Box 1). These will be developed in conjunction with three sector studies. This Inception Report provides an overview of the structure and organisation of the work and the consultation process, proposing specific sectors and regions for work in Phase II. Target regions and

⁴ PwC includes a network of offices in ACP countries including: Guinea, Chad, Côte-d'Ivoire, Cameroon, Gabon, Congo, DRC, Madagascar, Senegal, Mauritius, Namibia, Angola, Kenya, Zambia, Zimbabwe, Tanzania, Mozambique, Suriname, Dominican Republic, Barbados, St. Lucia, Trinidad & Tobago, Grenada, Antigua, Papua New Guinea, Fiji and the Solomon Islands.

⁵ **The Forum for Africa (Forum)** is an international NGO that promotes innovation in Africa in business, arts and science. The Forum develops analysis on major issues concerning Africa including education and training, partnerships and FDI, impact of trade negotiations on the structure of African society, urbanisation and desertification. **GRET** is an international association that conducts research and promotes development through dialogue with governments in numerous fields including international trade, agriculture and food security, environment and rural development, commodity chain analysis, microfinance, urban social development, and business development services.

sectors presented are Western Africa (agro-industry), the Caribbean (tourism services) and the Pacific (fisheries).

Box 1. Provisional timetable for work in Phase II EU-ACP SIA (2004)

February	Project meeting to finalise Phase I and plan Phase II.
April/May	Submit Inception Report to EC.
August	Project meeting to discuss workshop results and Mid-term Report.
September	Submit Mid-term Report (3 months after the acceptance of the Inception Report).
October	Regional Consultations; Project meeting to discuss final report.
Dec/2004	Submit Final Report (3 months after the acceptance of the Mid-term Report).

2 THE CONSULTATION PROCESS: PHASE II

An effective consultation process is a cornerstone of the EU-ACP SIA. It is integral to the success of the SIA that a mechanism is developed and used that encourages a meaningful dialogue with stakeholders about issues related to sustainability and the EU-ACP negotiations. This includes efforts to disseminate information, raise awareness, and increase transparency in Europe and the ACP regions of the prospective EPAs and the SIA.

Dissemination of information occurs through newsletters, participation in meetings, and use of the World Wide Web. During Phase I the Consortium established a website (<http://www.sia-acp.org>) allowing stakeholders to access information about the project, receive updates on progress, and provide input to the Consortium. Experience in Phase I indicated a need to improve methods for disseminating information concerning the SIA in the ACP regions.

In Phase II the consultation process will emphasise the website as a means for soliciting input from stakeholders. Feedback from experts and civil society in the regions is crucial to add value to the experience of the Consortium and to add credibility to the study by including priorities of regional stakeholders in major decisions. The consultation process will also engage stakeholders in a dialogue with the members of the Consortium through meetings. Working with the EC the Consortium will organise and/or participate in consultations in Europe and in the ACP regions.⁶ A provisional timetable for consultations during Phase II of the SIA is presented in Box 2.

Box 2. Provisional Timetable for Consultations, Phase II

9 March 2004	Brussels	Presentation of SIA results, Phase I. Seminar on regional integration and trade for ESA Region organised by the EC.
30 March 2004	Brussels	Participation in an <i>ad-hoc</i> meeting. Poverty Reduction and new ACP-EU Trade Arrangements: Eurostep SIA study
March-April 2004	Internet	Invitation to comment on sectors for Phase II
April 2004	Brussels	Presentation of SIA results, Phase I. Seminar on regional integration and trade for Caribbean organised by the EC
May 2004	Brussels	Presentation of Inception Report, Phase II
September 2004	Brussels	Presentation of Mid-term Report, Phase II (<i>to be confirmed</i>)
October 2004	tbd	Regional consultation seminars organised by the Consortium
December 2004	Brussels	Presentation of Final Report, Phase II (<i>to be confirmed</i>)

⁶ The first meeting in Phase II was held on 9 March 2004 when the Consortium presented the results of Phase I and ideas for work in Phase II at a public meeting in Brussels that included over 150 participants including civil society, EC negotiators and representatives from Eastern and Southern Africa.

2.1 Regional seminars

In October 2004 a seminar will be held in each of the target regions for Phase II of the SIA.⁷ The Consortium is engaged in discussions to seek co-financing and the support of a regional partner for each seminar.⁸ The regional seminars have the following general objectives: *sharing information* about the EPAs and about the SIA; expanding and consolidating regional networks; and, presenting the findings of Phase I of the SIA and discussing Phase II.

Specific objectives of the regional seminars for Phase II are as follows:

- To address key questions raised by the studies with respect to chosen sectors and regions.
- To explore major economic, environmental and social themes related to the sectors in the context of the EPA.
- To explore perceived opportunities and threats from regional integration and/or trade liberalization.
- To take advantage of local expertise for the impact analysis.
- To explore capacity building requirements in the region.
- To explore potential policy recommendations related to the EPA.

2.1.1 Activities

Identification and role of local partner, as well as the role of EU delegations in the ACP regions.

- Identification of participants: invitees, Chair(s), and *rapporteurs*.
- Preparation of background documentation: agenda, working paper(s), key questions for consideration, follow-up/final report.

⁷ In Phase I meetings were held in the Caribbean and in Western Africa and participants expressed an interest in maintaining contact. PwC *et al.*, 2004. *Qualified Preliminary EU-ACP SIA of the EPAs: Phase One. Executive Summary*. 2 February (revised).

⁸ For example, in the tourism sector, ProInvest (a forum managed by the Centre for the Development of Enterprise under the EC's EuropeAid Co-operation Office) expressed interest in co-funding a seminar.

2.1.2 Preliminary Budget

Table 1. Preliminary Budget for each Regional Seminar (2-3 days)		
Category	Description	Total
Local Partner Fees	Identify venue; Help identify participants; Facilitate logistics of meeting including providing necessary resource people; Contributions to documentation including agenda, key questions for consideration and final report.	€6,500
Documentation	Preparation of background documents; preparation of agenda and key questions for consideration; Preparation of final report	€6,000
Logistics	Rental of meeting room; Translation equipment if necessary; Coffee and lunch breaks; Related expenses (computers, photocopying etc.).	€10,950
Travel Expenses	Air fares; Hotel; <i>Per diem.</i> (average)	€49,000
Honoraria	For speakers as necessary; for Chair, as necessary; for <i>rapporteurs</i> , as necessary; for participants, as necessary.	€3,840
Estimated total		€76,790

3 RATIONALE FOR SELECTING SECTORS

In addition to ongoing discussions with the EU, the Consortium employed the following three general guidelines as a means of arriving at decisions about work in Phase II.

- Build on the results of Phase I.
- Apply the rationale developed in the Phase I methodology.
- Incorporate the results of consultations.

3.1 Results of Phase I

A detailed discussion of the findings from Phase I is available in the three main documents produced in 2003.⁹ The following bullet points summarise those findings:

- *Potential Challenges for the ACP countries.* In some sectors in ACP countries there may be particular difficulty under increased liberalisation with the EU by virtue of reciprocity and the erosion of ACP preferences. These sectors include: sugar, bananas, rice, wheat, dairy products, and meat.
- *Potential Opportunities for the ACP countries.* In some sectors there may be opportunities associated with liberalisation, particularly where it is accompanied by policies to promote sustainability and increase technical capacity to allow for the inclusion of value-added in the production chain. These sectors include: fruits and vegetables, cotton, fish and fish products.
- *Services.* Services are important in particular for the Caribbean and the Pacific regions. There was considerable interest at the workshop in the Caribbean in pursuing further work on travel and tourism services.

3.2 Rationale developed in the methodology (Phase I)

The following criteria were developed in Phase I to select priority sectors. Their importance will vary from sector to sector and issue to issue. Particular criteria should be weighed against others combined with results of stakeholder consultations and other work when making decisions to select specific sectors for further study.

- The sector is significant from an economic, environmental and social perspective.

⁹ PwC et al., *Qualified Preliminary EU-ACP SIA of the EPAs: Phase One. Executive Summary*. 2 February 2004 (revised); PwC and IPA. *Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements. Regional SIA: West African ACP countries. Final Report* (revised). 30 January

- The sector is significant in terms of trade flows in both volume and financial terms.
- The sector may be impacted by changes in the trade measures included in a future EPA (including challenges and opportunities).
- The sector is one where one might expect, *a priori*, that there will be potential impacts of the EPA on sustainability at the local, regional or national level or for specific actors.

3.3 Results of Preliminary Consultations in Phase II

At the 9 March 2004 meeting in Brussels the Consortium presented ideas for sector studies and received comments that are summarized in Box 3.

Box 3. Summary of comments received at 9 March 2004 stakeholder meeting

- Terms of reference for the SIA should be agreed upon between ACP and EU to ensure “ownership” of ACP countries in the SIA process.
- There is an asymmetry of information within the negotiation process.
- Concerns about data availability, in particular for economic modelling.
- Need to involve people from the ACP regions.
- The SIA should not only look at sectors that are important today, but should also focus on sectors that might emerge in the future.
- Further develop benchmarks and indicators related to issues such as impacts on small- and medium-sized enterprises, HIV/AIDS, equity; vulnerability of markets.
- Can results of one region be extrapolated to other regions?
- Has the SIA actually influenced the negotiators’ positions?
- The ACP countries do not have the capacity to control and enforce stringent EU standards in sectors such as fisheries.
- Importance of textile and clothing issues in ESA countries.
- Stakeholders from ESA countries opposed work on food crops and indicated that cash crops would be more important.
- Agro-processing that creates value-added should be studied.
- Any regional study on fisheries should take into account depletion of stocks.

To follow up, the Consortium launched a web-based consultation on the sectoral proposals. Initial ideas for sector studies, including a half page introduction for each, were posted on the Consortium’s website between 18 March 2004 and 1 April 2004 and an email message inviting comments was sent to over 3,000 government and non-government actors in the EU and the ACP regions. All comments are posted on the project’s website. A general summary of the comments is presented in Box 4.

Box 4. Summary of Comments from March-April 2004 Internet consultation

- Support for sectoral studies which consider issues of agriculture and reciprocity.
- Focus on agriculture in particular should include value-added food products industry.
- Likely impact of EPAs on local food processing industries or value-added food product industries and structural development in those sectors is relevant with regard to questions of sustainability, including poverty reduction and gender equality.
- Relevance of tourism as the choice of services sector was confirmed.
- Comments on specific sectors included query on relevance of fisheries for Western Africa, highlight importance of textiles in Western Africa and agriculture (coffee, tea) in Central Africa; relevance of livestock, forestry and food crops as well as cash crops in Eastern and Southern Africa (with emphasis on food security); relevance of fisheries in the Pacific region.

This input, in conjunction with input from the EC, was factored into the major decisions that frame Phase II of the ACP-EU SIA taken by the Consortium to date, as follows:

- Undertake three case studies in Phase II.
- Proceed with the tourism sector, with a focus on the Caribbean region.
- In Western Africa cover agro-industrial products, processing and the value chain for various commodities that can include fisheries as well as other food products and agricultural products such as cotton/textiles.
- Postpone detailed consideration of Central Africa and Southern and Eastern Africa to Phase III of the SIA.
- Include the fisheries sector in the Pacific region in Phase II of the SIA.

4 SUMMARY OF THE METHODOLOGY

Phase I adopted a general approach to the EU-ACP SIA that is illustrated in Figures 1 and 2. It is outlined fully in the *Qualified Preliminary EU-ACP SIA of the EPAs: Phase One (Final Draft)* of January 2004. Building on Phase I, Phase II includes **scenarios** for specific sectors and regions, which will be analysed in a similar manner consistent with the overall approach. This begins with a priority setting exercise, which examines the key economic, environmental and social sustainability issues associated with the sector under consideration and develops the **sustainability themes** that will be used in the study, in particular to guide the selection of indicators. The choice of **indicators** helps focus the assessment on the most important issues facing a specific region/sector. Their role is to ensure that the impacts of EPAs will be analysed first and foremost with respect to the most significant sustainability themes. Given the paucity of data and the uncertainty inherent in quantifying environmental and social impacts, the indicators will likely not be quantifiable in some regions, but will suggest where policy action is most urgent in order to avoid negative impacts or promote positive impacts of the EPAs. The indicators will further suggest where any efforts to monitor environmental quality or social equity might be most useful.

A first step of the impact analysis is to determine the likely trade-related economic impacts of the EPAs. An initial feasibility study in Phase I indicated that this may be done in some cases using **modelling** as a forecasting technique. The ability to model for a sector SIA will be determined on a case-by-case basis.

The approach also employs a series of **analytical questions** that can be used, alone or in combination to “tease out” potential direct and indirect impacts (both positive and negative) of trade-induced economic change on social and environmental issues. The questions are based on variables from the SIA literature including: scale; product/services; structure; production practices; technology and knowledge; infrastructure; transportation; and, government revenue, policies and regulation.

It is not enough to identify net environmental or social losses or gains associated with liberalisation, but rather it is important to understand the linkages among the different components of sustainability, understand the trade offs, and put policies in place to address those areas where negative impacts might occur. This SIA adopts an approach whereby **impacts can be prioritised**. Prioritising the most important

sustainability impacts will help inform negotiators and other policy makers during trade negotiations where the most important risks are with respect to sustainability, and where there are a range of issues that should be addressed through appropriate policy responses to support sustainability.

The SIA develops **policy recommendations** in its final section. They based on the findings of the assessment, focused in particular on the selected indicators most relevant for the sector/region. They will be divided into two categories. The first will be trade-related policy recommendations aimed at EPA negotiators. The second will be non-trade related policy recommendations aimed at encouraging improvements in capacity, infrastructure or other relevant areas to ensure that the EPAs, once implemented, will promote, rather than detract from, efforts to achieve sustainability.

Figure 1. Making Initial Choices: Scope, Sustainability Themes and Indicators

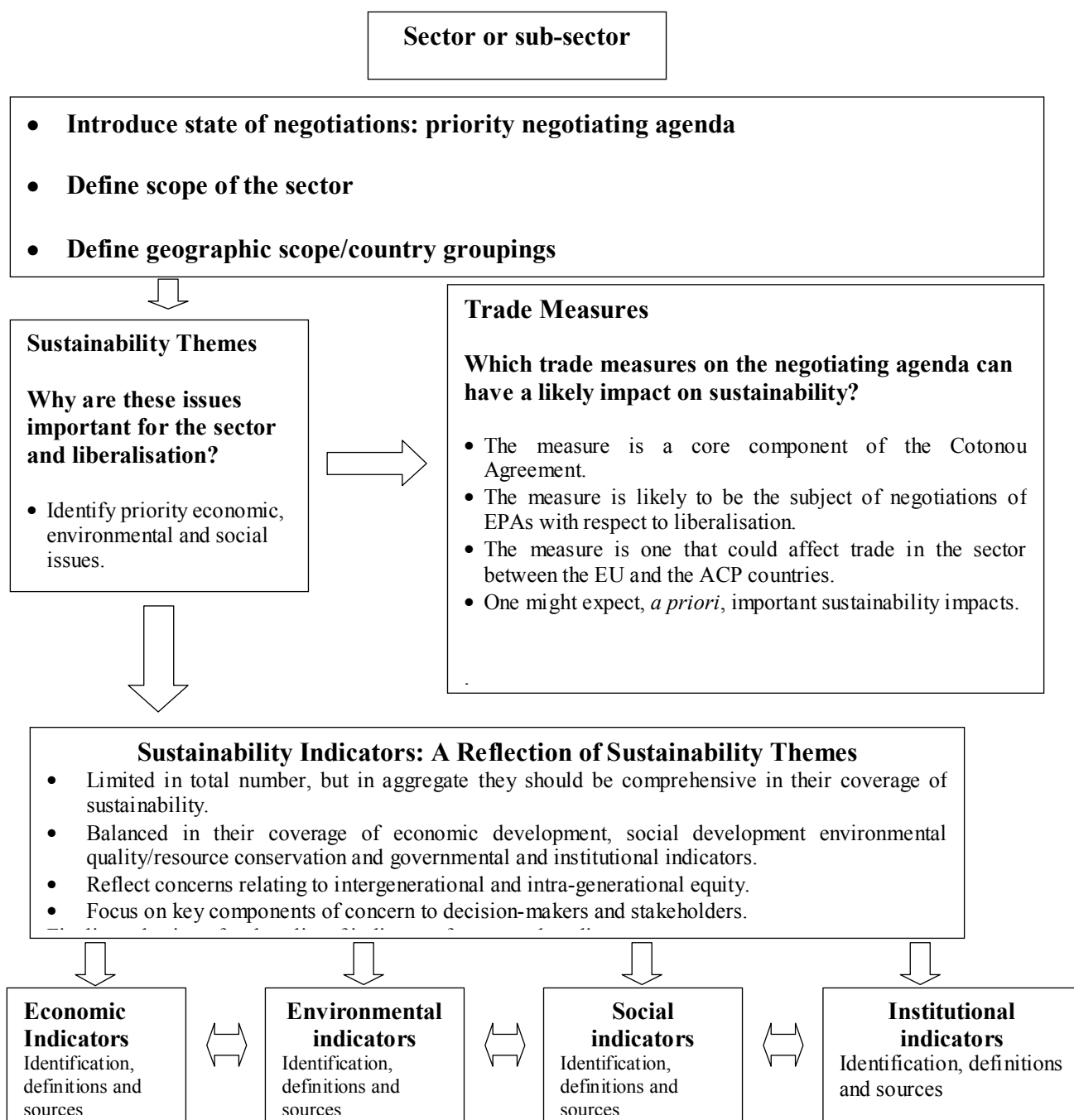
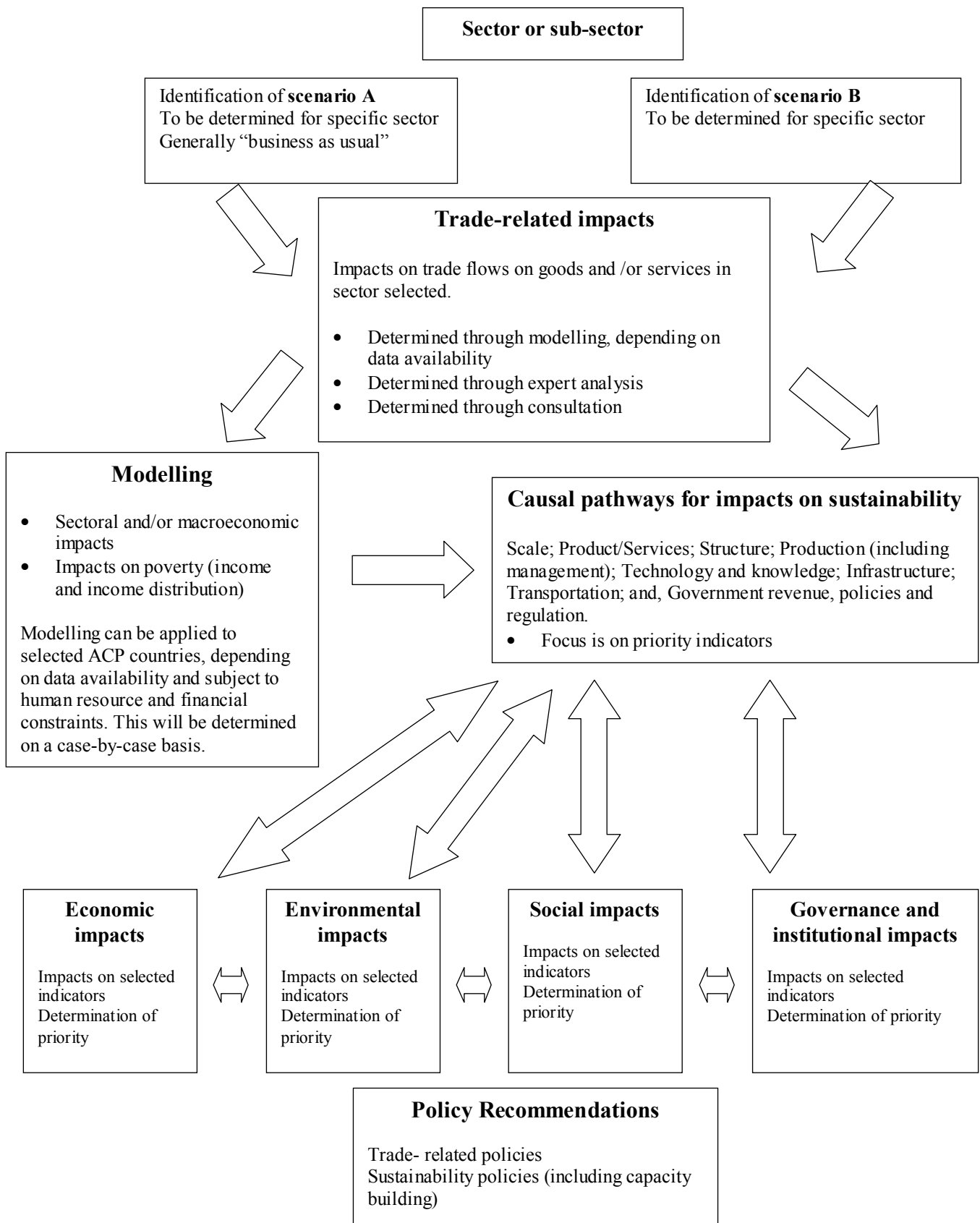


Figure 2. The Impact Analysis



5 SECTOR STUDY PROPOSALS

This section presents three sectors for work during Phase II: agro-industry (Western Africa); tourism services (Caribbean), and fisheries (Pacific). For each sector, an outline is presented that explains the scope of the study, priority trade measures, and sustainability themes that reflect potential impacts of liberalization. The methodology used to examine impacts is based on the framework developed in Phase I, incorporating scenarios and explaining its concrete application through specific analytical questions, work methods and an approach to policy recommendations.

5.1 Agro-Industry: Western Africa

5.1.1 Introduction

Negotiations for the conclusion of an EPA between West Africa (ECOWAS + Mauritania) and the EU were launched in Cotonou on 6 October 2003. A “road map” for the negotiations was agreed at a technical level between the EU and ECOWAS in Abuja on 12 March 2004. This road map focuses on (1) improving regional integration and (2) the improvement of competitiveness of West African economies in order to better integrate them into the global economy in the context of liberalisation. A question central to this study is how liberalisation of trade and investment under an EPA might affect the development of a competitive agro-industry in Western Africa.

Improving competitiveness is particularly important for agriculture which provides jobs for 53% of the active population but is still mainly focused on subsistence despite progresses induced by a rapid urbanisation providing market opportunities.¹⁰ Few products are exported and they are typically exported in a raw state making West African economies vulnerable to volatile world prices. Local markets do not offer a sufficient base to encourage significant expansion and modernisation of agriculture. Therefore liberalisation presents important opportunities and challenges that need to be taken into account in connection with the EPA negotiations.

Negotiators are aware of these challenges. One scenario examined for liberalisation under the EPA involves the rapid liberalisation of 100% of EU market for African production, with West African markets opening gradually (over 15 years) to EU production (70 to 80 per cent on average, e.g., 40 % for sensitive areas and 100% for

¹⁰ FAO 2000.

others). Under this scenario, agricultural products would be the most protected and would benefit from flanking measures to encourage necessary development.

Agriculture is likely to be a focus of the EPA negotiations. It is a sector that presents considerable challenges as the export of food products from the EU into Western Africa can have a negative effect on local production, illustrated by the imports of wheat or meat products, which threaten local production of cereals, but respond to a certain demand of urban consumers. From an economic perspective, adding value to agricultural production, both for local/regional markets or for export, is a source of revenue for West African countries, for private entrepreneurs, and a possible avenue to attract FDI, which is necessary for further development of the region. Improving regional integration is vital since trans-border flows of food products are important for some products such as cattle and onions from the Sahel to coastal countries, and imported products from the coast to the landlocked countries. Therefore, it is important that the ECOWAS common market is put in place in 2005 as foreseen.

This was highlighted during the seminar held in Dakar, Senegal in November 2003. Participants emphasised lack of infrastructure (especially transportation and “cold chains”) one of the major obstacles to the development of the agro-industrial sector at a regional level. They indicated that regional economic development and poverty reduction will only be possible if more value is added locally and the export structure shifts from raw products to semi-processed ones, targeted to specific sectors where complementarity exists with European industrial sectors.

5.1.2 Scope of sector

Agro-processing covers a broad range of commodities. Four have been chosen for detailed treatment in this study and are described below. It is likely that two will be impacted by liberalisation of the EU markets, and two impacted by liberalisation in the West African markets. These sectors were chosen regarding their importance in the ECOWAS agro-economy, trade flows, and discussed with regional representatives.

Fresh fruits and vegetables

The production and export of fresh fruits and vegetables will be considered. Demand for fresh fruit and vegetables is growing in the EU and recent EU expansion presents an even larger potential market. The rapid rate of urbanisation in Africa is also inducing a change in consumption patterns, encouraging the consumption of fresh fruits

and vegetables. Emphasis will be put on identifying the necessary improvements to allow the countries of Western Africa to benefit from market opportunities. EU market requirements in terms of SPS are high and a lack of training and infrastructure limit opportunities for expansion in this sector and the development of modern agricultural techniques. Social impacts, such as income generation, may also be positive. Impacts on the environment could be negative and positive, adding pressure on existing arable land and water resources, or by providing incentives to maintain orchards, for example.

Cotton

Cotton will be considered in its initial stages of processing, and the study will not cover the cotton growing. Despite the fact that it may not yet be realistic to envisage a complete cloth industry in Western Africa to service the EU market, much more could be done to add value to cotton fibres before export. The study will cover the spinning industry and weaving of unbleached fabrics both for local/regional markets and exports. The impact analysis will focus on economic, social and environmental aspects in production zones as well as the constraints of producing competitive products in the context of an open EU market with the end of quotas. Moreover it will examine how to maximise the advantage of availability of high quality cotton fibres. A processing industry, even at the first stages of development, would help develop a local cloth industry in Western Africa, provided there is an efficient control mechanism against fraudulent imports of fabrics, or large quantities of worn clothes imports.

Cereals

Removing tariff protections should increase competition between European wheat products and local cereals. The substitution phenomenon is well known and already exists, and the problem may be more and more acute with growing urbanisation. Imported products are easier to cook than local cereals, providing them with a comparative advantage. In this sector, the impact of the last CAP reform and the WTO negotiations on the Agreement on Agriculture will be part of the analysis, as well as the key role of cereals to ensure food security in the region. Recommendations will focus on flanking measures to be adopted in the EPA.

Meat and meat products

In this sub-sector there is a risk of increased competition between local and imported products from the EU. Livestock is essential for the economies of the Sahel

and the challenges facing development of processing are numerous. Establishing slaughterhouses and refrigerated warehouses, respect of cold chain, and the development of even rudimentary processing facilities are vital for the development of regional markets to compete with EU products. The study will focus on the beef and chicken sub-sectors, considering the importance of trade flows and the possible effects of substitution at the consumer level.

5.1.3 Trade measures

Market access

Access to the EU market. Most agricultural products from Western Africa enjoy duty and quota free access to the EU market.¹¹

Access to the Western African market. Currently, at the UEMOA level (8 countries), free trade is implemented since 1 January 1996 for agricultural products (non-processed), and since 1 January 2000 for industrial products (including agro-processed products). The Common external tariff (CET), structured in four categories is implemented since 1 January 2000. However, for the time being, other ECOWAS member countries – non-UEMOA members: Cape Verde, Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leone – apply different customs duties. This CET is to be extended to the whole ECOWAS area on 1 January 2008. At present ECOWAS does not provide preferential access to EU products. An EPA will open ECOWAS markets to EU products, increasing competitiveness between local products and EU imported products. For agricultural products, this may induce disruption of local markets, with a negative impact on local producers and local agro-industry. On the other hand, it may have a positive impact on consumers by lowering prices. An important question for this study is how potential negative impacts related to competition between EU products and local products can be limited or avoided.

SPS Requirements

Among the main obstacles to West African products entering the EU are SPS measures. An important question, central to this study is how export competitiveness can be increased, taking into account in particular the respect of SPS standards. West

¹¹ Western African countries fall under two preferential tariff regimes: the Cotonou regimes and the Everything but Arms initiative for LDCs. In Western Africa, most of the countries are LDCs, except Nigeria, Ghana and Côte d'Ivoire, and benefit from EBA. There are some exceptions for agricultural products covered by the CAP (sugar, rice, and bananas for example).

African countries face challenges to effectively meet EU SPS measures imposed by the EU, *inter alia*, on imports of food products and this can affect trade opportunities. In order to ensure that this does not happen, and to promote opportunities offered by the EPA, this study will consider SPS measures as they relate to processed agricultural products from Western Africa. The recent strengthening of EU food safety requirements creates new obstacles, increases the pressure on the food chain, and has led to a proliferation of sector-oriented Codes of Practices, imposed by importers and retailers on local suppliers.

Trade facilitation

Trade facilitation is closely associated with market access. The *Cotonou Agreement* has not defined any particular process to promote trade facilitation *per se*. However, EPAs are instruments aimed at removing “progressively all barriers to trade between (the Parties) and enhancing co-operation in all areas relevant to trade”.¹² To the extent that they simplify and streamline requirements and procedures related to imports and exports, taking into account high standards, (with a particular focus on import licensing, customs valuation, and pre-shipment inspection) they will improve transparency, promote trade and impact competitiveness. In this context, trade facilitation is crucial due to the high level of investment required. Access to a large market base is necessary to take advantage of economies of scale. Small agro-processing units can supply local markets or niche markets in the EU. At the same time, access to regional markets should be improved through improved infrastructure and streamlined procedures at the border including, where possible, harmonisation.

Foreign Direct Investment

The Cotonou framework refers to investment under Part 4 “Development finance co-operation” (Financial co-operation, Chapter 7). FDI is key for the development of agro-industry since such activities require high levels of investment, of technical capacity and pre-existing links to markets as well as a good knowledge of market requirements in terms of regulations and quality requirements. The EPA should take into account the needs of EU investors in Western Africa (such as access to financial tools, a stable business environment, protection of investments, and effective laws). Equally important for FDI is the availability of equipped industrial zones in

¹² Art.36 (1) of the Cotonou Agreement.

urban centres or in rural areas close to the production zones where they have access to energy, transport, storage facilities and communication networks.

5.1.4 Sustainability Themes

For each selected sub-sector, the impact of liberalization will be analyzed to determine the challenges and opportunities associated with liberalisation with a view to maximizing the benefits and minimizing the negative impacts.

Economic Sustainability

Agriculture is a vital sector for West Africa. This makes West African economies particularly fragile and vulnerable to external factors. Increasing local value-added, creating a regional market base, and improving EU market access for West African agro-industrial products are major challenges. In all cases key themes to be studied include:

- Finance. Impact on public finance (tax revenues).
- Economic performance. (Impact on GDP and external trade).
- Investment (impact on FDI).
- Impact on SMEs.
- Impact on related sectors (services, management and technology, training).

The situation will be different for each sub-sector. For example, any increase in the *production and export of fresh fruits and vegetable* could have a positive impact on public revenues, improve external trade, attract investment both local and foreign and create revenues for related services (such as road, air and sea freight, packaging). Such production might encourage additional investment in infrastructure, which in turn would put pressure on limited investment budgets in the ACP countries. Any opportunities for increased *cotton processing* will likely have positive impacts on public revenues, external trade and FDI, although countries will have to provide investors with guarantees on the price of raw materials and energy. Indirect economic impacts will come from the availability of semi-processed products that could encourage a revival of the local and regional cloth industries. *Cereals and meat and meat products* are sectors where almost no export outside the region can be envisaged and there will thus be no additional public revenues from external trade. Any limitation of imports will limit import taxes but within the framework of the common external tariff (CET) which is to

be applied to the ECOWAS. On the positive side, any increase of local and regional production will increase investments, possibly attract FDI and have an impact on GDP.

Social Sustainability

In Western Africa 53% of the working population is employed in agriculture. Therefore any economic changes brought about by the EPA could have important social impacts. At present, jobs associated with agriculture and agro-processing are low-paid, require few qualifications and little training. Many of the jobs are held by women. From a social perspective, key themes include:

- Labour. Impact on employment, wages and poverty.
- Food security.
- Gender. Impact on employment, education, training, economic and equity.

Increased *production and export of fresh fruits and vegetable* will be important for the creation of jobs requiring skilled workers in response to quality requirements and SPS measures. Such production could provide employment, particularly for women in rural areas, thus limiting and perhaps even reversing urbanisation trends by encouraging a return of populations from urban centres to rural production zones. Since export of fresh products depends largely on logistics, any increase in economic activity and trade could encourage the creation of jobs for trained workers in the service sector. The development of *cotton processing* could provide a high number of skilled jobs in modernised factories.¹³ Since these plants have to be close to production areas, they could have positive social impacts on rural areas where poverty levels are high. The development of a cloth industry will also have an impact on job creation in urban centres. Negative impacts might include limiting the number of small farms usually producing raw cotton, in favour of larger farms. *Cereals and meat and meat products* are most closely linked with food security and poverty reduction. Difficulty competing with imported products may reduce opportunities for farmers to sell their products in the domestic market, raising poverty and reducing food security.

Environmental Sustainability

West African countries are located in dry and sub-tropical areas. Within these areas, several types of ecosystems exist: grassland, savannah, shrubland, woodlands and forests. Dry and sub-tropical lands are also centres of origin of many major crops and important centres for agricultural biodiversity. These resources are fragile and any

additional pressure on land will contribute to desertification and erosion. In the context of this sector study special attention will be paid to the following themes:

- Land use (for crop land, grazing) as a cause of desertification and/or erosion.
- Use of inputs such as pesticides and chemicals.
- Genetic diversity of cultivated crops.
- Use of fossil fuels.
- Spatial distribution of activities with respect to sensitive areas.

Fruit and vegetable production is typically located in the Sahel region where desertification is already a major problem and where resources in terms of water and energy are scarce. The development of this production will increase pressure on these already vulnerable resources. These impacts could be mitigated by meeting stringent SPS requirements that limit the use of agro-chemicals. Opportunities to develop and export organic and agro-forestry products should be considered. On the other hand, cold chains require energy. Where there is a high reliance on fossil fuels, CO₂ emissions will be produced; even at the very first stages of packaging energy is needed to maintain the fresh products at a constantly low temperature. *Cotton processing* also requires energy and produces solid waste. The absence of dyeing processes at this stage will limit environmental threats. There may be negative impacts associated with energy use. *Meat and meat products* will involve close consideration of overgrazing (as a cause of biodiversity loss and soil degradation), “cold chains”, SPS measures and challenges associated with water treatment and waste collection. Maintaining production of local *cereals* and traditional knowledge linked to them is expected to have a positive impact on biodiversity.

Indicators

The study will focus on specific sustainability indicators. In some cases data may not be available and this list may be refined.

Themes	Sub-Theme	Indicator
ECONOMIC PARAMETERS		
Economic Structure	Economic Performance	Contribution of agro-industry to GDP (%)
	Trade	Contribution to export earnings (raw and processed products, %)
		Share of food imports (raw and processed production, %)
	Investment	FDI flows (\$US million/%)
Development	Industrial development	Increase of transformed products (%)
	Location of industries	Location of industries (rural/urban)

¹³ 900 jobs are necessary for 4.000 tons/year capacity for spinning and weaving only.

Themes	Sub-Theme	Indicator
SOCIAL PARAMETERS		
Equity	Poverty	Population living below \$1 per day (% , rural/urban)
	Gender Equity	Ratio of estimated female to male earned income
Labour	Unemployment	Number of unemployed (age 15-24, each sex and total)
	Share of sector in the total employment	Employment in agro-industry (% of labour force)
Food Security		Undernourished people (as % of total population)
ENVIRONMENTAL PARAMETERS		
Land	Agriculture, forest	% areas of grassland /forest converted into crop land or grazing areas %of increase of livestock per km2 of arid and semi-arid lands
	Desertification/erosion	Average annual fertiliser use
	Contamination	Pesticide use (kg/ha)
Biodiversity	Ecosystem	Trends in extent of selected ecosystems and habitats (grassland, savannah, shrubland, woodlands) Loss of crop plant genetic diversity
	Species	Depletion of endangered dryland species
Waste	Waste generation	Volume of industrial waste
Energy resources		Energy consumption by industry
Atmosphere	Climate change	CO2 emissions by industry (cold chain)
Freshwater	Water quantity	Water consumption by industry and agriculture

5.1.6 Impact Analysis

Scenarios

The study will develop the following scenarios:

Scenario 1 is a baseline scenario which explores the sustainability impacts associated with current levels of liberalisation and existing trends.

Scenario 2 contemplates the negotiation of an EPA that provide complete free access of West African countries to the EU market (including the negotiation of flanking measures to facilitate implementation of SPS requirements) and access of the EU to West African countries by 70% and by 80%, providing some flexibility in the dismantling of tariffs (up to 15 years). Some sectors may be excluded or protected for a longer period.

Both scenarios will take into account impacts on regional integration based on an assumption that there will be the creation of a free trade area in ECOWAS by end 2004 and a custom union by the extension of the UEMOA CET by end 2007. Negotiation of the Doha Development Agenda and EU expansion will be conditioning factors in both scenarios.

Analytical Questions

The study will address the following analytical questions as they relate to the sectors under consideration in order to identify direct and indirect economic, social and environmental impacts in an integrated way.

- What are the predominant production practices (including technology use) associated with agro-processing of selected commodities in the region, and those associated with the cultivation of inputs? How might changes in structure and scale of agro-industry in Western Africa impact on the consumption of natural resources including land use, energy and water use? How might changes in structure and scale impact pollution in the region related to other indicators such as levels of waste discharge? To what extent are environmentally sound technologies available to combat any negative impacts?
- What is likely to be the spatial distribution of any increase in economic and, in particular, industrial activity? Is it likely that development will occur in environmentally sensitive regions? Is economic activity likely to develop disproportionately in urban areas?
- What are the likely impacts of an EPA related to employment? What are the likely sustainability impacts, related to women both in the agro business sector and economy-wide? What might be the impacts on migration and income, considering a distinction between rural and urban populations? What are the likely impacts on food security and food pricing for consumers?
- Is the EPA likely to encourage FDI in Western Africa? If not, what is necessary to encourage investment, and to make it environmentally and socially sustainable? Is increased FDI likely to impact sustainability in terms of technology transfer, management systems, introduction of corporate social responsibility, professional training, and adoption of industry-wide standards for sustainability, certification, and other related issues? What are the impacts for sustainability?
- To what extent is existing infrastructure adequate to support increased economic activity that might result from trade liberalisation and investment under the EPA? What are the infrastructure needs to support increasing competitiveness in the agro-industrial complex in Western Africa? How can the EPA contribute? What are the likely consequences of the delivery of major infrastructure projects, including transportation infrastructure, on environment and societies?

- To what extent can the regulatory infrastructure (including institutions) in place ensure adequate protection of the environment and populations (including workers) with respect to challenges that may arise related to increases in agro-industrial activity?
- What might be the impact on public finances, in particular relative to changes in taxation?

Work Method

Modelling. Opportunities for modelling in Western Africa are being explored to the extent that it can elaborate direct and indirect effects of a prospective EPA on the four commodities of interest. This includes dismantling the trade protection that exists in the cereals and meat sectors in Western Africa. The region is facing stiff competition and prices so low that local producers have difficulty competing. The impacts of removing these protections in Western Africa could be simulated. This exercise would require careful consideration of the role of informal trade.

Literature review. The literature review will look for practical analysis from institutions specialised in private sector development including CDE, UNIDO, IFC, World Bank as well as ADB and BOAD concerning the sub sectors chosen. The Consortium will pay attention to possible interaction with teams currently conducting study on regional integration and agriculture within the region (impact of the implementation of the CET; preliminary study for the implementation of an ECOWAS Common Agricultural Policy).

Case studies. A case study will be undertaken on cotton in Mali, the only country in the region where there is a clear strategy for developing spinning and weaving industries in order to add value to cotton fibres produced. This case study will provide useful information on the feasibility of such a strategy.

Interviews with companies involved (local and foreign) and farmers' organisations (ROPPA – *réseau des organisations professionnelles paysannes d'Afrique de l'Ouest*) will be used to get practical information on chosen sub sectors. They will include DMC for the textile industry, distributors of fresh fruits and vegetables and importers in the EU, including fair trade organisations and organic importers. This will allow a better understanding of market requirements in terms of price, quality and standards.

Consultations. The team will organise a consultation in the region to solicit input from stakeholders on issues related to the SIA.

5.2 Services: Travel and Tourism in the Caribbean

5.2.1 Introduction

The EPA for the Caribbean region will be negotiated between the countries of the Caribbean Forum of ACP States (CARIFORUM) and the EU.¹⁴ Negotiations were launched on 16 April 2004 in Kingston, Jamaica. Regional integration will be the immediate concern of EPA negotiations, while trade liberalisation with the EU will be addressed later in the negotiations.¹⁵ Liberalisation will include measures to enhance the trading relations as well as overall co-operation between CARIFORUM Member States and French Overseas Departments/Overseas countries and territories in the Caribbean¹⁶. It is important to identify prospects for regional integration in order for an EPA to build on and reinforce these efforts. This study will include this issue in assessing the sustainability impacts of an EPA between CARIFORUM and the EU.

The choice of tourism is based the findings of Phase I and the results of the consultations in November 2003 and spring 2004. Tourism is the most important services sector in the region; it provides one in every four jobs and is closely linked to the natural environment. Trade flows with the EU are important and there is scope for further liberalisation. During the workshop held in the Caribbean in November 2003 participants outlined the vital importance of tourism for their countries as the main economic activity, given the trend towards diversification out of agriculture and into services in almost all Caribbean countries. Problems associated with rapid development in the tourism sector (including environmental degradation, social tensions, and economic vulnerability) were underlined. Participants agreed on the necessity of adopting policies that link tourism to other economic sectors, in particular agriculture, and of making progress towards sustainable tourism. Participants underlined the share of the tourism economy traditionally reserved for nationals for reasons of wealth creation and social stability.

¹⁴ This includes: Antigua & Barbuda, The Bahamas, Barbados, Belize, Commonwealth of Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts & Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad & Tobago.

¹⁵ These two clusters for the negotiations are logical since the form of the CARIFORUM regional integration remains undefined and must be implemented before market access concessions can be granted (Lodge, 2004).

¹⁶ The Netherlands and the United Kingdom with overseas countries and territories (OCTs) and France with overseas departments (ODs) have constitutional links with territories and departments in the region.

5.2.2 Scope of sector

This study will use the definition of Tourism in the General Agreement on Trade in Services (GATS) as a starting point.¹⁷ The study will enlarge these “core tourism services” to include “tourism related services” and cruise ships.¹⁸ The study will consider only those related services that provide crucial inputs into the tourism sector and which do not have specific liberalisation agreements: construction and development of hotels and environmental services that can contribute to environmental protection and the development of sustainable tourism. The study will highlight linkages between agriculture (speciality meats, beverages, bananas, etc.) and tourism, seeking to promote synergies between the two sectors.

All the ACP countries in the Caribbean will be included in this study. The study will focus on CARIFORUM, which, since 2001 has joined CARICOM and the Dominican Republic in a Free Trade Agreement. It will also take into account impacts of an EPA on the EU’s outermost regions, which are major tourist destinations. Due to the high diversity among Caribbean countries, the study will employ the following country groupings identified for Phase I with Caribbean stakeholders, which are based on economic characteristics:

- The big four: Barbados, Dominican Republic, Jamaica, Trinidad & Tobago.
- The OECS, subdivided into:
 - “Small economies”: Antigua and Barbuda, St. Kitts and Nevis.
 - The Windward Islands: Dominica, Grenada, St. Lucia, St. Vincent & the Grenadines.
- The mainland countries: Belize, Guyana, Surinam.
- Haiti.

5.2.3 Trade measures

The study will give appropriate consideration to the four modes of supply of trade in services under GATS, which are all relevant for tourism. (Table 2)

¹⁷ A. Hotels and restaurants (incl. catering) Management (641-643); B. Travel agencies and tour operators (7471); C. Tourist guides services (7472); D. Other. Source: WTO. 1991. Services Sectoral Classification List. MTN.GNS/W/120. 10 July.

¹⁸ Cruise ships are currently classified under “maritime transport. See WTO 1999 (WT/GC/W/372, S/C/W/127. 14 October); WTO 2001 (S/CSS/W/107 26 September); WTO 2000 (S/CSS/W/5. 28 September). The study will take into account the Standard International Classification of Tourism Activities, which is employed by the World Tourism Organisation.

Mode of Supply under GATS	Relevance for Tourism Services
Mode 1, Cross-border supply.	Important with respect to Internet bookings (via a GDS or through a tour operator) or travel arrangements with agencies abroad.
Mode 2, Consumption abroad.	Relevant when a tourist moves outside his or her home territory and consumes services in another country (accommodation, catering, or cultural or sporting events).
Mode 3, Commercial presence.	Relevant to the extent that a service provider establishes a commercial presence (such as a hotel, resort, travel agency or restaurant) abroad.
Mode 4, Presence of natural persons.	Relevant to the extent that it includes travel/tour managers or guides from abroad.

Most Caribbean tourism services suppliers export their services through a combination of Modes 1 (e.g., through Internet reservation systems) and Mode 4, by visiting these markets to meet clients (e.g., at international tourism trade fairs). Because most Caribbean tourism services suppliers “export” their services only when foreign tourists enter Caribbean markets, they also rely heavily on Mode 2. Only a handful of companies sell their services by establishing a “commercial presence” in overseas markets through Mode 3.

The study will consider the regional trade regime under the CARICOM Single Market and Economy (CSME), which constitutes the centrepiece of Caribbean integration for an EPA and is scheduled to come into force on 1 January 2005; and the GATS as the baseline for the bilateral trade regime between the CARIFORUM and the EU. The trade regime will be examined using the following measures:

- **Market access** across all modes of supply and including horizontal commitments (concerning all services).¹⁹
- **National treatment** across all modes of supply and horizontal commitments.²⁰
- In addition, the study will take into account **domestic regulations**, in fields like environmental protection and urban development.²¹

¹⁹ The GATS indicates that six types of limitations on market access (*inter alia*, limitations on the number of services suppliers, on the total number of natural persons employed in a service sector) must be scheduled (Art. XVI GATS).

²⁰ Any measure which affects competition to the detriment of foreign services suppliers (*inter alia*, nationality or residency requirements) must be scheduled (Art. XVII GATS).

²¹ Domestic regulations are not subject to scheduling. These are important, such as the governmental control of the entry of new foreign companies into the Caribbean market through the issuance of licences or permits. However, it is important to ensure that they are administered in a transparent manner and “do not constitute unnecessary barriers to trade in services”. (Dunlop 2003)

5.2.4 Sustainability Themes

Economic Sustainability

Tourism is vital for Caribbean economies as a major contributor to GDP and to exports. An over-reliance on tourism makes Caribbean economies particularly vulnerable to downturns and external economic shocks. Foreign ownership is prevalent among larger hotels (63% of hotel rooms) while the majority of tourism service suppliers are small and medium-sized enterprises (SMEs).²² Tourism has experienced strong growth in the region in the past decade (except in Surinam and Haiti) and continues to have considerable potential. The development of tourism in the Caribbean is driven by important comparative advantages, including a relatively educated labour force, political stability, and unique eco-systems.²³ Further liberalisation of tourism in the Caribbean is expected to encourage tourism development and attract FDI. Potential economic themes to be studied are:

- Impact of an EPA on economic and social welfare, including GDP, FDI and BOP.
- Impact of an EPA on transfer of management know-how, technology and professional training.
- Impact of an EPA on local SMEs in the sector and across the economy.
- Impact of an EPA on public finances and in particular on tax revenues.

Social Sustainability

Tourism provides one in every four jobs in the region both direct and indirect (taxi drivers, water sports operators, workers in bars, restaurants, casinos, souvenirs and retail shops).²⁴ The development of cultural tourism is one way of maintaining and adding value to traditional customs. In many cases, jobs in the tourism sector require low levels of qualification and training. They are often low-paying jobs, so while there are fewer numbers of poor employed in tourism than in agriculture, for example, there is an increasing problem of underemployment, or “working poor”. Women make up the majority of workers in this sector. Rapid development in the tourism sectors can also contribute to social and cultural frictions including violence, drug-use, and the spread of HIV/AIDs. Further liberalisation is expected to involve, *inter alia*, more jobs in the

²² Fuller 1999.

²³ WTO. 2002.

²⁴ Dunlop 2003. Employment in travel and tourism varies from a minimum in Haiti and Guyana (3.5% and 6.9% of labour force in 2003) to a maximum in Antigua & Barbuda (77.89%) WTTC 2003.

tourism sector, but labour conditions and other social issues are important to consider. Particular attention will be paid to the following social themes:

- Impact of an EPA on labour. Employment, wages and poverty at a sectoral and economy-side level.
- Impact of an EPA on gender. Employment, education, training, economic and social equity.
- Impact of an EPA on other social issues including, *inter alia*, security (crime).

Environmental Sustainability

The Caribbean region is endowed with a rich diversity of vital ecosystems including forests, coral reefs, marine areas, beaches and mangroves that are fundamental for the success of the tourism sector. But these natural resources are fragile and the condition of the natural environment can affect both sustainability in the tourism sector and the rest of society. Moreover, tourism poses potential threats to the environment: increased pressure on natural resources, wildlife and habitats, and generation of pollution and waste. In that sense, they are similar to other industries. For example, wastewater may cause damage to coral reefs and coastal areas, as well as threatening the health of humans and animals. Excessive use of underground water for tourism infrastructure may induce intrusion of briny and salted waters in coastal aquifers, leading to pollution of underground waters and coastal soils.²⁵ Spatial distribution of activities will be considered. Uncontrolled development (construction of hotels and resorts) can lead to the degradation of natural assets. Indirect threats on the environment include scale effects brought about by a higher demand for goods and services (including air pollution, traffic congestion and noise pollution).

Tourism can also have positive impacts on the environment. It can raise awareness of the value for environmental assets, contribute to the creation of protected areas through financial contributions²⁶ and contribute to improved environmental infrastructure. In recent years efforts have been made at national levels to enact laws strengthening environmental management (e.g., standards for land use in tourism development).²⁷ At the regional level, protected areas have been established to both manage the resources and develop recreational and educational facilities.²⁸ Traditional policies based on regulation and other command and control approaches are

²⁵ UNEP 2002.

²⁶ WWF, 2001

²⁷ Sustainable Tourism Master Plans have been developed by Jamaica and Barbados.

progressively being abandoned in favour of market based instruments and private-sector led voluntary initiatives that include criteria for environmental management.²⁹

The relationships between liberalisation of trade in the tourism sector and related sectors (in particular environmental services) and the environment may vary according a number of factors including infrastructure, regulations and institutions already in place. Liberalisation may encourage FDI in environmental sound technologies (improvement of waste and waste water management systems) and therefore contribute the reduction in air and water pollution. However, liberalisation may also encourage construction of infrastructure that increases pressure on coastal ecosystems and habitats. The following themes will be examined:

- Impact of an EPA on natural resources (including land use, energy use, water use).
- Impact of an EPA on ecosystems and environmentally fragile areas.
- Impact of an EPA on pollution (solid waste, waste water, air emissions).
- Impact of an EPA on environmental domestic regulations related to tourism development and related sectors.

5.2.5 Indicators

The study will focus on the following sustainability indicators:

Themes	Sub-Theme	Indicator
ECONOMIC PARAMETERS		
Economic Structure	Economic Performance	Tourism as a % of total GDP
	Trade	FDI flows, inward and outward (\$US million/ %)
	Balance of payments	Tourist arrivals, Ratio of tourists to local residents
	Financial status	External goods and services
	Energy Use	Tourism as a % of tax revenues
	Waste Generation & Management	Energy consumption by tourist facilities/tourists
Consumption and Production Patterns	Transportation	Greenhouse gases emissions generated by transport, tourist facilities (hotel, recreational areas, etc.)
SOCIAL PARAMETERS		
Equity	Poverty	Population living below national poverty line (%)
	Gender Equality	Women's engagement in tourism as a % of total employment
Health	HIV/AIDs	People living with HIV/AIDS, adults (age 15-49)
Education	Education and training levels	
Security	Crime	Number of crimes/year
Labour	Employment opportunities	Employment in tourism sector as a % of labour force
	Income distribution	Average wages
ENVIRONMENTAL PARAMETERS		
Oceans, Seas and Coasts	Coastal Zone	Land conversion for tourist facilities, and infrastructures rates % change.
	Water quality in marine ecosystems	Concentration of heavy metals, concentration of nitrates and phosphates

²⁸ Caricom Secretariat 2003.

²⁹ E.g., certification schemes such as the "Green Globe Caribbean certification standards" (implemented by Green Globe and Caribbean Alliance for Sustainable Tourism) and Blue Flag.

Themes	Sub-Theme	Indicator
Fresh Water	Water Quantity	Annual water withdrawals from tourist facilities as % of water resources
	Water Quality	Concentration of heavy metals, concentration of nitrates and phosphates
Biodiversity	Ecosystem	Trends in extent of selected biomes, ecosystems and habitats (mangroves, coral reefs, etc.)
	Species	Change in status of threatened species
Waste	Waste generation	Volume of liquid and solid waste generated per tourist Volume of solid waste generated by tourist facilities
INSTITUTIONAL PARAMETERS		
Process	Implementation of Sustainable Development principles	Progress made in the implementation of the Caribbean Tourism Strategic Plan 2002-2012 Number of voluntary private initiatives to include environmental management (CSR)
Institutional capacity	Disaster Preparedness and Response	Existence of specific public and personal instruments to mitigate the effects of natural disasters related to tourism

5.2.6. Impact Analysis

Scenarios

The SIA will explore the following two scenarios:

Scenario 1 is a baseline scenario, based on existing levels of liberalisation under GATS (full implementation of commitments made under the period 1994-1999). It will take into account, as conditioning factors, ongoing regional integration (CSME) and trade negotiations (e.g., GATS, FTAA). The travel and tourism services sector in the Caribbean is the most liberalised economic activity within the CARIFORUM states.³⁰ CARICOM does not yet function as a common market. In particular, the free movement within the region of factors of production (capital and labour) is crucial. Neither does CARICOM include co-operative policies nor mechanisms to give CARICOM services providers any preferred market access or even national treatment when they cross national borders. The CSME is expected to strengthen the CARICOM by creating a contiguous and single economic space facilitating the free movement of goods, services, capital and with notable exceptions, of non-skilled persons.³¹ The FTA between CARICOM and Dominican Republic includes also agreements on trade in services as well as on reciprocal promotion and protection of investments.

³⁰ Governments have introduced a range of fiscal incentives and concessions to attract foreign investors. Larger international investors can receive more preferential treatment than smaller companies. (Dunlop 2003).

³¹ Lodge 2004.

Under GATS travel and tourism services, most Caribbean countries have made commitments with no limitations under Modes 1 and 2. Limitations remain under:³²

- Modes 3 for all categories of the tourism GATS sector.
- Mode 4 for all categories of the tourism GATS sector.
- Modes 3 and 4 for other areas than Hotels and Restaurants, e.g. Travel agencies and Tour operators and horizontal commitments.

In the EU, there are few limitations on market access or national treatment in GATS schedule and there are no limitations under Modes 1 and 2. The “frontier formalities”, including travel taxes and duty free limits, imposed on outgoing residents do not currently fall within the scope of the GATS.³³ There are opportunities to reduce regulatory barriers to increase visitors and facilitate the movement of tourism professionals in the Caribbean (for example, through visas).³⁴ Other barriers that affect tourism exporters from the Caribbean to EU markets include high costs associated with marketing and advertising. This scenario is based on the premise that Modes 1 and 2 will remain open, and Modes 3 and 4 will remain at existing levels of liberalisation.

Scenario 2 contemplates full liberalisation of trade in tourism services between the CARIFORUM and the EU, which implies a full liberalisation among CARIFORUM Member States going further than the CSME.³⁵ EPA negotiations should also take into account the scheduled review in 2004 of CARICOM–Dominican Republic Free Trade Agreement. This scenario is intended to illustrate clearly the implications of liberalisation for the SIA and in particular the potential role of an EPA.³⁶ Moreover, there is an opportunity to have more ambitious liberalisation under an EPA than under the GATS, since under an EPA ACP Caribbean countries could negotiate specific concessions on tourism services for their sole benefit.

This scenario is based on the premise that Modes 1 and 2 will remain open and the assumption of the full liberalisation of Modes 3 and 4 across the travel and tourism

³² Abugattas.

³³ The initial GATS offers on mode 4 by the EU do not improve access for low-skilled service providers. Neither does the initial offer significantly improve mobility for higher skilled tourism professionals (Dunlop 2003).

³⁴ Dunlop 2003.

³⁵ The trade regime between CARIFORUM and the EU cannot be more liberal than the relationship among CARIFORUM countries. This is why Caribbean regional integration under an EPA may accelerate and deepen the CSME (Lodge 2004).

³⁶ Issues of liberalisation will depend on the coverage of the liberalisation, the liberalising principles (such as national treatment,) and the depth of commitments (Stephenson and Prieto .2002 in Velde 2004).

sector and in related sectors. Full liberalisation means no limitation for market access and national treatment. However, this scenario does not interfere with the right of governments to regulate. It implies an EPA that is formulated based on a broad configuration of the *Cotonou Agreement* and includes provisions for development and capacity building and that promotes regional integration.

Analytical Questions

The study will address the following analytical questions in order to identify direct and indirect economic, social and environmental impacts in an integrated way.

- Liberalisation in what mode(s) are likely to induce the delivery of what kinds of tourism services?³⁷ What are the likely related management, employment, infrastructure (transportation and construction) impacts? With what subsequent impacts on numbers of tourists, duration of stay, or nature of activities promoted?³⁸ With what subsequent impacts environment and natural resources?
- Will liberalisation contribute to an improvement in GDP and balance of payments in the Caribbean or will significant leakage occur?
- How will liberalisation in core tourism sectors have impacts on related sectors such as construction, environmental services and agriculture?
- Will liberalisation among Caribbean countries develop Caribbean countries' ability to partner, participate in FDI and export services/ products to each other?
- Will liberalisation encourage an increase in European FDI? What kinds of investments can be anticipated? Where will they be located? Does it include a focus on management practices such as corporate social responsibility?
- Will liberalisation induce transfer of environmentally sound technologies and environmental services from the EU to the Caribbean?
- Will liberalisation have consequences on environmental standards and certification practices?

³⁷ There are many different tourism products (business tourism, cultural tourism, eco-tourism, all-inclusive holidays...) that have to be considered, each of them having different spin-off effects on local economies. Land-based tourism has more significant spin-off effects on the local economies (direct and indirect employment and tax revenues) than cruise ships. Traditional, small-scale accommodation tends to generate more income for local populations.

³⁸ In areas with high concentrations of tourists, waste disposal or decline of biodiversity may occur. In marine areas, for instance, activities such as sailing, snorkelling, and sport fishing may cause degradation of marine ecosystems or affect fish stocks.

- Will liberalisation imply a decline in the cost of tourism products for the consumer? What kinds of products? How, if at all, will this affect the consumption of tourism services?
- Will liberalisation in the EU imply an increase in migration of skilled and non-skilled workers?

Work Method

Analysis of potential sustainability impacts of an EPA will make use of objective, measurable information and quantitative analyses. Local expertise will be employed to review the study at critical steps and to provide information and expert opinions.³⁹ The methods that will be employed to answer the analytical questions include:

- **Modelling.** Opportunities for modelling are being explored with respect to Jamaica, one of the largest countries in the region, and where the most data is currently available. A more comprehensive look at the data will help determine whether a model can be constructed to analyse scenario 2 – complete liberalization. For travel and tourism services, this involves identifying the main barriers to the free flow of services, including, where possible, their quantification. Where this information is available, scenario 2 can be analysed for impacts on standard macro variables, poverty and income distribution. Information should be included on the structure of the economy, consumption patterns and relative importance of the sector in the economy as well as its interaction with other sectors of the economy. This analysis would then be assessed for its validity to the other “Big Four” economies, and beyond to other countries in the region.
- **Literature review.** Research works examining sustainability issues related to tourism development, as well as documents on trade negotiation processes in which Caribbean countries are involved (CSME, GATS, FTAA) will be used as inputs to

³⁹ The following local experts have been identified for potential roles in the SIA. Environment: Dr. Joth Singh (Caribbean Conservation Association); Civil Society: Christopher Sinckler (Caribbean Policy Development Centre); Youth: Craig Tuckett (Caribbean Forum for Youth in Agriculture); Tourism: Deidre Shurland (Caribbean Alliance for Sustainable Tourism); Agriculture: James Paul (Barbados Agricultural Society); and, Trade: Neil Paul (Caribbean Export Development Agency). Additional contacts include: Caribbean Hotel Association (CHA); Caribbean Regional Negotiating Machinery (CRNM) (Junior Lodge); Caribbean Tourism Organisation (CTO); Comité spécial sur le Tourisme durable de l'Association des Etats de la Caraïbe; Inter-American Development Bank (IDB); Inter-American Institute for Cooperation on Agriculture (IICA) (Aaron Parke); International Hotel & Restaurant Association (IHRA) (Elizabeth Carroll Simon); Organisation of American States (OAS); Organisation of Eastern Caribbean States (OECS); PROINVEST (Sid Boubekar, Cherif Mamed); University of West Indies (UWI) (Dennis Pantin, Aldrie Henry-Lee); World Tourism Organisation (WTO); World Travel and Tourism Council (WTTC).

clarify the opportunities and challenges brought about by an EPA and the causal chain of potential impacts. Statistical data (on trade flows, sustainability issues) will be used for indicators.

- **Case studies.** The research team will use case studies to illustrate how past liberalisation has affected sustainability. The case studies should include at least one case in small island developing states. A distinction will be made between concrete environment and circumstances of the case studies and the general conclusions that can reasonably be extrapolated. The choice of case studies will be made with local experts. Two case studies are contemplated in the initial phase. The first would look at social issues such as employment and wages and social frictions related to tourism development, and assess links to liberalisation. A second will employ an environmental expert in the region to provide information on national and regional environmental regulations and economic instruments.
- **Interviews.** The team will conduct interviews with major actors in the tourism sector including government, the tourism industry, development agencies, local residents, tourists and/or non-governmental organisations. Local experts will be engaged to conduct interviews. Interviews will also be conducted by the team in conjunction with the regional workshop. Questions will focus on existing constraints to development, and exploration of further liberalisation and examples of previous liberalisation measures and flanking measures.
- **Consultations.** The team will organise a consultation in the region to solicit input from stakeholders on issues related to the SIA.

5.3 Fisheries: Pacific

5.3.1 Introduction

This study covers the ACP Pacific countries.⁴⁰ Formal negotiations between the ACP Pacific States and the EC are scheduled to begin in September 2004. One important sector for sustainability in the region is the fisheries sector and in particular, the tuna fisheries. It is the region's most important natural resource. The tuna fishery has historically been dominated by foreign vessels.⁴¹ Tuna is caught using high-technology harvesting methods, but traditional fishing practices (which are not captured

⁴⁰ Niue, Tuvalu, Vanuatu, the Cook Islands, Tonga, Papua New Guinea, Samoa, Kiribati, Palau, the Republic of the Marshall Islands, the Federal States of Micronesia, Nauru and Fiji. Five of them are Least Developed Countries: Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu.

in official statistics) are dominant in the ACP Pacific countries. Local fish markets are not well developed due to low levels of investment in infrastructure (transport and cold chains) in most of the islands, and there is little FDI in the fisheries in the region. Control over the resources in the region is also fragmented.⁴²

This study will focus on issues related to regional integration and on specific trade-related measures such as trade facilitation and investment, but will not include market access. Levels of trade in fishery products between the EU and the ACP Pacific countries are relatively low. Moreover, fisheries products from the ACP Pacific countries already enter the EU free of duty and quotas, except for tuna where specific quotas are applied. Nevertheless, the EU has an important interest in international fisheries and is a major global player.⁴³ However, it is not a major player in the Pacific with only 3 purse seine vessels operating in the region.⁴⁴ Tuna fishing is important for several European countries (notably Spain and France) as well as for the European Overseas Region in the Pacific.⁴⁵

An EPA between the Pacific ACP countries and the EU should prioritise regional integration that aims to (1) develop a common fishery policy to promote sustainable management of the resource and, (2) provide the necessary conditions in the ACP Pacific countries to attract FDI, which can contribute to the necessary infrastructure (such as canneries), develop the industrial processing of fisheries products and add value to fisheries exports. Therefore, two questions that are central to this study are how the EPA can contribute to integration that promotes the development of a regional fishery policy that is compatible with other regional initiatives and that provides for sustainable management of the resource. Second, how an EPA could encourage the

⁴¹ From the Philippines, Taiwan, Korea, Japan and the United States.

⁴² Due to the lack of control and management, experience in the 1990s of promotion of more direct participation by local companies in the tuna fishery resulted in multi-selling of the same permit, an increase in trans-shipments in international waters, and resulted in a loss of resources for the countries and some chaos in the tuna fishery. China's entry into the Pacific fisheries will make resource control an even more important issue in the future.

⁴³ In 2000 *per capita* consumption was 23.7 kg of fish.

⁴⁴ The EU is the third largest fishing power in the world. It is the largest consumer market in the world for processed products and for aquaculture products. In 1998 the value of the whole production chain (fishing, aquaculture, processing and marketing) was valued at €20 billion and represented 0.28% of EU GDP. In 2002, the EU exported 1.78 million tons of fisheries products and imported 3.06 million tons, revealing a trade deficit of €10.3 billion. However, imports for food fish in the EU are expected to decline in the next 20 years, due to the increase of food fish production (+ 13% in 2020 compared to 1997) and the stagnation of consumption (23.7 kg *per capita* per year) mainly composed of high-value finfish (64% of EU consumption in 2020). The weight of aquaculture in the total EU production is expected to increase sharply (by 61% over 1997 level), at the expense of wild fisheries that will, nevertheless, remain the bulk of the EU production (71% in 2020). Delgado, Ch. *et al.* 2003.

process of regional integration, and how this can promote liberalisation and FDI in the fisheries sector by developing an industrial base for fish products and by-products.

5.3.2 Scope of sector

The Exclusive Economic Zones (EEZs) of the ACP Pacific countries cover approximately 30.5 million km² and represent around 74 per cent of the Western Pacific water surface that provide around 50 per cent of the world's tuna catches. The study will concentrate largely on tuna, which is the most important species fished and exported by foreign vessels. Tuna is subject to a specific quota in derogation of rules of origin for tuna products.⁴⁶ Article 37.7 of the *Cotonou Agreement* commits the EU to review the rules of origin as a means to improve market access to the ACP countries in the context of an EPA.⁴⁷

5.3.3 Sustainability Themes

Economic Sustainability

The fishery sector is vital for most Pacific ACP countries whose economies tend to be fragile due to a number of factors including small markets and remoteness of the islands. They look toward their substantial coastal and ocean fisheries as a means of advancing economic well-being through commercial and subsistence fisheries.

However, the current lack of infrastructure in Pacific ACP countries inhibits development of onshore processing activities. Moreover, all these countries face major challenges in developing the capacity to meet the technical, quality and food safety requirements of the EU. Due to the scarcity of domestic finance, the development of fisheries will be based on FDI, an increase in fees received in exchange for fishing rights granted to foreign vessels, and/or various forms of development support. Attracting FDI could prove difficult. The main challenges for ACP Pacific-EU trade is the distance and thus the cost of transportation and only high value products can bear this cost. FDI could be encouraged by regional integration and the more favourable

⁴⁵ The French Territories of New Caledonia, French Polynesia and Wallis and Futuna.

⁴⁶ “Derogations concerning canned tuna and tuna loins shall apply within an annual quota of 8,000 tons for canned tuna and 2,000 tons for tuna loins”. Article 38 of Protocol 1.

⁴⁷ Originating status is, at present, automatically conferred on fish caught in territorial waters or processed by ships meeting specific requirements concerning registration, ownership, and crew composition. Derogations are possible but with specific limitations for tuna. Pacific ACP countries will probably be willing to review these regulations to have the rule applied to their EEZ and not only territorial waters.

investment climate it will create (free-trade area, harmonization of rules). From an economic perspective key themes to examine include:

- Impact on GDP and on FDI.
- Impact on infrastructure, the creation of processing chains for fishery products and on related sectors such as construction and services.
- Impact on public finances and on resources directed to the sector.

Social Sustainability

The fishery sector is important for food security (as a major source of protein for local populations) and as a source of employment and income generation for coastal populations. For many ACP Pacific countries, populations are poised to double every 20 to 25 years. This growth rate will put tremendous pressure on already stressed coastal ecosystems and an expanding population base will likely contribute to increasing economic and associated social challenges over time.

Further regional integration could have positive social impacts in terms of job creation, both directly (in the processing chain) and indirectly (through infrastructure, support and Control and Monitoring Systems (CMS) services). This could lead to a reduction of poverty. Regional integration could also have positive impacts on the public finances of the Pacific ACP countries that would benefit from increasing value-added *in situ*. Indirect positive impacts could occur with respect to financing public services (such as health and social programs). An EPA could include initiatives for capacity building with the objective of increasing the processing of fish caught in the EEZ of the Pacific ACP countries. Programs implemented at the regional level to conserve resources would help safeguard food security for the local population over the long term. Key themes to examine from a social perspective include:

- Impact on employment, wages and poverty.
- Impact on economic and social equity between male and female workers.
- Impact on food security.
- Impact on training, capacity building and the number of skilled workers.

Environmental Sustainability

Important environmental concerns revolve around the protection of fish stocks and marine ecosystems. Despite the remarkable and globally significant biodiversity

Scollay R. (2002), *Impact Assessment of Possible Economic Partnership Agreements (EPAs) with the European Union*, Report for the ACP Secretariat and Pacific States (<http://www.acp-eu-trade.org>).

and the importance of sustainable coastal and ocean fishery regimes for the present and likely future economic health of the region, marine resource conservation and management regimes are currently insufficient. Coastal areas are degraded by increased land-based sources of pollution, the modification of critical habitats, and the growing unsustainable exploitation of living and non-living marine resources. Harmful practices (dynamiting, fish poisoning) cause reef and lagoon degradation, leading to the fragmentation of habitats of many marine fauna and flora species. Studies show of the reefs in the Pacific that have been assessed, 31 per cent are at medium and 10 per cent at high risk. Over-exploitation of coastal and reef fish stocks pose a major threat to the economic and social well-being of the Pacific island countries. Unsustainable fisheries is the major cause of depletion of large bodied and higher trophic species and can lead to the depletion or extinction of these species and the dominance of small-bodied species with high rates of turn over, usually from lower trophic levels. Some species have been removed from marine food web due to intensification of fishing. Marine invasive species have also been identified as an issue in some ports and coastal ecosystems. They are considered to be a major source of biodiversity loss. It is also necessary to address ship-source marine pollution (discharge of ballast and bilge water, discharge of waste oil, bunker oil spills); vulnerability to climate change is a priority closely related to the health of marine and coastal ecosystems. Regional integration may help to 'pool resources' to develop CMS necessary to combat illegal fishing and dangerous practices with the objective of preserving the fish stocks and their habitat. From an environmental perspective key themes to examine include:

- Impact on the preservation of fish stocks, in particular for tuna.
- Impact on marine habitat preservation (coastal areas, critical habitats).
- Trophic integrity of ecosystems.
- Introduction of marine invasive species.
- Pollution generated by processing, infrastructure and ships.
- Energy use.

5.3.4 Indicators

The study will focus on the following indicators:

The mes	Sub-Theme	Indicator
ECONOMIC PARAMETERS		
Economic Structure	Economic Performance	Contribution of fisheries to GDP (%)
Development	Trade	Contribution of fisheries to export earnings
	Investment	FDI flows (\$US million/%)
	Industrial development	Increase of transformed products (%)
	Management	Increase of certified products
	Transportation	Levels of transformation
	Research	Increase in value-added Access to local/regional/export markets Increase in research centres
SOCIAL PARAMETERS		
Equity	Poverty	Population living below \$1 per day (%)
Labour	Gender Equity	Female employment in fisheries (% of female labour force) Ratio of estimated female to male earned income
	Employment	Employment in fishery (% of labour force)
	Income distribution	Labour force participation rate in economic activity (%) for males and females
	Female employment	Number of unemployed (age 15-24, each sex and total) Average wages
Food Security		Undernourished people (as a % of total population) Fish protein (as a % of total protein supply)
ENVIRONMENTAL PARAMETERS		
Ocean, Seas, and Coasts	Oceanic fisheries	Number of young fish captured by tuna catch
Biodiversity	Coastal zones	Intensity of catches per capita
	Marine pollution	Intensity of crustaceans catches per capita Concentration of oil products
	Ecosystem	Number of invasive alien species introduced Changes in habitats (seagrasses, coral reefs, mangroves)
		Trophic integrity of ecosystems
	Species	Number of protected/endangered species captured by catch of non-protected species
INSTITUTIONAL PARAMETERS		
Institutional Framework	Strategic Implementation of Fishery SD Strategy International Cooperation	National Sustainable Development strategies that include sustainable fisheries management measures. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction - both nationally and internationally Address the special needs of the least developed countries. Includes: tariff and quota-free access for least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction Address the special needs of small island developing States (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)
	Regional Integration	Degree of regional integration (FTA, Customs Union, Common/single Market, etc.). Pattern of intra-regional Trade. Intra-regional tariff and NTB. Development and degree of implementation of a Common Fishery Policy.
Institutional Capacity	Science and Technology	One researcher engaged in R&D per 1000 population.

Themes	Sub-Theme	Indicator
		In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

5.3.5 Impact Analysis

Scenarios

The SIA will develop the following two scenarios:

Scenario 1 is a baseline scenario that contemplates no EPA, but the ongoing development of bilateral partnership fishery agreements with Pacific ACP countries. This scenario contemplates the development of the current trends. At present, EU-ACP relations in fisheries in the Pacific are driven by bilateral fishery agreements between the EU and individual ACP countries. At present, the EU negotiates fishery agreements that grant access for EU vessels in the EEZs of foreign countries with important fish resources (not fully exploited by the respective national vessels) and provides financial compensation to support the development of the fishery sector in these countries.⁴⁸ The fishing agreements prohibit EU vessels from fishing within the 30-mile coastal zone of these countries to preserve the local artisanal fleet.

These fishing agreements can have a positive impact the development of the fisheries sector. Additional fishery agreements could extend these benefits to other Pacific ACP countries. However, in order to add value *in situ*, investment in investment is required. A strategy to encourage investment should be developed at a regional level. Moreover, fostering regional integration could lead to the dismantling of tariff barriers between Pacific ACP countries. At present, market access for fisheries products is limited in Pacific ACP countries.⁴⁹

This scenario examines the economic and social impacts of these agreements in the private sector (revenues, job creation) and in the public sector (impacts on the public finances). It also considers their environmental impacts and the extent to which they contribute to the sustainable management and conservation of the resource. A conditioning factor is the role of the EU-ACP country bilateral agreements in the

⁴⁸ Fishing agreements are the source of over 33,000 jobs in the EU. Direct value-added accounts for €294 million per year and indirect value-added of €650 million per year. Over 80% of these benefits go to Spain, while France and Portugal account for 7% each.

⁴⁹ 42% MFN tariff on average against 26% for all ACP countries and 12% for the EU. Fish and fish products is the most heavily protected of all non-agricultural sectors, especially in the Solomon Islands (66%) and Papua New Guinea (32%). WTO, 2003. *World Trade Report, 2003*. II Trade and Development, Appendix.

context of other regional integration initiatives that do not include the EU.⁵⁰ Experience in other regions indicates that the conclusion of such bilateral agreements has led, in several ACP countries, to the development of a tuna processing industry.⁵¹ These benefits could be extended to exploiting the by-products of fishery activities (such as by-catch, seaweed, pet and aquaculture food).

Fisheries accounts for a substantial part of the exports of the Pacific ACP countries and it is a sector with great potential for increasing exports to the EU. Tuna canneries already exist in Fiji, Solomon Islands, and Papua New Guinea. Additional facilities are planned and it is anticipated that as the capacity to process expands, there will be a growing need for lucrative markets and the EU could become an attractive potential market despite the expected reduction in total EU imports by 2020.⁵² The EU's recent Common Fishery Policy Reform (CFP) has confirmed its commitment to ensure, through partnership agreements, the implementation of a sustainable fisheries policy and a responsible exploitation of the resources. This approach suggests that EU bilateral Fisheries Agreements will progressively take into account partnership elements.

The assessment of existing bilateral fishery agreements with Pacific ACP countries and of their potential extension to others Pacific ACP countries, will aim to determine their contribution, *inter alia*, to the Pacific ACP country revenues, the creation of local direct and indirect value-added, direct and indirect job creation (male/female), poverty reduction and long-term food security, the preservation or degradation of natural resources (fish stocks), the sustainable management of coastal and marine areas and, more generally, to the implementation of sustainable fishery policies by signatory Pacific ACP countries. The impact of competition from EU vessels with local fishermen will also be addressed. The study of the conditions needed to foster FDI

⁵⁰ To date, the EU has signed bilateral treaties with **Kiribati** (July 2002), the **Solomon Islands** (February 2004) and the **Federal States of Micronesia** (May 2004). Suansez-Carpegna D.V. (2003), "Draft Report on the tuna fleet and industry: situation and future prospects in the EU and worldwide", 2003/1017(INI), Committee on Fisheries, European Parliament, September 16.

⁵¹ This has been the case in Senegal, Ivory Coast, Seychelles, Madagascar and Mauritius -- five of the 13 countries with fisheries agreements with the EU as of September 2003. This development occurred as a result of European FDI, the European Development Fund development of infrastructure, and the presence of the European fleet.

⁵² Imports for food fish in the EU are expected to decline in the next 20 years, due to the increase of food fish production (+ 13% in 2020 compared to 1997) and the stagnation of consumption (23.7 kg per capita per year), mainly composed of high-value finfish (64% of EU consumption in 2020). The weight of aquaculture in the total EU production is expected to increase sharply (by 61% over 1997 level), at the expense of wild fisheries that will, nevertheless, remain the bulk of the EU production (71% in 2020). See: Delgado, Ch. et al. 2003. *Outlook for Fish to 2020: Meeting Global Demand*, World Fish Center and Fish for all, Malaysia, October (http://www.fishforall.org/outcomes/fish2020_report.asp).

in the Pacific ACP countries will help frame the policy recommendations in terms of institutional, economic policy and fiscal policy reforms.

Bilateral fishery agreements with the EU have had important positive impacts on the public finance of the Pacific ACP signatory countries. A limited share (up to 24 per cent) of the fees is targeted to sustainable development and the conservation of fish stocks. Within the framework of these “access agreements” elements of partnership will become more important, with the primary objective of achieving sustainable development, in particular through the preservation of the stocks. This could imply that a growing share of the fees could be dedicated to such action with associated impacts on national budgets.

The development and extension of bilateral fishery agreements may not address some important questions that can only be adequately addressed at the regional level. Due to its cost, adequate development of transportation and other infrastructure may only be considered at the regional level. The absence of a comprehensive regional plan for the conservation of resources and the important financial dimension of the fees received from the EU could lead to a ‘free rider’ strategy where each country will try to exploit common resources (i.e., highly migratory species like tuna). Separate bilateral fishery agreements also reduce surveillance efforts. Therefore, an alternative scenario will also be considered.

Scenario 2 contemplates an EPA between the EU and the Pacific ACP countries.⁵³ This scenario considers how an EPA could foster regional integration in two ways. First, what could be the impacts of a free trade area between the Pacific ACP countries, in terms of reducing tariff revenues and increasing intra-regional trade flows. Second, it will consider the forms of regional fishery organization might be developed to manage and implement CMS and promote sustainable fisheries. It will ask how an EPA might help to structure and/or finance such an organization. The conditions necessary for the implementation of a common fishery policy and its compatibility with national and regional legislation will be assessed and will contribute to policy recommendations for reform. An EPA could also play a role in developing capacity in laboratory testing and legal and administrative structures at the regional level.

Given the limited resources of these countries compared to their large EEZs, the ‘pooling’ of resources and the development of common actions could help the Pacific

⁵³ The regional organization could be the Pacific Forum Secretariat (Fiji).

ACP countries play a significant role in a region dominated by powerful neighbours, and still develop themselves. The high MFN tariffs applied by the Pacific ACP countries protect their fisheries sector but also prevent the construction of a regional market where infrastructure and expenses could be shared.

The creation of a Free Trade Area is a prerequisite to the creation of common infrastructure. An EPA could support such an effort. For the ACP Pacific countries an EPA with the EU offers the following opportunities: improved resource management; strengthened and modernized coastal fisheries; improved food security, employment and revenues; development of exports of new products such as pet fish, crustaceans, frozen fish; improved SPS capacity; increased participation in marine fisheries and the tuna fishery in particular; and improved road, air transport and storage capacity.

A free-trade agreement between Pacific ACP countries and the EU could have important indirect effects due to the complexity of existing regional agreements. All ACP Pacific countries are also members of the Pacific Agreement on Closer Economic Relations (PACER) that includes their main trading partners, New Zealand and Australia. Three Pacific countries (Micronesia, Palau, and the Marshall Islands) are also signatories to Compacts of Free Association (CFAs) with the United States. The creation of a Pacific ACP fishery organisation will have to take into account the possibility of compatibility or overlapping with existing bodies.⁵⁴ Therefore, further integration of ACP Pacific countries will have an important institutional dimension. Countries will have to estimate the trade-offs between the creation of an ACP organisation in the Pacific region linked to the EU through an EPA and the deepening of existing organisations and agreements.

⁵⁴ Other regional fisheries organisations such as the **Palau Agreement** for the Management of the Western Pacific Purse Seine Fishery, that primarily seeks to improve the economic returns to coastal States through access fees and local fishery development; the **Niue Treaty** on Cooperation in Fisheries Surveillance and Law Enforcement in the South Pacific Region that is intended to provide flexible (bilateral) arrangements for cooperation in fisheries surveillance but is still under-utilized, all FFA member countries having signed the Treaty but only three of these having ratified it; and also the **Convention** for the Prohibition of Fishing with Long Driftnets in the South Pacific and the **Nauru Agreement** Concerning Cooperation in the Management of Fisheries of Common Interest. Furthermore, the management of the 40-50 % caught in the high seas and in the water of non-FFA members has been under discussion with their distant water fishing nation (DWFN) partners since 1994 and led to the setting up of the *Convention on the conservation and management of highly migratory fish stocks in western central Pacific Ocean (WCPTC)*. The recent EU Council decision to apply to full membership to this Convention will offer an interesting opportunity for an active EU participation to tuna reserves stocks conservation in this region.

Analytical Questions

The study will address the following analytical questions in order to identify direct and indirect economic, social and environmental impacts in an integrated way.

- To what extent is any increased FDI likely to impact sustainability in terms of modernization of the fleets, methods of fishing, adoption of industry-wide fisheries, reduction of marine pollution, standards for marine resource protection, SPS and certification issues? What are the impacts on infrastructure for standard-setting and certification? What are the impacts, through trade and cooperation, on transfer of management know-how, technology and professional training?
- What are the impacts for sustainability, in particular on the local artisanal fisheries sector? What are the likely impacts related to employment, to women in the processing industry and on food security and food pricing for consumers?
- What are the likely impacts on the degree of exploitation of fish and on marine ecosystems (trophic integrity)? Will an EPA increase the number of vessels? In case of an increase, would this lead to an increase in marine pollution and what might be the consequence regarding the introduction of invasive species?
- Is an EPA likely to induce unfair competition between local fishermen and EU vessels? Is there a risk of uneven development between ACP Pacific countries?
- How can regional integration help to structure competitive regional vessels able to be competitive in US, PACER and EU markets? For which type of fish/fisheries products? What regional structures are required in terms of transportation infrastructure and cold chain?
- How regional integration and an EPA help the Pacific ACP countries upgrade their quality and meet EU SPS measures? What are the requirements in terms of capacity building at the regional level?
- How can a common fishery policy help upgrade the control and surveillance structure in the region? What kind of organisation is necessary to implement a common fishery policy? How can such an organisation help control marine pollution?
- What are the likely consequences of the delivery of major infrastructure projects on the environment and societies? What might be the specific impacts in coastal areas? How can a common fishery policy help mitigate negative impacts on the environment?

- How is the potential transformation of fisheries agreements to partnership agreements and/or a common fishery policy, likely to affect, and be affected by, government policy and regulation? What might be the implications for national public finances, in particular, relative to changes in taxation?
- What kind of regulatory infrastructure (including institutions) could be created at the regional level to ensure adequate protection of the environment (preservation of coastal habitats, preservation of stocks, trophic ecosystems integrity, endangered and protected species) and populations (including workers) with respect to challenges that may arise due to development of the fisheries industry? How can an EPA help to build this infrastructure?

Work Method

The team will organise a consultation in the region to solicit input from stakeholders on issues related to the SIA. The team will also conduct interviews, using local experts, with organisations of fishermen as well as regional bodies in charge of fishery policy. If necessary, the team will rely on specific national case studies conducted by local experts who will be engaged by the Consortium. There will be no attempt to model the impacts of the EPA on regional integration in the Pacific region.

6 BUDGET: PHASE II

Based on the terms of reference the following tasks make up the work programme for Phase II of the SIA: 1) Sector studies in Western Africa; the Caribbean; and the Pacific; 2) Delivery of Inception Report, Mid-Term Report, Final Report; 3) Communication and dialogue with stakeholders; and, 4) Project management and electronic communication.

	Estimated time frame	Tasks	Est. Total
Sector study: Western Africa	Jan. – Dec.	Research and drafting; Reviewing documents and providing input; Communicating with the EU; Meetings and conference calls; Editing.	€46,000
Sector study: Caribbean	Jan. – Dec.	Research and drafting; Reviewing documents and providing input; Communicating with the EU; Meetings and conference calls; Editing.	€46,000
Sector study: Pacific	Jan. – Dec.	Research and drafting; Reviewing documents and providing input; Communicating with the EU; Meetings and conference calls; Editing.	€46,000
Inception Report	Feb. - June	Drafting, including input from sectors, project proposals; Review documents, Communicate with EU, participate in conference calls; Review and comment on draft text; Editing.	€14,000
Mid-Term Report	June – Sept.	Drafting, synthesizing input from sectors; Review documents and comment on draft text, participate in conference calls and meetings; Editing.	€15,000
Final Report	Sept. – Dec.	Drafting, synthesizing input from sectors; Review, comment, meetings, conference calls; Editing.	€17,000
Communication with stakeholders	Jan. – Dec.	Communicate with EU; Communication with civil society; Maintenance of website; Attending meetings.	€16,000
Project management	Jan.-Dec.	Project administration; Coordination of coordinate project team; Coordination with EU.	€23,000
Consultation: Western Africa	October	Secure funding, communication with EU and project team; Coordinating with local partner and organizing seminar, attendance at seminar; Review documents, provide input into seminar process; Attendance of team members at seminar; Budget for local experts is included in the budget for the regional seminars.	€10,000
Consultation: Caribbean	October	Secure funding, communication with EU and project team; Coordinating with local partner and organizing seminar, attendance at seminar; Review documents, provide input into seminar process; Attendance of team members at seminar; Budget for local experts is included in the budget for the regional seminars.	€7,000
Consultation: Pacific	October	Secure funding, communication with EU and project team; Coordinating with local partner and organizing seminar, attendance at seminar; Review documents, provide input into seminar process; Attendance of team members at seminar; Budget for local experts is included in the budget for the regional seminars	€10,000
Total			250,000

7 CONTENTS OF THE MID-TERM AND FINAL REPORTS

7.1 Mid-Term Report

The terms of reference indicate that the Mid-term report for Phase II will summarise work undertaken and present questions and issues to be addressed. The Mid-Term report will be a maximum of 120 pages including annexes. The Consortium expects the Mid-term report to be structured as follows:

- **Introduction**
- **Update on Consultation Process**
- **Summary of Sector Studies.** Present a summary of work developed on the nature of the sector, its relationship to sustainability (hot spots), relevant indicators, relevant trade flows, and relevant trade measures associated with each sector. It will be divided into three sections: Western Africa, Caribbean and the Pacific.
- **Opportunities and Challenges associated with the EPAs.** Outline the key questions being pursued by the Consortium in terms of the potential opportunities and challenges posed by the EPAs to economic, environmental and social sustainability. It will be divided into three sections: Western Africa, Caribbean and the Pacific.
- **Methodological Issues for the Impact Analysis.** Outline the main methodological steps that will be pursued by the Consortium members to address the key research questions identified in the previous section. It will be based on the guidelines in Phase I, and augmented/enhanced as necessary to respond to the particular questions related to each sector and/or region.

7.2 Final Report

The terms of reference indicate that the final report will include the results of the sectoral SIAs including detailed policy recommendations; communication and consultation activities; the methodology; conclusions and recommendations for further work; and references and key sources. The core body of the Final Report will be composed of three main sections which are the sector studies in full. Each final sector study will be approximately 60 pages in length and will include:

- **Introduction.**

- **Consultation process (including summary of results).**
- **Methodology (beginning with sustainability themes, trade measures, selection of indicators, and discussion of how links between changes in trade policy and social, environmental and economic impacts will be determined based on Phase I, adapted/ enhanced as necessary).**
- **Impact Analysis.**
- **Findings (including impacts on the ACP region and impacts in the EU and its outermost regions).**
- **Policy Recommendations.**
- **References: a detailed list of references will be included.**

The sector studies will be accompanied by a 20 page document which will include an overall summary of the findings for the sector studies in the context of the ACP-EU negotiations, lessons learned from the studies for further work, and recommendations for Phase III. The main components of this report will be as follows:

- **Introduction**
- **Outline of communications and consultations activities.** A description of the efforts of the Consortium to disseminate information about the SIA including key contacts with individuals and organisations that contributed to the work in Phase II. This includes electronic communication (through email and the world-wide web) as well as meetings and participation in conferences and seminars. It will include a summary of consultations with stakeholders in Europe and in the ACP regions and indicate how the consultations contributed to the work of the Consortium.
- **Summary of findings.** Summary of the findings in each of the final sector studies.
- **Methodology.** This section will incorporate specific lessons learned taking into account the application of the methodology. It will build on the experience of the sector studies to enhance and/or adjust the methodology developed for the EU-ACP SIA.
- **Policy recommendations.** Trade-related and non-trade related options (“flanking measures”) to promote sustainability; capacity building and cooperative measures that can be adopted, including opportunities for financing. It will present major indicators that should be most closely monitored based on the results of the sector studies.
- **Recommendations for further work.**

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