Sustainability Impact Assessment (SIA) of the EU-ACP Economic Partnership Agreements

Phase Two

Mid-Term Report (Draft)

20 October 2004

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ACKNOWLEDGEMENTS

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The Project Team would like to extend its thanks to all those who contributed to this report.
EXECUTIVE SUMMARY AND PRELIMINARY POLICY RECOMMENDATIONS

This Mid-Term report develops the three sector studies in Phase II of the EU-ACP SIA, further to specific scenarios. The aim of the Mid-Term report is to present the potential sustainability impacts of a baseline situation for each sector and to indicate the approach that will be adopted for assessing scenarios to lead to practical policy recommendations for EPA negotiators. Preliminary recommendations are presented below, but these will be confirmed and elaborated on in the Final Report once the analysis has been competed for the relevant scenarios.

Agro-Industry in West Africa

The sector study on agro-industry in West Africa covers four sub-sectors: fruits and vegetables, cereals, meat (poultry and beef) and “first-stage” processing of cotton. These four sub-sectors represent a range of issues associated with agro-industry and its relationship to trade and sustainability. Agricultural commodities are the most important exports from West Africa to the EU. Moreover, agriculture is the most important employer in the region and plays a vital role in generating cash-income and alleviating poverty, particularly in rural areas, which tend to be the poorest and most vulnerable. Specific products, such as cereals, provide a staple source of food in the region and other products, such as fresh fruits contribute important nutritional value to regional diets.

The main opportunity offered by the EPA is improved market access for a limited range of processed and traditional agricultural products to EU markets from non-LDCs. Other trade-related measures are also relevant for these products, including investment, trade facilitation and SPS measures.

The study finds that at present opportunities exist for tropical fruits and out-of-season vegetables for export markets. These include mangoes, pineapple and green beans. Exporting cotton yarns and unbleached cotton fabrics could also be feasible.
The successful pursuit of expanded export markets will, over time, involve an evolution of the characteristics of agricultural production in West Africa. Small farmers will need to organise themselves into larger marketing units, take advantage of economies of scale, modernize production units and pool their resources to cover costs associated with meeting EU SPS requirements and quality control demands. However, there are opportunities for increasing processing and value-added to agricultural products, particularly with respect to cotton and some vegetables and fruits. These advances will require capacity building and investment.

Pursuing new export markets also requires a commitment to deepening regional integration, which holds the prospect of an expanded market, increased regional trade flows and an increased availability of specific inputs for processing.

Sustainability impacts flow from the economic impacts associated with increased investment, increases in government revenues and GDP, and in some sectors, such as cotton, an increase in the availability of quality by-products for the traditional sector. From a social perspective, expanding export markets and increased processing could create a significant number of jobs including in disadvantaged areas. Environmental impacts will be felt through the changes in the structure of production in agriculture over the medium term. Pollution impacts of processing units, which will vary from product to product, depend on levels of investment in technology and the nature of waste generated, among other things.

For other products trade may impose challenges. The main challenge associated with an EPA is the increasing competition between local production, and imports from the EU. At present the countries of West Africa are ill-equipped in many sectors to meet the challenges imposed by such increased competition. This is unlikely to change in the short and medium terms. In some sectors, such as cereals, Western Africa could compete with imports of wheat and meslin coming from the EU, taking advantage of the growing urban demand and investment in production. There is a risk that local markets could be flooded with imports of processed tomatoes, potatoes and onions, which will threaten local production.

In the meat sector, declining tariffs in the ECOWAS countries could lead to further imports from the EU, with negative effects on the domestic production of poultry and poultry feed in the region through impacts on the production of maize. There is an additional risk for West African countries in the beef sector if they face
new import surges if the EU imports more high quality beef (from Argentina or Brazil, following the EU-MERCOSUR agreement) and subsequently exports larger quantities of low quality beef to West Africa.

Taking advantage of the opportunities and minimizing any negative impacts will require policies, both in an EPA, and at the domestic level to ensure an outcome that supports sustainability.

**Tourism Services in the Caribbean**

There are opportunities for further trade liberalisation in the Caribbean tourism sector mainly under Mode 3 (commercial presence) and Mode 4 (presence of natural persons), as well as for some categories of tourism services (travel agencies and tour operators services, tourist guide services). In the EU, opportunities for further trade liberalisation exist primarily under Mode 4.

To explore the baseline situation this case study uses forecasts which project the economic impact of tourism, as it now exists, until the year 2014. Even without an EPA there will be a large increase in the demand for tourism services at a global level in the coming years and the Caribbean ACP countries will be among the most important regions to supply this increasing demand.

Experience in tourism development in the Caribbean to date indicates that growth in tourism services could result in the following sustainability impacts:

- generally positive impacts on macro-economic indicators (contribution to GDP, export earnings, government tax revenues), but a high risk of over-reliance on one sector and therefore increasing vulnerability;
- opportunities in employment to develop of professional skills, but higher risks of social problems (e.g. HIV/AIDS) and not necessarily better working conditions (seasonal jobs) which does not significantly alleviate poverty;
- Risk of worsening environmental damages due to the development of hotel construction and increased tourist arrivals exist but so do opportunities for transfer of environmentally sound practices.
- The nature and the degree of these impacts depend on a range of variables: the type of tourism (land-based or cruise tourism, and niche markets), investments (hotel construction, management contracts, and environmentally sound
investments), types of jobs created, tourist behaviour (expenditure, activities), and the institutional framework (social programmes, environmental management).

Full liberalisation in the tourism services sector in the Caribbean ACP and EU countries will most likely lead to tourism development including increasing investment and increasing flows of tourist arrivals in the Caribbean. These impacts and their affect on sustainability will be considered in the Final Report.

**Fisheries in the Pacific**

The baseline scenario in the Pacific study is the existing fisheries management regime between the EU and PACP countries, represented by Bilateral Fisheries Agreements (BFAs). The study focuses on tuna, by far the largest fishery sector in the PACP countries and of vital importance to the EU fish-processing industry.

The EU is currently facing a deficit in supply of fishery products to feed its processing industry and meet consumer demand for processed fishery products and this is likely to get worse in the coming years. This deficit is particularly important for tuna, which accounts for almost 60% of total production of canned fish in the EU. Therefore, while the EU is not a major player in the tuna fisheries in the Pacific region at present, the Pacific may become more important for the EU in the coming years.

One way to meet the growing demand for tuna in the EU is for EU ships to catch more tuna in the EEZs of PACP countries. A second way to meet the increasing demand is for the PACP countries to increase their exports to the EU, a market where they benefit from duty-free and quota-free access.

The baseline situation indicates that the current regime of fisheries management in the region, based on access fees, does not promote economic, environmental or social sustainability. The access fees granted to ships in the industrial fishery from the EU under the BFAs do not contribute significantly to GDP in the PACP countries because they are relatively modest, monitoring is weak, much of the fish caught is not landed, and where fish is landed, it is often of low quality and there is little capacity to process it and add value. The region has a total of five canneries.
Tuna is equally important at the small-scale, artisanal level and vital for the economic viability and food security of a large portion of the population. Lax enforcement of current fisheries agreements, low capacity by the PACP countries to monitor catches and private arrangements between EU ship-owners and local officials to enter the coastal zones of the countries will threaten the viability of the artisanal fishery in the long term.

From a social perspective, between 5% and 8% of all wage employment is in the tuna fishery. However, employment on EU boats under the BFAs is negligible. The most important sectors for employment are the processing and export sectors, where female employment, in particular, is vital (the tuna canneries employ 5% of the total formal female workforce in the region). Therefore, the fact that the current fisheries regime does not encourage the processing of high quality fish products in the PACP countries is one way in which it is not promoting broadly based social sustainability. Moreover, the average per capita consumption of fishery products in the PACP countries is almost 5 times the global average. Much of this is supplied by the small-scale fisheries. Therefore, maintaining the health of the artisanal fishery is key for the PACP countries.

From an environmental perspective, the system of access fees under the BFAs acts as an incentive to encourage over-fishing of all stocks, including tuna. Moreover, there is no accountability attached to the financial contributions that accompany the access fees, and targeted towards fisheries conservation.

A regional Fisheries Partnership Agreement (FPA) between the EU and the PACP countries is considered the alternative scenario in this study. The sustainability impacts of this prospective scenario will be explored in the Final Report.
Preliminary Policy Recommendations

Agro-Industry in West Africa

To improve prospects for expanding export markets and increasing levels of processing of export of products such as cotton, fresh fruits and vegetables (mangoes, pineapples and green beans):

- Maintain some kind of temporary protection (tariffs, seasonal quotas) with trade with the EU to create a climate in which competitiveness can be improved, where there are opportunities for solidifying or increasing exports, such as for cotton yarn and unbleached fabric, potatoes and onions.
- Improve regional integration to expand markets in the ECOWAS region, and encourage flows of agricultural products from areas of surplus to more vulnerable areas in West Africa (for cereals, for example). For the meat market, regional markets should be developed for supplying inputs including breeding inputs such as chicks and calves, as well as inputs into production such as animal feed and veterinary medicines. Where necessary, this includes improving access to national markets.
- **Invest in infrastructure:**
  - for transportation, warehouses (storage), slaughterhouses, cold chain to reduce post-harvest losses, allowing farmers to diversify and encouraging the prospect for increasing exports.
  - for processing, such as canneries.
  - to improve communications networks.
- **Provide support for investors** through dedicated incentives and specialised investment funds.
- **Grant preferential access to inputs**, equipment and energy at stable prices to support efforts of processors to begin or increase processing capacity. Support local processing units to tackle new urban demands for convenience in food preparation, for example.
- **Build capacity** in the region:
to train small farmers in new production techniques, including organic farming (particularly for fruits and vegetables) and developing new breeding practices (for beef) to help producers become more competitive;

by encouraging small farmers and groups of producers to join together to improve their ability to collect and disseminate information on the regional and export markets;

through the construction of labs and the training of technicians, to improve the ability of producers to meet SPS, traceability and quality control requirements;

by engaging in joint research programs;

by supporting the establishment of commercial, technical and financial partnerships between EU and ECOWAS partners.

To allow domestic production (not for export) to become more competitive in order to face the competition of cheap imports:

- Implement a specific level of protection for certain products which are vital for food security and poverty alleviation. This includes cereals and poultry, where there may be gains in competitiveness to be made.

- In order to encourage the development of a local market for unbleached cotton fabric, a limit on the import of worn clothes and other textile products competing with local production should be established in the short-term.

Tourism Services in the Caribbean

- Use tourism as a catalyst for development in related economic sectors (such as agriculture) to reduce increasing over-reliance and vulnerability;

- Encourage sustainable investment;

- Implement related policies including, *inter alia*, improvements to integrated coastal and watershed management and improvements in planning.
Fisheries in the Pacific

Trade-Related Measures
- Review rules of origin for fishery products to promote the development of the local fish processing industry in the Pacific;
- Phase out EU-subsidised vessels transfers in PACP countries waters;
- Maintain existing duty-free access to the EU market for fish and fish products from the PACP countries;
- Pursue progress towards regional integration between the 14 Pacific ACP countries (PICTA).

Conservation of the resource
- Implement a modern and comprehensive Control and Monitoring System at the regional level to:
  - accurately evaluate catches and by-catches and trends over time;
  - generate precise and regular information on the status of fish stocks;
  - encourage the sustainable management of the resource;
  - limit illegal practices;
  - ban unsustainable and damaging fisheries practices (such as poisoning)
- Implement and enforce a ban on industrial fishing within the coastal zones of the PACP countries to maintain a viable small-scale and subsistence fishery.

Capacity Building
- Implement activities to transfer technical knowledge to develop local capacity in terms of modern fishing techniques, industrial fish processing and support for infrastructure and the legal and institutional environment.
- Support training initiatives with regard to technical requirements for exports.
- Support to regional fisheries organisations to ensure the comprehensive implementation of sustainable development plans in the fisheries sector.

Governance
- De-link access to the resources and financial support with respect to fisheries.
- Explore the feasibility of coordinating existing National Tuna Management Plans at the regional level and ensuring their compatibility with regional policies for the conservation and sustainable use of tuna.
• Include in the FPAs, national and regional decentralization policies aimed at promoting economic activity and employment opportunities.

**Sustainable Development and Investment**

- Include in the FPAs provisions to ensure that the local population benefit from new *job opportunities* offered in the fisheries sector both off-shore and on-shore and in related activities (SPS control, transport, support activities).
- Contribute to financing infrastructure necessary to development value-added in the fisheries sector including investment transportation and refrigeration.
- Explore potential synergies between industrial and small-scale tuna fisheries in the development projects in the fisheries sector.
- Take into account the potential negative impact of a reduction of excess catch on poor and remote communities that store excess catch for food scarcity period and develop adequate policies to mitigate this potential impact.
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<td>ACP</td>
<td>Africa-Caribbean-Pacific</td>
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<tr>
<td>BFA</td>
<td>Bilateral Fisheries Agreement.</td>
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<td>BOP</td>
<td>balance of payment</td>
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<td>CAP</td>
<td>Common Agricultural Policy (EU)</td>
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<td>CAREC</td>
<td>Caribbean Epidemiology Center</td>
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<td>CARICOM</td>
<td>Caribbean Community and Common Market</td>
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<td>CARIFORUM</td>
<td>The Caribbean Forum of ACP States</td>
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<td>CAST</td>
<td>Caribbean Association for Sustainable Tourism</td>
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<td>CEHI</td>
<td>Caribbean Environmental Health Institute</td>
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<td>CGE</td>
<td>computable general equilibrium</td>
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<td>CPDC</td>
<td>Caribbean Policy Development Centre</td>
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<td>CFP</td>
<td>EU Common Fisheries Policy</td>
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<td>Caribbean Regional Negotiating Machinery</td>
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<td>DWFN</td>
<td>Distant Waters Fishing Nation</td>
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<td>EBA</td>
<td>“Everything but Arms” Initiative</td>
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<td>FPA</td>
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<td>FTAA</td>
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<td>General Agreement on Trade in Services</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>LDC</td>
<td>Least-developed country</td>
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<td>MERCOSUR</td>
<td>Southern Cone Common Market</td>
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<td>partial equilibrium</td>
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<td>PricewaterhouseCoopers</td>
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<td>Pacific Islands Country</td>
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<td>Pacific Agreement on Closer Economic Relations.</td>
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<td>SIA</td>
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<td>SME</td>
<td>small- and medium-sized enterprise</td>
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<td>sanitary and phytosanitary</td>
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1 INTRODUCTION

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. This Mid-Term report for Phase II of the EU-ACP SIA of the Economic Partnership Agreements (EPAs) summarizes work underway and provides a “road map” that will underlie the analysis for the Final Report. Preliminary findings and recommendations are included, where feasible.

1.1 The Sector Studies

The Consortium is preparing three sector studies in EU-ACP SIA: Phase II. Targeted regions and sectors include the agro-industrial sector in Western Africa (trade in goods), tourism services in the Caribbean (trade in services) and fisheries in the Pacific region (governance issues and trade rules).¹

Table 1. Geographic and Sectoral Scope of SIA Phase II Sector Studies

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<td>Ivory Coast, Gambia, Ghana, Guinea,</td>
<td>Fruits and vegetables: tropical fruits and vegetables for export markets</td>
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<tr>
<td></td>
<td>Guinea-Bissau, Liberia, Mali,</td>
<td>(mangoes, pineapples, and green beans); vegetables produced for the regional</td>
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<td></td>
<td>Mauritania, Niger, Nigeria, Senegal,</td>
<td>market (potatoes, onions and tomatoes).</td>
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<td></td>
<td>Sienna Leone, and Togo.</td>
<td>Cereals: wheat and wheat products imported from the EU and local cereals</td>
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<td></td>
<td>[WAEMU: Benin, Burkina Faso, Ivory</td>
<td>produced in West Africa.</td>
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<td></td>
<td>Coast, Mali, Niger, Senegal, Togo,</td>
<td>Cotton: cotton yarn and unbleached</td>
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<td></td>
<td>Guinea-Bissau]</td>
<td>fabrics.</td>
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<td></td>
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<td>Meat: beef and poultry.</td>
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<td>+Dominican Republic</td>
<td>Guyana, Haiti, Jamaica, St. Kitts &amp; Nevis, St. Lucia, St. Vincent &amp; the</td>
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<td></td>
<td>Grenadines, Suriname, Trinidad &amp; Tobago, the Dominican Republic.</td>
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<tr>
<td>Pacific</td>
<td>Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of</td>
<td>Fisheries: Tuna</td>
</tr>
<tr>
<td>14 Pacific ACP countries</td>
<td>Micronesia, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tonga, Tuvalu, Vanuatu and Palau.</td>
<td></td>
</tr>
</tbody>
</table>

¹ The remaining ACP regions, Central Africa and Southern and Eastern Africa will be considered in Phase III of this SIA.
In the subsequent three sections, the three regions and the sectors chosen for analysis will be presented. Each chapter includes an update on the consultation process, a short summary of the sector and the work developed to date, an indication of the opportunities and challenges associated with the EPAs and an update on the methodological issues being employed to undertake the impact analysis. Where it is feasible at this stage, preliminary findings are identified and policy options introduced. The structure of the sector studies presented in this report is outlined in Table 2.

Table 2. Structure of the Sector Studies

<table>
<thead>
<tr>
<th>Section</th>
<th>Topics</th>
</tr>
</thead>
</table>
| 1. Introduction                              | • Status of negotiations
                                                             • Introduction to the sector |
| 2. Consultation Activity                     | • Update on consultation activity
                                                             • Regional workshop
                                                             • Related activities |
| 3. Summary of Work to Date                   | • Relevant trade measures
                                                             • Relevant sustainability parameters
                                                             • Challenges and opportunities associated with the EPAs (presentation of working hypotheses) |
| 4. Methodological Issues and Impact Analysis | • Base line situation
                                                             • Outline of methodological approach for scenarios |
| 5. Preliminary Findings and Policy Recommendations | • As feasible, focused on practical recommendations for negotiators. |

1.2 The Consultation Process

As indicated in the Phase I and the Inception Report for 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 (one will be prepared to announce the mid-Term report once it is available on the website), participation in meetings, and use of the World Wide Web, principally through the website: http://www.sia-ACP.org, which allows stakeholders to access information about the project, receive updates on progress, and provide input to the Consortium.
Fundamental to the consultation in Phase II of the SIA are regional workshops planned in the regions that are being studied during this Phase. Each sector study includes an update on progress towards the organization of the workshops.

In addition, the Consortium consults regularly with the EC, and takes advantage of opportunities to present the SIA, the results of Phase I and the ongoing work in Phase II to relevant fora. Box 1 includes a list of relevant meetings that the Consortium has participated in to date, as well as those that are planned in the near future.

Box 1. Consultations, Phase II (Completed and planned)

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 March 2004</td>
<td>Brussels</td>
<td>Presentation of SIA results, Phase I. Seminar on regional integration and trade for ESA Region organised by the EC.</td>
</tr>
<tr>
<td>30 March 2004</td>
<td>Brussels</td>
<td>Participation in an ad-hoc meeting. Poverty Reduction and new ACP-EU Trade Arrangements: Eurostep SIA study</td>
</tr>
<tr>
<td>March-April 2004</td>
<td>Internet</td>
<td>Invitation to comment on sectors for Phase II</td>
</tr>
<tr>
<td>April 2004</td>
<td>Brussels</td>
<td>Presentation of SIA results, Phase I. Seminar on regional integration and trade for Caribbean organised by the EC</td>
</tr>
<tr>
<td>September 2004</td>
<td>Brussels</td>
<td>Seminar on the EU, Regional Integration and Trade for the South African Development Community (SADC)</td>
</tr>
<tr>
<td>27-30 October 2004</td>
<td>Geneva</td>
<td>Presentation of the SIA methodology, approach &amp; results at an expert workshop organised by the Friedrich Ebert Stiftung</td>
</tr>
<tr>
<td>November 2004</td>
<td>Brussels</td>
<td>ECOWAS Ambassadors meeting</td>
</tr>
<tr>
<td>Nov.-Dec. 2004</td>
<td>Brussels</td>
<td>Presentation of sector studies: tourism in the Caribbean and agro-industry in West-Africa (to be confirmed)</td>
</tr>
<tr>
<td>Nov.-Dec. 2004</td>
<td>Nigeria</td>
<td>Presentation to UNEP meeting on Integrated Assessments in the Rice Sector (to be confirmed)</td>
</tr>
<tr>
<td>Nov.-Dec. 2004</td>
<td>Cote d’Ivoire</td>
<td>Presentation to UNEP meeting on Integrated Assessments in the Rice Sector (to be confirmed)</td>
</tr>
<tr>
<td>Jan.-Feb. 2005</td>
<td>Brussels</td>
<td>Presentation of sector study: fisheries in the Pacific and agri-food in West-Africa (to be confirmed)</td>
</tr>
</tbody>
</table>

1.3 Summary of Work to Date

Each sector study presents a summary for work to date. This begins with the identification of relevant trade measures. It also includes the results of the priority setting exercise outlined in Phase I, 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

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2 See Inception Report for general and specific objectives of the regional workshops.
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.

1.4 Methodological Issues for the Impact Analysis

As indicated in the Inception Report, the core of this Mid-Term report, for the three chosen sectors, is explaining the baseline situation and identifying the methodological approaches that are being employed to assess the scenarios. Phase I adopted a general approach to the EU-ACP SIA that is outlined fully in the *Qualified Preliminary EU-ACP SIA of the EPAs: Phase One (Final Draft)* of January 2004. The methodology used to examine these three sectors is based on this framework. What is clear is that within the SIA, as in this field generally, there is no “one size fits all” approach that can be used for each of the sectors or regions. Rather, each sector and region employs varying methods for developing the information necessary to undertake an analysis – focusing on the stages in the methodological framework for this SIA.

**Scenarios** have been identified for each sector and region as indicated in Table 3. These must be analysed alongside a baseline scenario in each case in order to illustrate clearly the *status quo* from which change is occurring.

**Table 3. Scenarios for the SIA**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Scenarios</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Africa:</td>
<td><strong>Baseline situation</strong></td>
</tr>
<tr>
<td>Agro-Industry</td>
<td>Scenario A: 90% liberalisation on both the EU and the ECOWAS (+ Mauritania) sides.</td>
</tr>
<tr>
<td></td>
<td>Scenario B: 100% liberalisation from the EU side and 80% by the ECOWAS countries (+ Mauritania).</td>
</tr>
<tr>
<td>Caribbean: Tourism</td>
<td><strong>Baseline situation</strong></td>
</tr>
<tr>
<td>Services</td>
<td>Scenario: Full liberalisation in the tourism services sector.</td>
</tr>
<tr>
<td>Pacific: Fisheries</td>
<td><strong>Baseline situation</strong></td>
</tr>
<tr>
<td></td>
<td>Scenario: EU-Pacific ACP Regional Fisheries Partnership Agreement in the general framework of the EPA.</td>
</tr>
</tbody>
</table>
In most cases, examining the baseline situation involves identifying the current trading regime and trade flows and assessing, environmental and social impacts of the status quo. This is done using existing studies, results of consultation workshops during Phase I, and results of interviews conducted with experts in the region. The social and environmental impacts identified are examined within the categories of linkages between trade-related economic activity and sustainability identified in the Phase I methodology, reproduced in the Inception Report. Then, using existing forecasts (such as in the Caribbean), or extrapolating reasonable trends from the current situation, the likely impacts on sustainability of a baseline situation are presented. The case studies include a description of how they will assess the sustainability impacts of the scenarios, employing a range of work methods.

1.4.1 Quantitative Approaches

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 these impacts for each region and/or sector has been determined on a case-by-case basis. The Project Team has analysed a range of possible modelling options in preparation for this Mid-Term Report. The following approach to modelling is presented:

Employing a computable general equilibrium (CGE) approach in the Caribbean. Using a CGE model, one can undertake an assessment of trade and fiscal reforms on the economic performance of different sectors of the economy, government budget situations, current account balance, employment and GDP. This would be appropriate for examining the full liberalisation scenario for tourism services in the Caribbean. The relatively macro data generated would provide results on variables for up to ten economic sectors including tourism, agriculture and others. Therefore, a CGE approach examines tourism in context with other related economic sectors. Moreover, given the importance of employment to tourism, the employment data generated by a CGE approach would be useful for analysing social impacts.
Building a methodological approach for analysing the scenarios in West Africa included consideration of a range of options. Among them, was undertaking a study to report on existing quantitative results, obtained by existing modelling efforts, and targeted specifically on the agro-industrial sector in West Africa (and where possible on the specific sub-sectors that are being used in this analysis). Such a study would include a discussion of relevant limitations associated with specific studies so that the Project Team can use the information with an appropriate level of caution. This study would include results of CGE and partial equilibrium (PE) modelling efforts on the economic effects of liberalisation and social impacts where possible, at the economy-wide level and for relevant sectors. While it would concentrate on West Africa, if relevant studies exist in other regions where findings might be relevant for West Africa, these could be included. The results could be used to suggest the economic impacts (and where possible social impacts) of the two scenarios for West Africa.\(^3\)

### 1.4.2 Qualitative Approaches

In the Inception Report, the sector studies include 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

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social and environmental issues. A qualitative approach is particularly for regions where data is limited and for studies, such as the Pacific case study, which deals principally with issues of institutions and governance.

As a contribution to the methodology the Consortium uses case studies to generate concrete empirical information and causal links between sectoral development (or contraction) and economic, social and environmental sustainability. This has the benefit of taking advantage specifically of knowledge in the regions and providing examples based on existing experience. For example, the Caribbean study will rely in part on the findings of a case study of the environmental impacts of tourism development in the Caribbean (both positive and negative). The overall objective of the case study is to provide concrete examples (based on objective data and qualitative information) where tourism development has been sustainable and unsustainable and why (critical/crucial factors/variables, or “main drivers”) in environmental terms. Given financial and time constrains, the Caribbean study focuses on two countries, Barbados (which is among the largest and most diversified economies in the region) and St. Lucia, a smaller country, less diversified where impacts might be somewhat different. The study will focus on the indicators that were highlighted in the Inception Report as being most relevant. The results of the case study will be available at the end of November 2004. They will give researchers a range of examples that can be used to support a sound qualitative analysis of environmental impacts, building on the results of the modelling exercise.

In order to assess impacts on-the-ground members of the Consortium have conducted, or are planning to conduct specialised interviews with relevant individuals both in Europe and in the regions.⁶

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⁴ 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.

⁵ It will be undertaken by the CPDC, a network of NGOs working on trade negotiations and the EPA.

⁶ For the study in West Africa, for example, researchers have interviewed representatives from several Réseau des organisations professionnelles paysannes d'Afrique de l'Ouest (ROPPA, which is a West African network of farmers) countries including Senegal, Mali, Togo, and Niger; French Technical Assistants working in Guinea, Senegal, Burkina Faso, Mali and Niger; members of European NGOs working on trade including APRODEV, Collectif Stratégies Alimentaires, Coopération internationale pour le développement et la solidarité (CIDSE, an alliance of Catholic development organisations from Europe and North America) and Oxfam; IRAM; and, Centre de coopération internationale en
The Project Team has also retained, or is working with, local and sectoral experts to provide advice, review materials and provide an additional “check” on the analysis of the researchers. For example, for the Pacific Region, the Consortium is working with Dr. Roman Grynberg of the Commonwealth Secretariat in London, UK, an expert on the fisheries regime in the Pacific. In the Caribbean, the Consortium has initiated technical exchanges with resource people from Caribbean Association for Sustainable Tourism (CAST) and Caribbean Environmental Health Institute (CEHI) on environmental issues and will continue to develop these relationships.

Finally, the regional workshops will be structured so as to provide substantive input into the studies, both in terms of assessing the work that has been done and setting priorities for the further analysis and pointing to sources of information, in terms of people and literature, that will be useful for completing the study.

The final section of the methodological approach is to develop policy recommendations. These are based on the findings of the assessment, focused in particular on the selected indicators most relevant for the sector/region. For the purposes of this Mid-Term Report, where they can at this stage, the sector studies point to preliminary findings and explore potential policy recommendations.

**recherche agronomique pour le développement** (CIRAD, a French centre for agricultural research and international development).
2 SECTOR STUDY ON WEST AFRICA: AGRO-INDUSTRY

2.1 Introduction

Negotiations for the conclusion of an EPA between West Africa (ECOWAS + Mauritania) and the EU were launched in Cotonou on 6 October 2003. The Road Map for negotiations was adopted at a technical level in March 2004. On 4 August 2004 the fourth revised Road Map was agreed to by ECOWAS and the EU. It points to two overriding objectives: (1) to improve regional integration and (2) to improve the competitiveness of West African economies.

Improving regional integration includes strengthening and monitoring the existing free trade area among ECOWAS countries and implementing a Customs Union by their adopting the WAEMU Common External Tariff (CET) by January 2008. Specific measures will be implemented to improve trade facilitation in the region through investment in road transport. Trade facilitation also implies harmonisation of custom regulations and implementation of electronic tracking documents.\(^7\) Emphasis will be placed on quality control and capacity building regarding sanitary and phytosanitary standards (SPS). The business environment will also be improved to facilitate both domestic and foreign investment.

Improving competitiveness is a priority for an EPA. ECOWAS countries will undertake National Impact Assessments to gain a clear vision of the positive and negative impacts of an EPA, identify flanking measures and suggest a time-frame for liberalisation and actions to improve competitiveness in affected sectors.

The Road Map also highlights the structure of the negotiations at different levels (experts, high level civil servants and negotiators in chief). A “Contact Group” including the ECOWAS Secretariat, the WAEMU Secretariat and the EC is already in place and charged with organising meetings and follow-up to related assessments at the national and regional levels. In addition, a “Task Force for Regional Preparation” is in place in West Africa with representatives of the ECOWAS Secretariat, WAEMU Secretariat and European Development Fund (EDF) national coordinators. The Task

\(^7\) For example, UNCTAD’s “Road Tracker” and “Port Tracker”.
Force is a specific support for negotiators to encourage the proper identification of existing support measures, the selection and setting up of needed projects, and programs and financing mechanisms. Non-State actors will be consulted throughout the negotiations in various meetings and seminars at national and regional levels.

The proposed agenda for negotiations is as follows:

- **September 2004 to September 2005:** priority to regional integration and improving competitiveness;
- **September 2004 to December 2004:** identify elements of a “tool box” (including, for example, studies and financing) to monitor progress towards regional integration;
- **September 2004 to September 2005:** establish the reference framework for an EPA including trade facilitation, non-tariff barriers, SPS measures, flanking measures, definition of objectives and procedures regarding investment, competition and intellectual property rights.
- **September 2005 to September 2006:** define the global framework for the agreement and present the first proposals for an EPA.
- **September 2006 to September 2007:** negotiate and conclude the EPA.

This study focuses on agro-industry in Western Africa. The choice of this sector stems from the fact that agriculture generates 30% to 40% of GDP and provides employment to between 60% and 70% of the working population in the region. Because most of the poor are located in rural areas, agriculture plays a key role in poverty alleviation. Furthermore, agricultural commodities are the largest exports from Western Africa to the EU. Most of these agricultural products are exported in bulk with little value added locally. West African countries are missing an opportunity to produce higher value products providing employment in agro-industry, and incomes both for farmers and workers. The EPA should present opportunities to further develop the transformation and exports. However, liberalisation raises concerns about competition with local products as well as adapting the existing structure of production in Western Africa to meet requirements in the EU market.

Assessing the potential impacts of an EPA on sustainability in this case study involves a discussion of market access issues, opportunities for local processing and competitiveness. Four sub-sectors have been selected to illustrate the potential impacts on sustainability of an EPA in the agro-processing sector. (Table 4) These sub-sectors
and the products within them have been chosen for their importance and their potential to reflect trade within ECOWAS and between the EU and ECOWAS, and/or their importance for economic, social and/or environmental sustainability in the region. The selection of four sub-sectors allows for the consideration of a broad spectrum of relevant sustainability indicators and a range of challenges and opportunities faced by countries in West Africa that are also relevant for agro-processing industries in other ACP regions. The level of analysis will also encourage the development of a preliminary set of policy recommendations.

Table 4. Sub-sectors and products in the Agro-Industry case study

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Specific Commodities/Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruit and Vegetables</td>
<td>Fruits and vegetables include a wide range of products. This study focuses on:</td>
</tr>
<tr>
<td></td>
<td>- Tropical fruits and vegetables for export markets. This includes mangoes, pineapples and green beans. These products are most likely to be impacted by SPS requirements and NTBs as well as trade facilitation and investment, and better market access to the EU for some products (fresh or processed) for non-LDCs.</td>
</tr>
<tr>
<td></td>
<td>- Vegetables produced for the regional market. This includes potatoes, onions and tomatoes. These products are most likely to be impacted by competitiveness concerns, investment and market access to West African countries.</td>
</tr>
<tr>
<td>Cereals</td>
<td>This sub-sector includes wheat and wheat products imported from the EU and local cereals produced in West Africa. These products are most likely to be impacted by competitiveness concerns and complementarities between local and imported products to supply growing urban demand. Market access is an important consideration as removing tariff protections in West Africa could increase competition between European wheat products and local cereals, which might involve significant substitution at the consumer level.</td>
</tr>
<tr>
<td>Meat</td>
<td>This sub-sector will consider beef and poultry. These are both important for their trade flows and possible effects of substitution at the consumer level. These products are most likely to be impacted by market access issues and the risk of increased competition between local and imported products from the EU (particularly frozen products). Investment in infrastructure is also important to encourage even rudimentary processing facilities (e.g., slaughterhouses, refrigerated warehouses and transportation) to improve competitiveness.</td>
</tr>
<tr>
<td>Cotton</td>
<td>This will include cotton yarn and unbleached fabrics. The first transformation of cotton fibres into yarn and unbleached fabrics both for exports to the EU markets and regional textile industry. The main concern being on adding value to cotton fibers and allowing competitive production of semi finished textile products. The impact on regional integration will be central as well as revenue creation.</td>
</tr>
</tbody>
</table>
The EPA negotiations are taking place in a context which includes other important negotiations on trade in agriculture. Firstly, on 1 August 2004 WTO members adopted a framework agreement for the negotiation of the Doha Development Agenda, which includes a specific framework for establishing modalities on agriculture. Two pillars of the Agreement on Agriculture may have an impact on trade in agricultural goods between the EU and ECOWAS, notwithstanding the negotiation of an EPA.\(^8\) Negotiations will ensure an overall reduction of domestic support, and a review of “blue box” and “green box” definitions. In addition, export subsidies will be eliminated by a date to be agreed upon. Secondly, negotiations between the EU and MERCOSUR are ongoing. In these negotiations, the EU has proposed “to eliminate or reduce tariffs on substantially all agricultural imports from the MERCOSUR” and is ready to provide improved market access on processed agricultural products.\(^9\) Improved access for products from MERCOSUR to the EU market will strengthen the already existing competition (mainly for fresh and processed fruits and vegetables) between ECOWAS and Brazilian products destined for the EU market.

2.2 Update on the Consultation Process

Between October 2004 and the delivery of the Final Report in early 2005, several events have been planned to contribute to the consultation process:

Table 5: Regional consultation activities

<table>
<thead>
<tr>
<th>Event/ Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECOWAS Ambassadors meeting in Brussels (to be scheduled, early November)</strong></td>
</tr>
<tr>
<td>Presentation of the progress of the study at the ECOWAS Ambassadors meeting in Brussels (sectors chosen, progress, key questions), in order to benefit from their input. A second meeting will be planned if necessary prior to the completion of the Final Report.</td>
</tr>
<tr>
<td><strong>First Regional Workshop – November or December 2004</strong></td>
</tr>
<tr>
<td>Pending the securing of remaining funding, a regional workshop will be organised in November or December with the partnership of the regional HUB based in Dakar (multi-donors platform on Rural development and Food security). Participants will include civil society, private sector and Ministry of Agriculture representatives, regional organisations and experts.</td>
</tr>
</tbody>
</table>

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\(^8\) WTO, WT/L/579.

The consultation process is of great interest to stakeholders. Discussions with representatives of the Board of the ROPPA indicated that their knowledge of the EPA negotiation process is weak and that information does not circulate effectively. Familiarity with the SIA process is even lower.

Furthermore, ECOWAS is currently developing a common agricultural policy (ECOWAP). Preliminary studies exploring the impacts of such a policy are circulating in draft form and national workshops will be organised in ECOWAS countries. In the WAEMU countries, the Politique Agricole de l’Union (a Common Agricultural Policy -- PAU) was adopted at end of 2001 but the process of selecting sub-sectors to be supported by the PAU is on-going. Policy choices made under ECOWAP and PAU will not be relevant if they do not take into account the potential impacts of the EPA on agriculture.

### 2.3 Summary of Work to Date

#### 2.3.1 Relevant Trade Measures

**2.3.1.1 Market Access**

*West Africa:* All WAEMU countries apply the WAEMU common external tariff (CET). The CET includes four levels. The WAEMU CET for selected products relevant for this study is indicated in Table 6:

<table>
<thead>
<tr>
<th>Product</th>
<th>WAEMU CET (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Living animals</td>
<td>10</td>
</tr>
<tr>
<td>Meat</td>
<td>20</td>
</tr>
<tr>
<td>Tomato concentrate not for retail sale</td>
<td>10</td>
</tr>
<tr>
<td>Vegetables</td>
<td>20</td>
</tr>
<tr>
<td>All types of processed vegetable</td>
<td>20</td>
</tr>
<tr>
<td>Product</td>
<td>WAEMU CET (%)</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Fruits</td>
<td>20</td>
</tr>
<tr>
<td>Non-processed cereals (except milled rice)</td>
<td>5</td>
</tr>
<tr>
<td>Wheat semolina</td>
<td>5</td>
</tr>
<tr>
<td>Milled and broken rice</td>
<td>10</td>
</tr>
<tr>
<td>Other kinds of grains</td>
<td>10</td>
</tr>
<tr>
<td>Cereal flour</td>
<td>20</td>
</tr>
<tr>
<td>Cereal made products (pasta, biscuits)</td>
<td>20</td>
</tr>
<tr>
<td>Starch</td>
<td>10</td>
</tr>
<tr>
<td>Prepared meat</td>
<td>20</td>
</tr>
<tr>
<td>Cotton Yarns</td>
<td>10</td>
</tr>
<tr>
<td>Cotton unbleached fabrics</td>
<td>10</td>
</tr>
<tr>
<td>Worn Clothes</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: WAEMU website.

Tariffs for selected sectors in non-WAEMU countries are indicated in Table 7.10

Table 7. Tariffs for non-WAEMU countries for specific products (%)

<table>
<thead>
<tr>
<th></th>
<th>Cape Verde</th>
<th>Gambia1</th>
<th>Ghana 2</th>
<th>Guinea</th>
<th>Liberia</th>
<th>Mauritania</th>
<th>Nigeria3</th>
<th>Sierra Leone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat</td>
<td>--</td>
<td>18</td>
<td>0 - 20</td>
<td>2 - 17</td>
<td>--</td>
<td>20</td>
<td>100</td>
<td>--</td>
</tr>
<tr>
<td>Vegetables</td>
<td>--</td>
<td>18</td>
<td>--</td>
<td>17</td>
<td>--</td>
<td>0 - 20</td>
<td>100</td>
<td>--</td>
</tr>
<tr>
<td>Fruits</td>
<td>--</td>
<td>18</td>
<td>--</td>
<td>17</td>
<td>--</td>
<td>5 - 20</td>
<td>100</td>
<td>--</td>
</tr>
<tr>
<td>Cereals</td>
<td>--</td>
<td>18</td>
<td>--</td>
<td>17 - 24</td>
<td>--</td>
<td>0 - 20</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Maize</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>704</td>
<td>--</td>
</tr>
<tr>
<td>Wheat</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>55</td>
<td>--</td>
</tr>
<tr>
<td>Prepared meat</td>
<td>--</td>
<td>18</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Prepared cereals, flour, pastry products</td>
<td>--</td>
<td>18</td>
<td>0 - 20</td>
<td>17 - 32</td>
<td>--</td>
<td>0 - 20</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Prepared vegetables</td>
<td>--</td>
<td>10 - 18</td>
<td>0 - 20</td>
<td>17</td>
<td>--</td>
<td>13 - 20</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>


In order to protect domestic production, some countries (including WAEMU) have established specific market access measures (bans, reference prices, added tariffs, seasonal quotas) which are discussed under the relevant sub-sectors. The importance

10 Sierra Leone has been a member of the WTO since 1999, but no trade policy review is available. The trade policy review for Nigeria is out of date, prepared in 1998 prior to the implementation in January 2002 of a new national trade policy. Cape Verde is currently acceding to the WTO. Liberia is not a member of the WTO.
Informal trade between some countries (for example, Benin and Niger to Nigeria, Guinea to Sierra Leone and Liberia, Gambia to Senegal) affects the impact of those measures.\textsuperscript{11}

**Other taxes.** Some countries apply specific taxes on imported products, and local/regional products are exempted. This is the case in Gambia (10% sales tax), Ghana (12.5% VAT on raw foodstuffs imported from non-ECOWAS countries).\textsuperscript{12}

**European Union:** Most of the countries in Western Africa are LDCs, and benefit from the “Everything but Arms” (EBA) initiative. With the exception of Côte d’Ivoire, Ghana and Nigeria, all ECOWAS countries have free access to the EU market with respect to the sub-sectors in this case study. For non-LDCs, relevant market access measures in the EU depend on the specific product and are described in the sub-sector sections.

### 2.3.1.2 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”.\textsuperscript{13} 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 important 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 only 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. Even within WAEMU, where free trade has been implemented since 1

\textsuperscript{11} WTO trade policy review of Niger, Nigeria, Gambia, Guinea; L’Echo des frontières, several issues, LARES.

\textsuperscript{12} WTO Trade policy review of Ghana and Gambia.

\textsuperscript{13} Art.36 (1) of the Cotonou Agreement.
January 2000 physical and administrative obstacles to intra-regional trade remain.\textsuperscript{14} For example, Nigerian authorities estimate that illegal discharging levies raise the cost of imports by up to 45\%.\textsuperscript{15}

2.3.1.3 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 African countries face challenges to effectively meet EU SPS measures imposed by the EU, \textit{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 considers 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 Practice imposed by importers and retailers on local suppliers.

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

\textsuperscript{15} Nigeria, an overview of the business challenges of the evolving international trading system, International Trade Centre, 2004.
2.3.2 **Sustainability Indicators**

Tables being developed in conjunction with section appear in Annex 1. They will be completed for the Final Report to indicate performance of specific indicators over time, to identify trends which will support the analysis of the baseline and contribute to the scenarios.

2.3.2.1 **Economic Sustainability**

Agriculture is a vital sector for Western 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:

- Economic performance. (Impact on GDP and external trade).
- Investment (impact on FDI).
- Impact on small- and medium-sized enterprises (SMEs).
- Impact on related sectors (services, management and technology, training).

2.3.2.2 **Social Sustainability**

In Western Africa 60% to 70% of the working population is employed in agriculture. A large part of agricultural production is from smallholder family-operated farms. The limited size of the farm units prevents them from benefiting from economies of scale. On the other hand family farms, as opposed to specialized production, are well adapted to cope with uncertainties and well designed to resist external shocks. In each West African country, some large-scale agro-industries exist, but most of the processing of agricultural products is done by medium or small-scale units (bakeries, traditional beverages, workshops) and most is informal. They do not appear in official statistics, but they are a very important source of employment. For instance, 76% of workers in WAEMU capitals work in the informal sector.

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activities). 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 and equity.

2.3.2.3 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.

2.4 Methodological Issues and Impact Analysis Scenarios

The two scenarios that will be examined in this case study are:

- Scenario A: 90% liberalisation for both sides (the EU and ECOWAS + Mauritania)
- Scenario B: 100% liberalization by the EU, 80% by ECOWAS.

For the EU, scenario A is more or less the current situation, and scenario B implies full openness for all sectors for three countries: Côte d’Ivoire, Ghana and Nigeria (the 13 other countries benefit from EBA initiative, which means duty-free access for all products at the end of the transitional period on 1 September 2009).

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18 UEMOA. 2004. L’emploi, le chômage et les conditions d’activité dans les principales agglomérations des set Etas membres de l’UEMOA.
Both scenarios involve dismantling trade barriers for an important part of agricultural and food production. The reduction from 90% or 80% of tariffs is not the most useful way to explore the two scenarios. In both situations, it means that 10% or 20% of trade flows between EU to ECOWAS (expressed in euros) are exempt from tariff reduction. In order to explore the two scenarios the following method will be used:

- Assess the current situation, to identify hot spots for each sub-sector, which may indicate impacts of full liberalisation;
- Examine the share of each sub-sector in export figures from the EU to ECOWAS (ECOWAS imports from the EU);
- Suggest sectors that should be excluded from liberalisation for the two scenarios.

The following sections of this report present the preliminary findings of the studied sub sectors.

### 2.4.1 Fruits and Vegetables

Fruits and vegetables include a wide range of products. This study focuses on:

- **Tropical fruits and out of season vegetables for export markets.** This includes mangoes, pineapple, and green beans.
- **Vegetables produced for the regional market.** This includes potatoes, onions and tomatoes. These products are most likely to be impacted by competitiveness concerns, investment and market access to West Africa countries.

#### 2.4.1.1 Baseline: Current Situation

**Trade Flows**

**Fruits and vegetables for export markets**

Production of fruits and vegetables in West Africa for export markets has been increasing over the past ten years in response to greater demand. Harvested area and production figures for pineapple and mangoes are contained in Annex 2. The production is located in specific countries, depending on export opportunities and agro-ecological conditions.

Produce from West Africa represents only 20% of fruits and vegetables imported into the EU, despite its geographical proximity. The most important export in
this sub-sector from Western Africa to the EU is pineapple. In 2003, 197,104 t of pineapples, (worth around €175 million) were exported to the EU. This represented 85% of the value of ECOWAS exports of fruits and vegetables to the EU. Côte d’Ivoire is the main supplier of pineapples to the EU. Ghana is the EU’s third largest supplier of pineapples (10% of the EU market). Nigeria and Guinea are important producers, but mainly for domestic consumption. According to ECOWAS, those data are not reliable. Over the past decade, the market share of West African pineapple in the EU has decreased while the market share of some Latin America countries, notably Costa Rica, has increased. In 1996 Western Africa supplied 64% of the EU’s pineapples. This had dropped to 53% in 2002 due to the introduction of better varieties and new presentation of pineapples (ready-to-eat, individual packaging) by competing countries (mainly in Latin America).\(^{19}\) This trend might evolve with the recent introduction of high quality “air shipped” pineapples allowing the fruit to mature before shipping provided air freight from West Africa keeps improving at affordable costs.

Mangoes are the second most important fresh fruit and vegetable exported from Western Africa to the EU. However, mango exports are only around 10% of pineapple exports. In 2003, Western Africa exported 14,328 t of mangoes worth €16 million to the EU. The share of Côte d’Ivoire increased by 6% in 2003 compared to 2002. Senegal (+72%) and Mali (+28%) performed strongly raising the ACP share of imports to the EU. Within Western Africa, Côte d’Ivoire is the main exporter of mangoes.\(^{20}\) The following tables indicate that Nigeria is the main producer. But Brazil remains the main provider to the EU market, with 47% of total mangoes imported and its share is likely to increase when the EU-MERCOSUR negotiations are completed. South African exports are slightly higher than West African exports. But West African mango exports are increasing rapidly, from 133% to 1 004% between 1996 and 2002, more quickly than EU consumption.

The third product being examined is green beans. In 2003 Western Africa exported 7,974 t of green beans worth €11 million to the EU. Of this, 71% came from Senegal. However, despite the fact that EU consumption of imported green beans has

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\(^{20}\) Mangoes from Burkina Faso or Mali are probably exported to the EU as originating from Côte d’Ivoire (rapport de capitalisation fruits et légumes – ateliers OMC Mali. Nov 2000).
increased by 86% between 1996 and 2002, imports from Western Africa only increased by 6% during the same period. Exporters of green beans from West Africa have had to cope with the loss of airlines such as *Air Afrique*, Swissair and Sabena, which resulted in reduced space availability for exports as well as an increase in freight costs. The loss of competitiveness of Western Africa could be compensated for by better attention to quality standards and packaging. The leading exporter of green beans to the EU market is now Morocco, responsible for 40% of the European market, followed by Egypt and Kenya. Among them, these three countries supply 80% of the imported green beans in the EU.

Depending on the source (COLEACP, FAOSTAT database, ECOWAS), the top five countries green bean producing countries vary. Some databases include Niger and some include Ghana. This is a good illustration of the difficulty in obtaining reliable data, and the need to complement desk research with field work during the upcoming workshops.

*Vegetables produced for the regional market*

Onions and tomatoes are the main vegetables sold in the regional West African market. Production data for tomatoes and onions are included in Annex 2. Over the past ten years, the production of these two products has increased. Tomato production has increased from 0.5 Mt in 1982 to 1.6 Mt in 2003. Production of onions increased from 0.5 Mt to 1 Mt.\(^{21}\)

The potato is a relatively new crop in Western Africa, but it has developed rapidly rising from 15,000 ha of production to 176,000 ha in the past ten years. Potato production is often undertaken out-of-season and supplies urban markets almost exclusively.\(^{22}\) Since the devaluation of the currencies (CFAF, GuineaF) West African production has been able to compete with European products in the regional market. Some countries, like Mali and Guinea, have significantly developed their production and export in the region, mainly to Senegal.\(^{23}\) Data on the production of green beans are not reliable.

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\(^{21}\) FAO data.
\(^{22}\) Bard 2004.
\(^{23}\) Diallo, 2003.
In 2003 the EU exported €51.6 million worth of fresh vegetables and €10.2 million worth of fresh fruits to Western Africa. In the same year, the EU exported €117.8 million worth of processed fruits and vegetables to Western Africa, out of a total of €48,923 million. The main raw product exported is onions, which represent almost 45% of the vegetable exports from the EU to Western Africa, and are valued at €22.5 million. The second most important vegetable exported from the EU to Western Africa, accounting for 30% of total vegetable exports from the EU to West Africa, are potatoes. In 2003 the EU exported €6.3 million worth of potatoes to Western Africa. Typically potatoes exported to West Africa are those of poor quality that cannot be sold in Europe. More important than the low price, the main difficulty that producers have to cope with is the quantity of imports, which flood local markets. Furthermore, some products have a good reputation and are appreciated by the consumers (potato Belle de Guinée, onion Violet de Galmi). The major processed product exported from the EU to West Africa is processed tomato in different forms. In 2003 processed tomatoes represented 78% of processed fruits and vegetables exported by the EU to Western Africa, worth (€128 million).

Trade measures

European Union

EU tariffs applied to West African ACP countries on these selected products are as follows:

Table 8: EU tariffs applied to West African ACP countries

<table>
<thead>
<tr>
<th>Product</th>
<th>Tariff (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mangoes or pineapples, fresh or dried</td>
<td>0</td>
</tr>
<tr>
<td>Pineapple juice</td>
<td>0</td>
</tr>
<tr>
<td>Mango juice</td>
<td>€12.9 per 100 kg.</td>
</tr>
<tr>
<td>Mango preserved by sugar</td>
<td>€15 per 100 kg.</td>
</tr>
<tr>
<td>Potatoes</td>
<td>0</td>
</tr>
<tr>
<td>Green beans</td>
<td>0</td>
</tr>
</tbody>
</table>

24 COMEXT 2003.
26 Interview with Diéry Gaye, Fédération des producteurs Maraîchers de la Zone des Ndiayes, Senegal, October 2004.
**Fresh onions**: the MFN tariff is 9.6% and ACP countries benefit from a 15% reduction between 16 May and 31 January and are exempted from tariffs between 1 February and 15 May.

**Fresh or chilled tomatoes**: entry prices are applied as indicated in Table 9. For ACP countries, a 60% reduction of tariffs is applied from 15 November to 30 April.

**Table 9. Entry Prices for Tomatoes**

<table>
<thead>
<tr>
<th>Import price range</th>
<th>Applicable Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the import price is higher or equal to 52.6 EUR / 100 kg</td>
<td>14.4 %</td>
</tr>
<tr>
<td>If the import price is higher or equal to 51.5 EUR / 100 kg</td>
<td>14.4 % + 1.1 EUR / 100 kg</td>
</tr>
<tr>
<td>If the import price is higher or equal to 50.5 EUR / 100 kg</td>
<td>14.4 % + 2.1 EUR / 100 kg</td>
</tr>
<tr>
<td>If the import price is higher or equal to 49.4 EUR / 100 kg</td>
<td>14.4 % + 3.2 EUR / 100 kg</td>
</tr>
<tr>
<td>If the import price is higher or equal to 48.4 EUR / 100 kg</td>
<td>14.4 % + 4.2 EUR / 100 kg</td>
</tr>
<tr>
<td>If the import price is higher or equal to 0 EUR / 100 kg</td>
<td>14.4 % + 29.8 EUR / 100 kg</td>
</tr>
</tbody>
</table>

*Source: TARIC, 09/2004.*

**EU agricultural policy**: Under an EU threshold expressed in terms of quantity of fresh tomatoes, direct aid of €34.50 per tonne of tomatoes is provided to producer organisations in the EU delivering tomatoes for the production of tomato concentrate. This aid is refunded by the organisation to individual producers. Moreover, export refunds may be provided “to permit the export of economically significant quantities of products”.

**West Africa**

In order to better protect domestic production, some ECOWAS countries implement added trade measures, when tariffs do not work efficiently. In Guinea for example, imports of potatoes (from the EU, mainly the Netherlands) are prohibited from February to June to protect domestic production. This measure has allowed Guinean producers to raise the competitiveness of their potatoes, and they are currently able to compete with imports, which have been decreasing steadily since

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Since 1998 this prohibition has not been applied because it is not considered necessary, although it still exists.\footnote{Diallo A. B., 2003. *Etude de capitalisation de la filière pomme de terre en Guinée.*}

**Table 10. Imports of potatoes into Guinea between 1993 and 2002 (tons)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Potato imports</td>
<td>976</td>
<td>412</td>
<td>512</td>
<td>293</td>
<td>626</td>
<td>593</td>
<td>339</td>
<td>317</td>
<td>184</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: Diallo, 2003.*

In Mauritania seasonal duties are applied to onions and tomatoes. The highest rate is applied during the period when the domestic production is marketed.\footnote{WTO. 2002. *Trade Policy review of Mauritania.*} Senegal applies a so-called *temporary surcharge* of 20\% on imports of onions and potatoes.\footnote{WTO. 2003. *Trade Policy Review of Senegal.*} This surcharge is called “temporary” but there is no clear indication when and under what conditions it will be removed.

In Burkina Faso, a national conformity certificate is required for tomato concentrate, in order to protect domestic production.\footnote{WTO. 2004. *Trade Policy Review of Burkina Faso.*} Senegalese tomato concentrate production is protected by the fact that it is the only one sold in the domestic market under a mandatory national standard.\footnote{WTO. 2003. *Trade Policy Review of Senegal.*}

**Sustainability Indicators**

*Economic and social situation*

The sub-sector is dominated by small-scale household production, but a few medium scale (5–20 ha) and large scale (over 100 ha) producers have emerged, mainly to take advantage of export markets. Small-scale producers sell on the regional and local markets (for urban consumption). For small farmers, fruits and vegetables are essentially cash-crops, with a positive impact on poverty alleviation. Furthermore, horticulture provides seasonal jobs (planting, harvesting) in rural areas.

There are different kind of actors involved in fruit and vegetable processing. The informal sector is traditionally led by women.\footnote{François 1995.} Small- and micro-enterprises have a positive impact on poverty in rural areas. For the local market, the informal sector

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\footnote{WTO. 2002. *Trade Policy review of Mauritania.*}  
\footnote{François 1995.}
and small or micro firms are well adapted. Support programs can be developed to improve artisanal technology.\textsuperscript{36} The food industry is mainly involved in fruit processing and processing tomatoes for concentrate.\textsuperscript{37} To process food, small and micro firms use stainless steel equipment, mainly imported from Italy.\textsuperscript{38} To dry fruits, local technology is used for small- or medium-sized production. For larger scale production the use of dryers with European burners is required.

Increasing the production and the marketing of fruits and vegetables will have a positive impact on the nutritional status of the population. Rich in vitamin A and C, the mango is an important source of nutrients in Sahel countries. During the marketing season, mango consumption covers 100\% of vitamin A needs per capita.\textsuperscript{39} Because of the lack of a conservation process (such as drying), a large share of mango production eventually rots under the trees. In Mali, Senegal and Burkina, some drying units have been set up, mainly for urban middle class consumption in Mali and for export in Burkina. An expansion of drying, for rural areas, would have a positive impact on the nutritional status of children.

\textit{Environmental situation}

The impact on environment relies, \textit{inter alia}, on the kind of production techniques employed, technologies and levels of intensification. For example, potato production tends to have a positive impact on environment. It is a good first step for crop rotation (impact on soil structure) and requires a high level of enriching agent, for instance manure (with a related effect on urban cleaning).\textsuperscript{40} Mango production is mainly undertaken using traditional techniques. Mango orchards cover cereals, providing a shade canopy. It generally involves little or no use of pesticides. Picking mangoes provides cash employment for women.\textsuperscript{41}

Large scale horticultural production is water consuming and may induce soil salinization, damaging soil fertility. But the problem is more related to irrigation

\textsuperscript{36} François, 2004.
\textsuperscript{37} François, 2004.
\textsuperscript{38} Interview François, 16/09/04.
\textsuperscript{40} Diallo, 2003.
\textsuperscript{41} GRET – Agridoc, 2003.
technologies than to scale of production. Drip irrigation is a good alternative to save water. In Cape Verde, 20% of irrigated areas has been converted to drip systems, allowing farmers to shift from sugar cane production (water consuming) to horticultural production (peppers and tomatoes), providing a better income.\textsuperscript{42} In this case, intensification provides income for farmers with efficient water management practices.

To secure their cash-producing harvest farmers tend to use pesticides and fertilisers on cash crops with little or no pesticide use being involved with food crops. Except for organic production, the development of horticulture will increase the use of chemicals with associated negative impacts of over-use or misuse, such as water contamination and health problems.

\subsection*{2.4.1.2 Challenges and opportunities}

\textbf{Opportunities}

The main opportunity offered by the EPA is a better access to EU markets for the three non LDCs. The demand for tropical fresh products in the EU is growing. According to the FAO the demand for tropical fruits (excluding bananas) could increase by 53\% between 2003 and 2005. The EU market accounts for 41\% of the demand, followed by the United States (31\%). Africa accounts for only 14\% of the world trade while Latin America accounts for 40\%.

West Africa could increase its share of the EU market by taking into account the evolution of that market where the demand for exotic fruits and off-season vegetables continues to grow while the consumption of fruits and vegetables in general has stagnated.\textsuperscript{43} This trend is most apparent in the United Kingdom (UK) and most countries in the Northern EU. In the UK large retail groups play a major role and command more than 80\% of the retail sales of tropical fruits and off-season vegetables.

Although large retailers are a powerful engine for growth of access of fruits and vegetables to the EU market, they also are a threat for small-scale farmers\textsuperscript{42} FAO, 2003 (www.fao.org/ag/magazine/0303sp3.htm).
\textsuperscript{43} 15\% per year according to COLE ACP.
involved in the supply chain. EU importers have no confidence that these small-scale suppliers can guaranty the acceptable levels of pesticide use, reliable traceability and compliance to SPS regulations. Therefore, the importers tend to exclude small-scale suppliers from developing countries by imposing strict requirements on them which involve costly investment that cannot be met by most small-scale producers. Programs set up by the EU such as the Programme Initiatives Pesticides (PIP) programme financed by the European Development Fund and implemented by the Europe-ACP Liaison Committee (COLEACP) support ACP operators in their efforts to comply with regulations, organise a reliable product traceability system and offer staff training programmes.

Despite these efforts, it seems as though the export of fruits and vegetable from Western Africa is more feasible for large companies. Therefore, pursuing the ability to export could involve an evolution of the characteristics of agriculture in Western Africa. In order to export, small farmers will have to organise themselves into larger units (co-operative for instance). Moreover, to benefit from the opportunities in the EU market in this sub-sector, it is necessary to dramatically improve the infrastructure (road, rail, air freight, and cold chain).

If the countries of Western Africa can meet these requirements, new opportunities will arise for non-traditional exports, such as papaya. Melon is another fruit where there are increasingly opportunities for expanding exports from West Africa to Europe.

Access to the EU markets for fresh fruits and vegetables could be improved through certifications like “fair trade” or “organic”. Despite the increase of its market share in all EU countries, the fair trade market remains very small, and it can offer opportunities for only a few number of farmers. The organic food market is very different. The EU demand for organic products is increasing rapidly, with annual growth rates of between 20% and 30% per year since 2000.44 Supplying organic markets can provide outlets for both tradition and non-traditional West African fruits and vegetables. This will require farmers to adhere to organic methods of production,

44 UNCTAD 2003.
and undergo costly certification procedures. Setting up certification bodies in Western Africa may reduce these certification costs.

Another promising avenue for development in this sector would be to increase local value-added by investing in modern equipment for packaging. This would allow local industries in Western Africa pursue the market for “kitchen prepared” vegetables and fruits salads. These types of processed fruits and vegetables are gaining an increasing share of the global market at the same time as global consumption of fresh fruits and vegetables is declining.45

Deepening regional integration will expend the regional market for all producers. They will be able to respond with an improvement of the cool chain, of preservation and trade facilitation.

**Challenges**

The main challenge associated with the EPA and its impact on this class of products is the potential for increasing competition between local production (tomatoes, potatoes, and onions) and imports of these products from the EU. These products are well adapted to the small-scale producers which constitute the majority of West African producers. They will need some kind of protection against mass low price imports from the EU as well as some attention to trade facilitation to better access regional markets and gradually improve their competitiveness.

Exports of preserved tomatoes from the EU to West African countries have increased dramatically during the 1990s. These substantial increases in the exports of prepared and preserved tomatoes negatively impact the processing industry in Western Africa. The local West African industry can absorb surpluses of fresh tomatoes when there is peak in production. This helps sustain prices for fresh tomatoes.

Another challenge is linked to the need to improve the quality of fruits and vegetables for export and meet market requirements in the EU. In the case of mangoes, for example, it will probably be necessary to use pesticides to reduce the number of fruits that are discarded because they do not meet standards in terms of shape, colour and size and cannot be exported.

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45 SECODIP a French polling station recorded a fall in France, of global consumption of fresh fruits of 11% between 1997 and 2002. For fresh vegetables the trend is not as sharp (1,850,000 tons in 1997 and 1,690,000 tons in 2002).
2.4.1.3 Preliminary Recommendations

- Maintain some manner of protection (tariffs, seasonal quotas) to allow farmers to improve their competitiveness;
- Improve regional integration in order to extend fruits and vegetables market, and to allowed complimentarity from the supply side;
- Invest in transportation infrastructure;
- Invest in cold chain and warehouses to reduce post-harvest losses and allow farmers to diversify;
- Implement capacity building to match EU quality requirements;
- Implement capacity building for organic farming;
- Establish regional certification bodies;
- Establish a system of “appellation of origin”, in order to give add value to specific, regional products such as the violet de Galmi.

2.4.2 Cereals

This sub-sector includes wheat and wheat products imported from the EU and local cereals produced in West Africa. Rice is excluded from the scope of the sectors, because EU is not an important rice producer and exporter, and because Western Africa imports increasing quantities of rice, but mainly from Asia. Wheat is the most important cereal traded on international markets, and it is particularly important as a major import for developing countries, which account for 80% of global wheat imports. Both wheat and meslin, and wheat and meslin flour, is exported from the EU to the West African countries. It is a relatively important EU export to Nigeria, Senegal and Ivory Coast.

In some cases these exports compete with domestic cereal production, but they can be explained by a trend towards bread consumption, particularly in cities in response to consumer demand. Increasing exports from the EU of wheat and meslin could have negative impacts on traditional cereals and on food security.

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46 FAO 2003.
2.4.2.1 Baseline Situation

Trade flows

Local cereals (millet, sorghum, and maize) still represent the basic staple food in most West African countries. They play a key role for food security in rural areas and also contribute to supply urban consumers. For the past several years, the cereal processing sector in Western Africa has been growing. This is due to:

- improved competitiveness of local cereals/imported products (devaluation of FCFA);
- an increase in cereals trade (food diversification in rural areas, agriculture more linked to the markets); and,
- an increase in the urban demand for processed products that can be cooked easily.

Generally speaking, the level of cereal production in Western Africa has increased, particularly in Nigeria. The increasing levels of production occur principally through increases in cultivated area rather than increases in yields. This means that for production to increase, more land is put under cultivation. Imports of wheat are increasing as well.

Table 11. Wheat exports from the EU (15) to ECOWAS, in metric tons

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</thead>
<tbody>
<tr>
<td>Benin</td>
<td>4300</td>
<td>3000</td>
<td>10100</td>
<td>19200</td>
<td>30900</td>
<td>23100</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>35000</td>
<td>61000</td>
<td>20800</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
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Source: FAO stat.
The EU is the most important supplier of wheat products to West Africa generally, with the exception of Ghana and Nigeria, for which the United States is the major supplier. It is difficult to anticipate the impact of the last CAP reform introducing the de-coupling of direct aid, on EU wheat. Nevertheless, one of the objectives of the reform was to improve competitiveness of EU products in international markets. Furthermore, medium-term prospects suggest the expansion of EU (25) production and a favorable position on international markets.\(^{47}\) It is likely that competitiveness of EU wheat on West African markets will stagnate or increase.

**Production data**

In West Africa, the production of all local cereals has been increasing over the past 20 years. Millet and sorghum are still the main production, despite a slow decreasing trend in demand. ECOWAS is the world leader in production of these cereals. Trade flows of millet and sorghum are important between countries, such as Niger and Nigeria, and to Ivory Coast. Millet and sorghum are appreciated by consumers, but the preparation time remains an obstacle in urban centres. There is an opportunity for processed products. *Fonio* (‘hungry’ rice) represents a niche market, a luxury good for urban consumption. Precooked, dried and packaged *fonio* is sold in urban centres such as Bamako, Ouagadougou, and Dakar.

**Table 12: Millet production in metric tons**

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Source: FAO stat.

Table 13. Sorghum production in metric tons

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Source: FAO stat.

Maize can be used for human consumption and animal feeding. The growth of maize production is important, mainly in countries where it is used primarily as animal feed. There is still high potential to increase production in these countries, including Senegal, Mali, and Burkina Faso.48 The increasing demand for maize to feed poultry may generate the creation of a regional market.

Table 14. Maize production in ECOWAS, in metric tons

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</table>

Local cereal processing. Small scale traditional processing and semi-industrial processing producing various kinds of products. Traditionally, processing units were located in rural areas near the production, producing primary processed products (semolina, flour, broken cereals, and granules). Now, units are located in urban centres, close to the demand, and produce processed production with more value-added, such as couscous and baby flour. Most of these processing units are in the informal sector and do not appear in local statistics.

Trade measures

European Union

EU tariffs applied to West African ACP countries on cereals are as follows:

Table 15: EU tariffs applied to West African ACP countries on cereals

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<th>Product</th>
<th>Tariff (%)</th>
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<tbody>
<tr>
<td>Wheat and meslin</td>
<td>€47.5 per 1,000 kg</td>
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<tr>
<td>Other cereals (local)</td>
<td>€18.5 per 1,000 kg</td>
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</tbody>
</table>

EU agricultural policy. Wheat production is subsidised in the EU. Currently, no export subsidies are applied but they still exist (the date of their phase out will be negotiated under the DDA).

West Africa

In order to better protect local production against imports, several ECOWAS countries implement added trade measures. Burkina Faso, a national conformity certificate is required for wheat or meslin flour, biscuits, pasta in order to protect domestic production. Furthermore, a price reference is applied for wheat flour (CFAF 225 / kg).\(^{49}\) Mali also applies price reference for wheat and wheat products (wheat flour: CFAF 232 / kg; pasta: CFAF 390 / kg; biscuits: CFAF 980 / kg).\(^{50}\) Imports of sorghum, millet and wheat flour, pasta and biscuits have been prohibited in Nigeria.

\(^{49}\) Trade policy review of Burkina Faso, WTO 2004.

\(^{50}\) Trade policy review of Mali, WTO, 2004.
since the end of 2002. In Senegal, a temporary surcharge of 10% is applied on imports of millet and sorghum, and imports of wheat flour are subject to the application of a 10% *Taxe conjoncturelle d’importation* (TCI), as allowed for in WAEMU trade policy.

**Sustainability**

**Social situation**

Most of ECOWAS farmers produce millet and sorghum, for household consumption primarily. Rural households largely depends on those two cereals for food security. Increasing the production, improving marketing of sorghum and millet, may reduce poverty and vulnerability at rural household level. Losses after harvest are important, due to the poor conditions of preservation.

**Environmental situation**

Due to their diversity, millet and sorghum are well adapted to the various climate of the region. They are usually produced in an extensive way, with no (or very few) fertilisers and pesticides, and with no irrigation (adapted to dry areas). The increase of areas harvested in millet and sorghum is responsible of the growth of the production in the region. The extension is made on marginal areas and fragile soils. On the contrary, yield trends to decrease. A margin of intensification is available, moreover is needed in order to increase the production without damaging environment.

**2.4.2.2. Challenges and opportunities**

Liberalisation presents a challenge for the cereal sector in Western Africa. In terms of productivity Western Africa will hardly be in a position to compete with modern, large-scale production from the EU. Nevertheless, it is necessary to maintain cereal production in Western Africa to ensure food security. Lessons learned in the past indicate that food aid can be harmful. Massive food aid (mainly cereals) poses a threat to local production. This was taken into account by the EC when reforming the EU food aid and food security policy in 1996. The same negative effects will probably

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52 Trade policy review of Senegal, WTO, 2003
occur if a flow of inexpensive cereals from the EU flood into Western Africa and will hamper the positive present trend towards increasing production of cereals in the region. Nevertheless, there remains a strong demand for wheat flour and meslin, particularly in urban centres where the competition with local cereals is strong. Regional integration may create a real regional market for millet and sorghum for human consumption and maize for animal feed.

2.4.2.3 Preliminary Recommendations

The Final Report will include detailed policy recommendations concerning this sub-sector. The main issues are:

- Agree on a specific level of protection (around 40%) against all imported cereals including wheat flour and meslin which can be considered as luxury items competing with local production.
- Improve the productivity of cereal production.
- Invest in storage capacity, improve road transport and fluidity of exchanges in order to create a regional market.
- Improve competitiveness of local products by providing support to local processing units.
- Invest in capacity building and research to improve competitiveness and mechanisation of producers.
- Encourage grouping of producers.
- Improve market information in the region.

2.4.3 Meat

This sub-sector considers poultry and beef. Poultry products are exported by the EU into a number of West African countries. It is most important for Benin, in Western Africa, where this commodity represented 11.9% of total imports from the EU in 2002. Declining tariffs in the ECOWAS countries could lead to further imports from the EU, which could have an effect on domestic production of poultry and poultry feed in the region. Recent massive imports of frozen chicken cuts into Western Africa have seriously damaged local intensive production of chicken meat.
and are further damaging the maize production, where maize is produced for poultry feed.

Since the middle of the 1990s, subsidised imports of beef from the EU flooded West African coastal markets (Nigeria, Ghana, Côte d`Ivoire, Benin, and Togo). Traditional exports from Sahel countries to coastal countries were severely damaged. But due to the reduction of EU export subsidies, following the implementation of the WTO Agreement on Agriculture, the decrease in EU production (as a result of the BSE crisis), and the CFAF devaluation, Sahel beef meat recovered its competitiveness. Currently, beef does not compete directly with exports of EU beef, but low-cost poultry imports have induced effects on beef competitiveness.

2.4.3.1 Baseline Situation

Poultry

The EU is the third largest producer and exporter of poultry in the world. The world market for poultry is highly competitive, despite the fact that global consumption continues to increase. Brazil and Thailand are increasing their share in global poultry production due to the low costs of inputs in those countries (mainly feed) and the low costs of labour. The main importing countries are Russia (20% of total world imports), Near and Middle East (15%), the EU (12%), Japan (9%) and China (8%). Exporters are competing to increase their share in all these markets. EU exports of poultry are decreasing in all markets except Sub-Saharan Africa, which now represents around 25% of EU exports.53

In West Africa, most of the poultry production occurs at the household level, with no cost of production (chickens feed themselves). Usually, women are in charge of poultry production, considered as a cash-generating activity. Selling some chicken allows women to respond to household needs (such as clothing and shoes). Since the middle of the 1980s, in most West African countries “modern” poultry production units have begun to appear, located mainly around cities to feed urban consumers. In the past ten years poultry production has grown by 30% in Sub-Saharan Africa.

However, competition from chicken imports has halted this trend. Between 1981 and 1990 imports of poultry from the EU to Western Africa grew from 6,000 tonnes to 27,600 tonnes. By 1999 imports, mainly from the EU (second supplier is Brazil) had grown to 112,500 tonnes. EU imports are made of frozen pieces (wings, back, and neck), for which no market exist in the EU. Brazil imports are whole frozen chickens, which are available at low prices due to low costs of production. Import surges have led to a large decrease in West African production. For example, in Togo there were 6,400,000 head of poultry in 1990, 8,070,000 in 2000, and only 6,103,000 in 2002.\textsuperscript{54} In Senegal, imports grew from 506 tonnes in 1996 to 16,600 tonnes in 2002.\textsuperscript{55} In the Ivory Coast, trends are the same. Production of chicken meat grew by 12\% per year between 1990 and 1997 and then fell by 10\% between 1997 and 2000.\textsuperscript{56}

Imports have limited impacts on household production. Consumers appreciate the quality of traditional chicken, bought for festive meals. But women face increasing difficulties to sell their chicken due to lower prices, or lack of middlemen available to collect the chickens from the villages.\textsuperscript{57}

The situation is different for modern poultry production, which needs to buy inputs such as one-day old chickens, feed, medicine, and needs investment for buildings. In Ivory Coast and Senegal, the cost of modern production is around €1.98/kg. Imported frozen chicken pieces are sold in the local market for €0.82/kg. Under these conditions, it is impossible for local production to compete. During the first six months of 2002, 40\% of Senegalese production units closed down. In the Ivory Coast, national chicken production decreased by 25\% between 2002 and 2003\textsuperscript{58}. The decrease of local poultry production affects local production of maize or one-day old chickens, which lost outlets\textsuperscript{59}. The impacts are not only on poultry, but affect beef production too, by a phenomenon of substitution from beef consumption by cheap poultry imports.

\textsuperscript{54} De Coster and Tchalla, 2004.
\textsuperscript{55} FAO, 2004.
\textsuperscript{56} IPRAVI, 2004.
\textsuperscript{57} Interview of Djibo Bagna, board of ROPPA, October 2004
\textsuperscript{58} Solagral, 2003.
\textsuperscript{59} FAO, 2004.
The growth of imports induces sanitary problems too. Imports are mainly frozen pieces, sold to wholesalers then to retailers, such as fisheries, in urban markets. The frequent breaks in the cold chain, due to the defectiveness of frozen warehouse or energy cuts, the successive phases of frost and thaw, create a favourable environment for germs development.

**Beef**

Livestock is an important economic sector in West Africa. It accounts for 5% of GDP in Nigeria, and from 10% to 15% in Mali, Niger, Togo, Côte d’Ivoire, Senegal, and Burkina Faso. Intra-regional trade flows are important from Sahelian countries to coastal countries and Nigeria.

Beef meat imports in West Africa decreases since the beginning of the 1990s, due to a higher competitiveness of WA production. For instance, Côte d’Ivoire imported 65% of its consumption in 1970, and only 25% in 1999. But this trend could change in the future. The demand in the EU market will remain high, but mainly for hind-quarters. Enlargement is to strengthen this trend, leading to a market imbalance, rather for quality point of view than quantity one. The EU will probably import more high quality pieces (from Argentina or Brazil, following the EU-Mercosur agreement), and increase low quality meat exports. There is a risk for WA countries to face new import surges.

**Trade measures**

**European Union**

EU tariffs applied to West African countries on meat are as follows:

<table>
<thead>
<tr>
<th>Product</th>
<th>Tariff (%)/status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef and veal</td>
<td>0% + €176.8 per 100 kg</td>
</tr>
<tr>
<td>Poultry</td>
<td>From between €6.5 per 100 kg to €11.3 per 100 kg (preferential quota), according to kind of poultry meat (fresh, frozen, cut or whole).</td>
</tr>
</tbody>
</table>

**EU common agricultural policy. Beef and veal:** EU export refunds range from €33.5 per 100 kg to €97 per 100 kg for all ECOWAS countries. Beef production

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is subsidised in the EU. **Poultry**: There is neither direct subsidy nor market intervention in the EU for poultry production. Export refunds have dropped markedly since the implementation of the WTO Agreement on Agriculture. Currently, export refunds are used only for whole chicken exported to Gulf countries.

**SPS requirements**

Due to the BSE crisis, SPS requirements for meat were strengthened in the EU. Special requirements for beef slaughter and traceability are some of the new issues. Of course, respect of cool chain, and cattle exemption from some diseases, are still needed.

**West Africa**

To protect local production against cheap imports, some added measures are implemented in several countries, when tariffs are not effective. A ban on chicken imports has been in place in Benin since March 2004,\(^\text{61}\) and in Nigeria (for frozen poultry) since the end of 2002.\(^\text{62}\) In Burkina Faso a ban has been in place since end of 2002.\(^\text{63}\) Senegal has used entry prices since 2002.\(^\text{64}\) Mali applies a ban on beef and has set up an authorization system for other meats.\(^\text{65}\)

**Sustainability Indicators**

**Social situation**

In Sahel countries, beef production represents a large share of agricultural production, and so is an important source of employment in rural areas. Cattle represent a form of wealth, but pastoral breeders are often poorest and most vulnerable of farmers. In most areas, conflicts between breeders and farmers increase, due to the reduction of areas available for pastoral grazing.

Poultry production may be assimilated into a coping strategy for poor households where little capital is available for women facing temporary difficulties. Modern forms of poultry production provide income and employment in semi-urban areas for women and create jobs for the unemployed.

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\(^\text{61}\) Trade policy review of Benin – WTO, 2004  
\(^\text{62}\) L’Echo des frontières, n° 24, oct-dec 2002, LARES.  
\(^\text{63}\) Hermelin, 2003.  
\(^\text{64}\) FAO, 2004.  
\(^\text{65}\) Trade Policy review of Mali - WTO, 2004
In Sahel countries, beef meat represents a larger share of the protein supply than in coastal areas, where poultry is the main supplier. Demand for poultry meat has been increasing in urban areas, due to the modification of food habits (increase of animal protein and decrease of plant protein) convenience for rapid cooking, and its availability at a lower cost than beef.

**Environmental situation**

One characteristic of beef production in West Africa is its low degree of intensification, but this serves to optimise the low potential of some areas (semi-dry areas in Sahel countries). There is a new trend underway that is modifying production. Herds are moving from dry areas to coastal areas and becoming permanently settled. This trend is just beginning, and may have positive environmental impacts, including collecting dung and using it for crops, for example.

The intensification of chicken production may be sustainable or not depending on the techniques used. If inputs are all imported (one-day chickens, animal feed) and if production is very concentrated it can be unsustainable. On the other hand, if poultry is feed from local cereals (maize for instance), one-day chickens are locally produced, and if the size of the breeding operations is consistent with the availability of outlets for selling, it is sustainable.

### 2.4.3.2. Challenges and opportunities

The EPA poses a potential challenge in increasing competition with EU products, particularly poultry in the short term and beef in the medium term. In order to meet urban demand for high quality products and the rising awareness among the middle class of food safety issues, there is an urgent need to invest in appropriate slaughterhouse and cold chain facilities. Moreover, in order to develop, producers should respond to urban demand for new products and cuts that are easy and quick to cook.

There are also opportunities posed by an EPA. For example, deepening of regional integration holds out the prospect of an expanded market and increasing regional trade flows.
2.4.3.3 Preliminary Recommendations

Following the assessment of the current situation, preliminary policy recommendations are as follows:

- Implement some protection for poultry to increase competitiveness vis-à-vis imports from the EU in the short term, and imports from Brazil in the medium-term. The EU share of the international poultry market is declining, while Brazil’s share is increasing and Brazil is poised to become the leading exporter of chicken in the world.
- Develop local production of inputs for poultry production to foster the sustainability of modern poultry production and develop the regional market for chicks and poultry feed.
- Strengthen health inspection procedures for meat products.
- Invest in the cold chain from the slaughterhouse to the final consumer. This will require stable energy sources.
- Improve regional integration and remove informal barriers to trade, to facilitate trade flows in the region.
- Develop a system for gathering and disseminating market information.
- Foster the competitiveness of beef production and the development of new breeding practices.
- Harmonise SPS measures at the regional level, in order to develop a market for attracting veterinary medicines.
- Develop the ability to fulfil EU requirements for beef including standards related to traceability and slaughtering for example.
- Develop a high quality of beef production for regional urban consumers and for export to the EU, through improved certification processes.

2.4.4 Cotton Fibres

This case study focuses on transformation of cotton fibres to yarn and unbleached fabrics (before dying and printing) for local/regional markets and export to the EU and third countries. Trade measures associated with this sub sector are already significant in terms of tariff barriers at the national and regional level even if these
barriers have proved to be inefficient. The main problem remains an effective CET, policies aiming at supporting the sector at national and regional levels. The WAEMU work program is a major step forward provided it can be implemented. Access to the EU market is tariff and quota free for all cotton products. The issue is related to trade facilitation, FDI and support to regional integration.

Since one of the major goals of the EPA is to facilitate regional integration, cotton can be a strong incentive to highlight the benefits of regional integration: West Africa is a major player in cotton trade but does not add value to its production, 80% of cotton wear is imported (imports + worn clothes) and its textile industry is collapsing. An efficient regional integration would allow a common set of policies aimed at developing the cotton sector including local transformation.

2.4.4.1 Baseline Situation

In 2001-2002 West Africa represented 5.1% of the world production of cotton fibres and was the third largest exporter in the world (after the United States and Uzbekistan) with 12.7% of the world market. Cotton represents 30% of total exports from Mali, 40% for Benin, and 44% from Burkina Faso. The quality of West African cotton fibre is generally considered as high due to the fact that the cotton is mainly collected by hand. Therefore, global demand for West African cotton is high.

Despite its importance, West Africa is the only major producer of cotton fibre not to add value to its production through transformation. Cotton yarn imported from ACP countries by the EU accounts for only 3% of total EU imports of cotton yarn in 2003, half of it coming from West Africa. Most of the transformation occurs locally for the local textile industry which is currently facing strong competition from illegal Asian imports and from used clothes imported from Europe, Asia and the United States. There are 20 textile companies in the region and most of them are in very bad shape or about to stop their current activity. Nevertheless, the modern textile industry is still a major employer in urban centres.

Apart from the modern textile industry, there is a strong traditional textile sector where operators are small and medium-sized enterprises and often belong to the

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66 WAEMU only transforms 5% of its production compared to 62% in the United States and 159% in Brazil.
informal sector. Estimates indicate that the traditional textile sector (from cotton production to the marketing of finished products) in West Africa is a major employer, accounting for 75% of the craft industry in Mali, 50% in Burkina Faso, and 35% in Ghana.\(^{67}\) This sector is very dynamic due to the availability of raw materials, the renowned quality of the production, and a strong demand for traditional clothing where no organised competition from abroad exists. It is estimated that 10% of cotton fibres produced in Mali is transformed by the traditional sector. Moreover, Mali is constantly improving its products with the use of modern dyers and input from designers (both for fashion and home design). The progress has been impressive in Ghana, Mali and Burkina Faso where producers are organised and supported by donor contributions and where they benefit from technical assistance programs. Their products, adapted to export markets requirements, are now being exported to Europe and to the United States although not yet on a significantly large scale.

The importance of yarn and unbleached fabrics is crucial for the development of West Africa. Its improvement will be a key factor for success not only of local and regional markets to provide better by-products to the traditional sector, but also for exports to the EU and other parts of Africa looking for high quality yarns and unbleached fabrics when they have access to the EU and US markets.\(^{68}\)

On the production side, the selling of cotton fibres in a context of low world prices hardly allows producers to cover their costs. The only known exception is Burkina Faso due to the better management of the organisation in charge of cotton production. In other countries para statals in charge of the organisation and management of cotton production are weak and not competitive in the present context of low world prices. The producers, usually small family farms, receive barely 30% to 40% of the world price due to management costs of the companies in charge of organising the production and marketing of cotton.

Adding value to cotton fibres appears to be part of the solution to the sharp political and economic problem of low world prices for cotton fibres as shown by


\(^{68}\) Access to the US markets is made possible by the African Growth Opportunity Act which offers duty and quota free access to the US Markets for cotton products for selected African countries.
assessments made by WAEMU with the support of the Banque Ouest Africaine de Développement (BOAD) and the EU-ACP Centre de Développement de l’Entreprise (CDE). These led to the adoption of a work program by WAEMU. The main idea is that by adding value to cotton fibres by simply transforming them into yarns and unbleached fabrics would allow additional revenues, job creation, with few negative impacts on environment. The production of cotton fibre in West Africa is detailed in Table 17.

Table 17. Production of cotton fibre in West Africa (‘000 million tons)

<table>
<thead>
<tr>
<th></th>
<th>Ghana</th>
<th>Bénin</th>
<th>Burkina Faso</th>
<th>Côte d’Ivoire</th>
<th>Mali</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2000</td>
<td>13.9</td>
<td>152</td>
<td>109</td>
<td>171</td>
<td>197</td>
</tr>
<tr>
<td>2001-2002</td>
<td>5.6</td>
<td>175</td>
<td>158</td>
<td>155</td>
<td>239</td>
</tr>
</tbody>
</table>

Source: ICAC.

Cotton fibres sold to local industries in West Africa are detailed in Table 18. Data on quantities of fibres used by traditional weavers are not available but average estimate is that between 7% and 10% of fibre produced goes to the traditional sector.

Table 18. Cotton fibres sold to local industries (‘000 tons)

<table>
<thead>
<tr>
<th></th>
<th>Ghana</th>
<th>Bénin</th>
<th>Burkina Faso</th>
<th>Côte d’Ivoire</th>
<th>Mali</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999-2000</td>
<td>9</td>
<td>5</td>
<td>2.3</td>
<td>4.2</td>
<td>2</td>
</tr>
<tr>
<td>2001-2002</td>
<td>9</td>
<td>5</td>
<td>2.7</td>
<td>8.6</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: ICAC

The share of imported cotton fibres from ACP countries accounted for 33% of total cotton fibres imports from the EU among which 36% came from West Africa. Imports of yarns by the EU from ACP countries accounts only for 3% among which 46% come from West Africa. At present, transformation of cotton fibre in West Africa is insignificant. The potential for growth is important but challenging. Main challenges are:

**Weaknesses of West African textile industry.** During the colonial times, after the war, an important textile industry was set up and further developed after the independence in the 1960s. The objective was to use locally produced cotton fibres to produce low cost garments for growing local populations. There was no concern for exports and

69 If the world price for cotton fibres is 100/KG, the selling price for yarns will be 1200/KG.
70 A small plant producing 4,000 tons/year would create 900 permanent jobs.
71 Only solid wastes, no chemicals or dyers at this stage.
72 5201: Cotton neither carded or combed.
high tariff barriers had been put in place to protect national markets. This strategy proved inefficient. In 1980 there were 41 textile plants in the region, today only 20 textile plants remain in the region and they are facing difficulties. As a consequence the market for the first level of processing on cotton fibres into yarn and unbleached fabrics was reduced and it proved much easier and rewarding to sell fibres on the world market. The main reasons for the failure of the textile industry in West Africa are as follows:

- **Importance of illegal imports at dumping prices:** the protection of national markets proved to be an illusion: the high price of local production rapidly became an incentive for imports of cheaper industrial fabrics from Nigeria where the value of the local currency, the naira, was in favour of importers. The dynamic informal sector was even able to import products from Asia and the customs protection proved to be inefficient in this sector like in many others. These illegal imports cover more than 50% of the local market on an average depending on the will and capacity of governments to limit this trend. The average tariff protection within the region should be 40% in average, which would be enough to allow local production to compete if implemented. Another important source of competition is from imported worn clothes that have succeeded in seriously limiting the economic interest of local cloth manufacturers, another market for fabrics. Imports of worn clothes represent 17% of the market, limiting again the need for fabrics and threads.

- **Cost of energy:** the high cost of energy is still a major problem in cotton producing countries in West Africa since the cost of electricity accounts for 36% to 40% of the final price of the product. Neither Mali, nor Burkina Faso or Benin can guaranty availability and price of energy. This problem is also important for weaving industry especially in cotton production areas where the plants should preferably be.

- **Cost of investments:** The West African Textile industry could eventually have improved its position on its markets through investments to upgrade its production’s quality and limit competition from mass products from Asia but this
industry is capital intensive and the cost of local debt is around 12% to 18% /year
while in China it is around 1.2%/year.

• **Weakness of the Business Environment:** Even more important are the weaknesses of the business environment including poor infrastructure, lack of trained manpower and absence of credible regional markets.

**Absence of links with the EU markets.** Export to the EU markets would be possible in theory as there are no tariff barriers or quotas facing ACP cotton products entering the EU. At present, there is a small niche market for “ethnic” textile production, and this is slowly expanding. Despite the availability of quality cotton fibres there are very few successful examples of the establishment of EU producers in West Africa. Those that do not move to Asia tend to locate in Morocco, Tunisia and the European Mediterranean region to benefit from skilled workers at affordable prices, with an ancient tradition in cloth manufacture and strong commercial links with the EU. The reasons for this unfavourable situation are as follows:

• **Poor image of West Africa.** The image of West Africa among potential investors is bad for the moment and the failure of the textile industry will not turn this around.

• **Poor marketing in the EU except for cotton fibres.** Accepted wisdom is that fibres of West African origin are good provided that they are transformed into yarns and fabrics outside Western Africa. Fibres are marketed in the EU by companies which are not involved in transformation and tend to market only the raw product. They are well introduced and have strong support in the EU through their partners.

Still, the potential for development from increased transformation of cotton fibres is important. There is an increasing local and regional demand from the traditional sector for semi-finished products offering higher quality specifications which can be obtained through modern technology. There is a constant and stable demand in the EU for by-products and semi finished fabrics to be transformed by EU companies with a high level of technology for the “haute couture” industry and home design. Cotton yarns can be competitive. West Africa can produce yarns at CFAF
1,715 per kg compared with India 2,028, Thailand 2,054, United States 2,477 and the EU 2,639.\textsuperscript{73}

Mali, for example, has an objective to transform 20% of its cotton fibre production which would represent the creation of 11 plants each with a capacity of 4,000 t/year.

The textile industry in West Africa can turn around if there is the political will to implement regulations and take into account the needs of this specific industry. The potential impacts would then be the following:

\subsection*{2.4.4.2 Sustainability impacts}

\textbf{Economic impacts}

- \textit{Additional resources from cotton}: when the world price for 1kg of cotton fibre is US$1, the selling price of the thread produced with 1kg of fibre is around US$10. The price of the cotton fibre accounts for 53% of the price of yarn.\textsuperscript{74} Then the more fibre can be processed locally into yarns, the more resources are locally generated.
- \textit{Revenues for the States}: since yarn production has to be made through modern plants, they generate fiscal revenues for the state.
- \textit{Investments}: a small production unit must have a minimal capacity of 4,000 tons/year and will require an investment of around US$12 million with an Internal Rate of Return (IRR) of 20% per year.

\textbf{Social impacts}

- \textit{Job creation in disadvantaged areas}: such units must be close to the production zone to avoid transportation costs on raw materials, and have access to quality products. Production zone are in Sahel rural regions where few economic activities except agriculture are developed. The creation of one single small unit will imply at least the creation of 900 permanent jobs among which 2/3 are qualified jobs involving training and capacity building activities.

\textsuperscript{73} BOAD.
\textsuperscript{74} Nm 50/1 Open end
• **Gender issues:** Part of the jobs created will be available for women but even more important is that the availability of quality cotton threads and unbleached fabrics will induce additional production of finished products by the traditional sector where women play an important role both on the production and marketing side.

**Environmental impacts**

• **Limited direct negative impacts:** at this stage, there is no major negative environmental impact since this type of activity avoids the use of chemicals or dyers. There are only solid wastes which can easily be treated and are limited with the use of modern technology. Nevertheless this type of plant is using electricity which can only be produced through generators using fuel unless there is possible connection with sugar processing industries producing a lot of energy from their own waste.

• **Additional negative impacts if dying and printing is developed as a consequence:** the traditional sector using threads and unbleached fabrics would develop a downstream dying and possibly printing activity using chemicals. Since it would be done at an informal level, by handicrafts, it would be difficult to impose a water treatment and control it.

The Final Report will include a case study on Mali where such a pilot industry has been set up and is currently in its production phase. FITINA has a capacity of 4000 t/year and is mainly focused on yarns, with major markets in Mauritius. Investors are local, French and Mauritian. This case study will allow a review of major problems faced on the production side (availability and price of raw materials, energy, manpower) and the economic, social and environmental impacts.

**2.4.4.3 Scenarios**

Unlike the other sub sectors there will only be one scenario since the EU market is already 100% liberalized for such production. The final report will analyse a scenario where imports of textile products into Western Africa will be limited. This can be done by using the existing CET in WAEMU, which will soon be applied to ECOWAS. The highest rate of CET is 20%. The taxe conjoncturelle à l’importation (TCI) can also be used. Closer examination will be made in the final report to analyse
the feasibility and impact of such a protection. Special attention will be paid to rules of origin to avoid unfair practices in this sector.

Further analyses in the Final Report, will also determine what is a “reasonable time frame” for such a protection, which can only be temporary. A preliminary approach including the necessary time frame for the study, the negotiation, the construction and the launching of such production units suggest that 10 years will probably be necessary to get to proper results throughout the value chain.

2.4.4.4 Preliminary Recommendations

Policy recommendations will not only focus on level and time frame for liberalisation but will suggest additional measures to be taken at national and regional level and also the kind of support needed from the EU. At this stage, prior to the development of the scenario and the consultation with stakeholders, policy recommendations could cover the following aspects:

**National level:**
- Improve availability of energy and cotton fibres eventually granting favoured prices to investors and favouring partnership agreements between cotton producers and investors, foreign and national.
- Effective prevention of fraud on imported fabrics and worn clothes
- Specific incentives in the investment codes to investors in the cotton and textile sector.

**Regional level:**
- Creation of a new label for West African cotton
- Possible limitations on percentages of raw cotton fibres to be exported to favour local transformation;
- Support to West African exporters on outside markets including SADC and Central Africa;
- Improvement of road and rail transport as well as storage facilities in selected ports available for cotton exporters.

**EU level:**
- Facilitate promotion and contacts with EU manufacturers;
- Support the creation of a devoted investment fund (through EIB) for such investments in West Africa;
- Support partnership agreements with EUROMED when yarns and unbleached fabrics are sought from West African and ACP origin;
- Facilitate training for the industry in order to upgrade skills in Western Africa.

2.4.4.5 Regional Integration

This case study on adding value to cotton fibres produced in West Africa raises a number of issues in favour of a better regional integration:
- A properly implemented CET is key for the revival of the textile sector. This cannot be done without political will.
- The textile sector includes a number of activities and industries of all size and a proper common policy will soon be needed to maximise the benefits and allow access to all manufacturers in the region to needed textile products and by products. It can be a first step to a general industrial common policy.
- WAEMU has already adopted an “Agenda for the competitiveness of the textile value chain”. It includes (1) measures to promote and facilitate local transformation of cotton fibres; (2) the creation of a regional investment fund for the development of the textile industry in WAEMU; (3) organisation of periodic private/public meetings on measures to improve competitiveness of the value chain; (4) creation of a regional training program for textile workers; (5) the creation of regional textile centres; (6) launching of a promotional campaign of the textile sector in the region. Such an agenda must apply to non WAEMU countries and especially Nigeria whose textile industry is also threatened by illegal imports from Asian countries.
- ECOWAS will also have to further analyse the strengths and weaknesses of the Industry in the context of the end of the quota regime in 2005 to better position the sector in this new context.
3 SECTOR STUDY ON THE CARIBBEAN: TOURISM SERVICES

3.1 Introduction

Negotiations for an EPA between the countries of the CARIFORUM and the EU were launched on 16 April 2004. There have been no discussions as yet on tourism services. During the first meeting of the Principal Negotiators held on 15 July 2004 “special and differential treatment” (SDT) was highlighted. For the Caribbean ACP countries SDT (that may go beyond current provisions that exist in the WTO framework) is a core component of an EPA. Such treatment would reflect the difference in the level of development between CARIFORUM countries and EU member states and take into account the small size and vulnerability of the Caribbean ACP countries.

This study examines the potential impacts of an EPA on sustainability in the tourism services sector. The choice of tourism is based on the findings of Phase I and the results of the consultations in November 2003 and spring 2004.

This study uses the definition of tourism in the General Agreement on Trade in Services (GATS) as a starting point.75 It expands the definition of “core tourism

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75 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.

The World Tourism Organisation has drawn up the Standard International Classification of Tourism Activities (SICTA) adopted by the Statistical Division of the United Nations. The World Travel & Tourism Council proposes an approach of tourism based on tourism satellite accounts (TSA) and firmly anchored in the international standard for TSA developed notably by the WTO. Tourism is defined in “demand side” terms, as it comprises all services and goods consumed by tourists as well as all investments made to satisfy that consumption. Travel & Tourism is a collection of products and services ranging from airline and cruise ship fares, to accommodations, to restaurant meals, to entertainment, to souvenirs and gifts, to recreational vehicles and automobiles, to aircraft manufacturing and resort development for instance (WTTC, in: ILO 2001). The Travel & Tourism Industry captures the production-side ‘industry’ equivalent for comparison with all other industries. The Travel & Tourism Economy captures direct and indirect economy-wide impact of Travel & Tourism. It comprises Travel & Tourism consumption plus other products and services: government expenditures made on
services” under the GATS to include “tourism related services” and cruise ships. The study considers related services that provide crucial inputs into the tourism sector, such as construction services (hotels and resorts) and environmental services that can contribute to environmental protection and the development of sustainable tourism. The study highlights links between agriculture (such as speciality meats, beverages and bananas) and tourism, seeking to promote synergies between the two sectors.

3.2 Update on the consultation process

Consultation activities include a regional workshop which is being organised in the Caribbean. They also include the establishment of an electronic discussion list and bilateral exchanges with local resource people. The results of the consultations will be incorporated into the Final Report.

3.2.1 Regional workshop

The Consortium is organising a regional workshop to consult stakeholders in the Caribbean ACP countries on preliminary findings in the report. The workshop is expected to occur in mid-November 2004 after the second CARIFORUM-EC Principal Negotiators’ meeting (12 November 2004) and the launch of the Caribbean non-state actors (NSA) network (13 November 2004).

In addition to participants drawn from those attending the pre-arranged meetings, additional stakeholders specialised in tourism services will be invited. These include local resource people who attended the SIA workshop in 2003 and expressed a strong interest in following the SIA process, other local experts on tourism and trade policy, representatives of non-state actors (NGOs, trade unions, the business community) and regional tourism organisations.

behalf of the community (e.g. tourism promotion or security services), public and private capital investment (e.g. infrastructures to visitors), exports (consumer goods sent abroad for sale to visitors and capital goods). WTTC, 2004.

76 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).
3.2.2 Related Activities

In order to include participants who cannot attend the workshop, an electronic discussion group will be put in place over a two-week period following the regional workshop to continue discussions on key issues. In addition, several resource persons from organisations in the fields of tourism and trade negotiations have been contacted to begin bilateral exchanges on sectoral issues.77

3.3 Summary of Work to Date

The Inception Report for Phase II identifies measures in an EPA, which could affect the development of tourism services and identifies some of the most relevant economic, environmental and social parameters related to tourism services in the Caribbean.

3.3.1 Modes of Liberalisation

The study considers the four modes of supply of trade in services under GATS, all relevant for tourism. (Table 19)

Table 19. Relevance of GATS modes to tourism services

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

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

77 These include the CPDC, the Caribbean Alliance for Sustainable Tourism (CAST), the Caribbean Tourism Organisation (CTO), the Caribbean Hotel Association (CHA), the CRNM, the Caribbean Environmental Health Institute, and the Université Antilles-Guyanne.
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 considers the regional trade regime under the CARICOM Single Market and Economy (CSME), which constitutes the centrepiece of Caribbean integration for an EPA. It is scheduled to come into force on 1 January 2005. It uses 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).\(^78\)
- **National treatment** across all modes of supply and horizontal commitments.\(^79\)
- In addition, the study takes into account **domestic regulations**, in fields such as environmental protection and urban development.\(^80\)

### 3.3.2 Sustainability Indicators

During Phase I and for the Inception Report, the following relevant indicators were identified. Statistics that are referred to in this section are charted in graphs in Annex 3.

#### 3.3.2.1 Economic parameters

**Contribution to GDP**

The tourism sector is the most important service sector in the Caribbean.\(^81\) With an average contribution to GDP in 12 countries of “travel and tourism” of 36%,

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\(^78\) 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).

\(^79\) Any measure which affects competition to the detriment of foreign services suppliers (*inter alia*, nationality or residency requirements) must be scheduled (Art. XVII GATS).

\(^80\) 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).

\(^81\) However, the contribution of tourism sector to GDP has declined over the past recent years, probably due to the increase of other services sectors.
the Caribbean is the most tourism dependent region in the world. The contribution of the tourism industry to GDP has been increasing steadily while other traditional industries in the Caribbean (such as sugar and bananas) have declined.

Impacts on GDP of the development of tourism services will depend largely on the following factors: tourist arrivals (numbers of tourists); tourist expenditures and tourism products.

Tourist arrivals to the region have increased at an average annual rate of 5.3% since 1970, marginally above the world’s average over the same period. A key feature of tourist arrivals in the Caribbean is the number of cruise ships operating in the area. The Caribbean is the most popular destination in the world for cruises. Since 1980 cruise arrivals have grown by an average rate of 7.1% per year.

Visitor expenditures accounted for around one quarter of GDP in CARIForum in 2000. Relatively high tourist expenditures reflect the fact that tourism in the Caribbean appeals to a higher-spending visitor, rather than cost-conscious backpackers. Conversely backpackers are more likely to consume local products. In general, the farther a person travels and the longer the visit, the more important their economic contribution.

With respect to tourism products, land-based tourism has more significant spin-off effects on the local economies and makes a larger economic contribution (direct and indirect employment and tax revenues) than do cruise ships. Traditional, small-scale accommodations tend to generate more income for local populations.

Investment flows

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82 Belize, Guyana and Suriname are excluded from WTTC data 2004 –see Graph 1 in Annex 3.
83 Pro€Invest 2004.
84 CTO 2004. Dominican Republic is leading tourism in the region with the highest number of arrivals whereas tourism arrivals have been marginal in Suriname and Haiti.
86 CTO 2004– See Graph 2 in Annex 3.
87 Pro€Invest 2004. Visitor expenditure per capita are particularly important for Bahamas, Barbados and Antigua and Barbuda (CTO 2004 –See Graph 3 in Annex 3).
Based on 12 Caribbean countries in 2004, on average, an estimated 36% of the total capital investment was directed toward “travel and tourism”. The Dominican Republic and the Bahamas attract the highest levels of investment in travel and tourism. However, as a percentage of total capital investment, tourism is most important for Antigua & Barbuda (73.6%) and Barbados (65.1%).

High levels of investment in the Dominican Republic are linked to investment in “all-inclusive” holiday packages. Most of the largest hotels (above 100 rooms) are foreign-owned (63% of hotel rooms) although the majority of tourism service suppliers are small and medium-sized enterprises (SMEs). Much of the hotel infrastructure is privately owned and the involvement of the larger international hotel chains is currently limited, although this situation is changing slowly. An interesting feature of hotel investment in the region is that larger hotel chains are increasingly seeking management contracts, rather than investing their own resources in hotel infrastructure.

**Balance of payments**

Travel and tourism represents, on average, 42% of total exports (merchandises and services) in 2004. Antigua & Barbuda and St. Lucia rely the most on travel and tourism in this respect. In Antigua & Barbuda it accounts for 72.3% of total exports and in St. Lucia, for 66.1% of total exports. Tourism earnings have a relative stability compared to the instability of merchandise export earnings.

**Government Revenues**

In 2002 government revenues from hotel occupancy taxes accounted for an average of 2% of total government revenues in the Caribbean ACP countries although this figure was highest in Antigua & Barbuda (7.7%) and St. Lucia (4.8%). One important variable to consider in assessing impacts on government revenues is the difference in status between land-based tourism and cruise tourism. Land-based

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89 WTTC 2004.
90 Much of this investment in the Caribbean region has come from Spain in recent years.
91 Fuller 1999.
92 Pro€Invest 2004.
93 WTTC 2004.
95 CTO, 2004 –See Graph 8 in Annex 3.
tourists typically pay significant departure taxes and land-based hotels are required to pay environmental levies. Cruise passengers pay token port charges, if anything, and the cruise industry does not pay an environmental levy. Therefore, at present land-based tourism makes a greater contribution to government revenues than in cruise tourism.

3.3.2.2 Social parameters

Poverty

Despite a decrease in poverty in some Caribbean countries (Dominican Republic, Trinidad & Tobago) during the 1990s, individual poverty linked to high income inequality, unemployment and under-employment remains a crucial problem in the region, with around 30% of the population under the poverty line.

Employment opportunities

The total number of persons directly and indirectly dependent on tourism for a living (including taxi drivers, water sports operators, workers in bars, restaurants, casinos, souvenir and other retail shops) is estimated at 1.3 million people in the Caribbean. This accounts for roughly one quarter of the jobs in the region. The WTTC estimates that employment in travel and tourism economy may account for 43% on average of total employment by 2004 in 12 Caribbean countries. In the region, Antigua & Barbuda had the highest proportion of the population working in the tourism sector with 95% of its total employment reliant on direct or indirect jobs in travel and tourism.

In many cases, jobs in the tourism sector require low levels of qualifications and training. While on the one hand, this can offer jobs for unskilled labour it is also consistent with an image of the hospitality industry generally offering low-paying work with little to offer in terms of careers and advancement opportunities. Moreover, information technologies are transforming the travel and tourism industry.

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96 The growth of the cruise industry is due largely to its tax-free status. WTTC 2004.
98 WTTC, 2004 –see Graph 10 in Annex 3.
This requires more highly-skilled workers and equipment. The lack of skilled workers in the industry at all levels has been cited as a weakness.\textsuperscript{100} Therefore, levels of training and education will play a role in determining impacts on tourism in the future.

Employment in the tourism industry can be seasonal as the Caribbean is primarily a winter destination.\textsuperscript{101} It is also important to take into account the irregularity in days of arrivals of cruise passengers. On some days there are high levels of congestion created by an increasing number of cruise passengers disembarking from ever-expanding ships, and on other days little business. This contributes to underemployment. Therefore, the development of different tourism products affect employment in different ways.

\textit{Gender equality}

Women make up the majority of workers in the tourism sector. According to the ILO, hotels and restaurants employed 7,600 females compared to 6,200 males in Barbados in 1998; 3,195 females compared to 2,515 males in St. Lucia in 1999; and 1,195 females compared to 779 males in Grenada in 1999. In the sector of wholesale and retail trade, hotels and restaurants, 128,800 females were employed compared to 76,600 males in Jamaica in 1998 and 44,900 females compared to 38,400 males in Trinidad & Tobago in 1998.

\textit{HIV/AIDS}

The Caribbean region represents the second highest prevalence rates of HIV/AIDS in the world after Sub-Saharan Africa. The virus is also the leading cause of death among people aged 15-44 years. The epidemic is most acute in Haiti, and in the tourism dependent areas in other countries.\textsuperscript{102}

\footnotesize{\textsuperscript{100} Pro€Invest 2004.}\footnotesize{\textsuperscript{101} See Graph 11 in Annex 3. The ratio of employment to rooms in the Caribbean is higher in the winter season than in the summer (CTO, 2004).}\footnotesize{\textsuperscript{102} PWC/Solagral. January 2004.}
3.3.2.3 Environmental parameters

Information provided by national authorities underline the impacts of tourism on the environment.\textsuperscript{103} Tourism does not contribute to environmental maintenance and waste management costs and relies heavily on natural resources.\textsuperscript{104} Environmental impacts are also caused by related sectors such as agriculture (increased irrigation and run-off), transportation (increased air pollution and congestion).

Watersheds and Coastal Ecosystems

Tourism has significant impact on watersheds and coastal areas. In the Dominican Republic the following four categories of impacts on watersheds resulting from tourism have been identified: 1) changes in natural drainage patterns due to reductions in vegetation and surface absorption; 2) excessive use of water and other resources; 3) pollution of watersheds, and 4) transformation of land and water habitats.\textsuperscript{105}

Coastal ecosystems are affected by tourism activities and developments. A number of impacts have been identified:

- damage to habitats and physical change due to uncontrolled development or marine recreational activities (snorkelling, cruise ships, boat anchoring, harbour dredging);\textsuperscript{106}
- marine water contamination (through sewage and effluent loading) and solid waste generation.\textsuperscript{107}

\textsuperscript{103} National reports are the major information source since, although environmental assessment and monitoring is slowly taking hold at the national and regional level, data information management and research on coastal and water resources are not often accessible (fragmentation of information collect).


\textsuperscript{105} For instance, hotel water consumption is 4 times higher than domestic consumption (Dominican Republic National Report). Water irrigation for golf courses is also significant. In Barbados, the total groundwater used for golf course irrigation amounts to 2,368 m\textsuperscript{3}/day. Planned development of 5 others golf courses will require 11,930 m\textsuperscript{3}/day. Agricultural water demands amount to 44,383 m\textsuperscript{3}/day. Total available water resources were estimated at 140,909 m\textsuperscript{3}/day (1997). See Barbados National Report, p. 14-17.

\textsuperscript{106} For example, in Antigua and Barbuda, several of the larger mangroves have been filled during the last 20 years. Construction of tourism facilities (hotels, marinas, etc.) has largely contributed to this situation. See National report for Antigua & Barbuda.

\textsuperscript{107} Increasing pressure is put on hotel to display greater environmental awareness. As a consequence, larger hotels have invested in their own sewage treatment disposal. However, discharge of untreated
The location of tourist facilities is a contributing factor to these impacts. Hotels and resorts are often located too close to high water marks contributing to sedimentation and soil erosion.\textsuperscript{108} Carrying capacity of coastal areas is being exceeded.

Watersheds and coastal ecosystems are also being damaged by the emerging ecotourism industry. The number of tour and dive operators leading groups through reserves, such as rainforests and wetlands, has multiplied in recent years. Thus, pressure has increased on habitats and species of fauna and flora. In order to avoid the eventual destruction of fragile ecosystems, regulations about the numbers of people and the conditions under which they use these resources are critical. The existence of these regulations will affect the impacts of eco-tourism on the environment in the future.

\textbf{Awareness Raising and Government Policy}

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 contributions and increasing government revenues and contribute to improved environmental infrastructure.\textsuperscript{109} 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). Sustainable Tourism Master Plans have been developed by Jamaica and Barbados.\textsuperscript{110} At the regional level, protected areas have been established to both manage the resources and develop recreational and educational facilities.\textsuperscript{111} Traditional policies based on regulation and other command and control approaches are progressively being abandoned in favour of market based instruments and private-sector led voluntary initiatives that include criteria for environmental management.\textsuperscript{112} The extent to which government policy

\begin{flushleft}
\textsuperscript{108} In Antigua and Barbuda, 39 of 55 hotels have a beach-front location. See Antigua and Barbuda National Report, p. 13.
\textsuperscript{109} WWF, 2001
\textsuperscript{110} These countries are world leaders in sustainable tourism and hold a majority of eco-certificates awarded by Green Globe, WTTC 2004.
\textsuperscript{111} Caricom Secretariat 2003.
\textsuperscript{112} 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.
\end{flushleft}
exists to protect the environment and harness the positive impacts of tourism will shape the impacts of tourism development in the region.

3.4 Methodological Issues and Impact Analysis

3.4.1 Baseline Situation

The baseline situation for considering the impacts of an EPA on tourism services in the Caribbean is the situation that exists now in the region – that is based on existing levels of liberalisation under GATS taking into account the implementation of commitments made by Caribbean ACP countries between 1994 and 1999. The baseline situation also includes ongoing regional integration and other relevant trade negotiations.

3.4.1.1 Regional integration and Relevant Trade Negotiations

The current regional trade regime is expected to be further liberalised, even without an EPA, through the implementation of the CARICOM Single Market and Economy (CSME), scheduled for January 2005 and the Free Trade Area of the Americas (FTAA) scheduled for the same period. The CSME is expected to strengthen the existing trade regime under CARICOM by creating a single economic area facilitating the free movement of regional goods, services, capital and people, and harmonising economic and trade policies. An existing CARICOM-Dominican Republic Free Trade Agreement (FTA) already covers trade in services and the reciprocal promotion and protection of investment.

As a result of a further regional trade liberalisation, the intra-Caribbean trade is expected to increase. In terms of tourist arrivals, the Caribbean market is the third largest market (with Canada) for the Caribbean after the United States and Europe. The intra-Caribbean market currently represents almost 7% of total stay-over arrivals.

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113 At present CARICOM does not function as a common market, particularly with respect to free movement of labour and capital. 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.

114 With notable exception of non-skilled persons (Lodge 2004).

115 Travels are for business, visit friends and/or relatives, and increasingly for leisure and events such as festivals and sports (WTTC 2004). Shopping is also a favourite past time of the regional travellers to destinations like Trinidad & Tobago and Barbados (CTO 2004).
in the Caribbean. Individuals from other Caribbean countries make up the most important market for several Caribbean countries. For example, in Dominica 60% of the tourists are from other Caribbean countries. The CTO indicates that despite deficiencies in data, it is clear that intra-Caribbean tourism is significant, generating an estimated 1.3 million tourists in 2002.

With further regional integration, this intra-regional travel could be even greater. The WTTC suggests that limitations on intra-Caribbean travel exist because of an inadequate air transport network between the islands, lack of attention to marketing and promotion, and relatively low levels of public and private investment. Increasing investment, notably in infrastructure to support tourism, (such as transportation infrastructure) could lead to increased success in exploiting potential growth.

The Final Report will also look at intra-Caribbean trade flows in terms of investment, in particular on the basis of CARICOM data. However, it is likely that the CSME will allow intra-Caribbean investment to develop further.

### 3.4.1.2. Trade with the EU

The current trade regime between the CARIFORUM and the EU countries based on GATS commitments is presented in Table 20. Potential GATS-related changes to this trade regime (that would occur even without an EPA) will be explored in the Final Report.

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116 The CTO (2004) points out that there are certain difficulties in accurately measuring the level of intra-Caribbean tourist travel (whether for business or pleasure). In some cases, tourist arrivals from Caribbean countries are not separately identified (i.e. included under "Other Countries" or "Rest of the World"), while in other cases only a subset of the intra-regional tourist traffic (for example, CARICOM countries) are separately identified. Some countries do not count visits by nationals normally resident elsewhere in the region (frequency of movement between close neighbouring countries).

117 For example, inter-island transportation is expensive, and there is no airpass covering all (or the vast majority) the islands (except some regional carriers which offer airpass only to the airlines' own networks).

118 Commitments made under GATS travel and tourism services may vary from one Caribbean country to another and from one category of GATS tourism services to another. Moreover, a scheduled commitment does not necessarily involve liberalisation. The majority of commitments scheduled in the UR were in fact “standstill bindings”: the Member maintains the current level of access. However, standstill bindings have value. They provide traders and investors with the assurance that the conditions on which their decisions are based will not be overturned by sudden policy changes (WTO). Therefore, as a guide to the degree of openness of markets the schedules must be used with great caution (WTO) but there is limited available information on the restrictions in effect in Caribbean countries affecting trade in services (Dunlop).
Table 20. GATS commitments by Caribbean ACP countries for three categories of GATS tourism services, including horizontal commitments

<table>
<thead>
<tr>
<th>Hotel and Restaurant Management (cat. A)</th>
<th>Travel agencies and tours operators services (cat. B)</th>
<th>For the Tourist guide services (cat. C)</th>
<th>Horizontal commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mode 1</td>
<td>Less commitments are made compared to category A. Even if the trade regime is relatively liberal in the Caribbean countries, which have made no commitment, there is no guarantee that it will stay liberal.</td>
<td>Only Dominican Republic has made commitments, which are mainly unbound and horizontal commitments.</td>
<td></td>
</tr>
<tr>
<td>Mode 2</td>
<td>All the Caribbean countries have committed no limitations, which means full liberalisation; or they indicate that the commitment is not technically feasible.</td>
<td>Less commitments are made compared to category A. Even if the trade regime is relatively liberal in the Caribbean countries, which have made no commitment, there is no guarantee that it will stay liberal.</td>
<td></td>
</tr>
<tr>
<td>Mode 3</td>
<td>Limitations remain mainly under mode 3 (registration licensing required, in-bound passengers) and 4 (horizontal commitments). As for category A, Suriname and Jamaica have committed full liberalisation under mode 3.</td>
<td>Limitations of interest for tourism, construction and environmental services refer to, depending on the countries: specific tax on the value of settlement for foreign investor interested in the purchase or sale of land or shares/stocks, remittance abroad of the annual profits generated by foreign capital up to an amount equivalent to 25 per cent of the registered capital, restriction on investment areas (closed for public services such as drinking water and sewage), percentage limit(^{119}), localisation restrictions(^{120}), obligations to recruit nationals(^{121}), withholding tax, licence requirement for holding property/acquisition of land, licence requirement for acquisition of shares in a local public company under certain conditions, reservation of a number of small business service opportunities for nationals(^{122}) and economic needs test requirement for permitted foreign service providers(^{123}). The level of commitments appears to be relatively similar among the Caribbean countries.</td>
<td></td>
</tr>
</tbody>
</table>

119 In Dominican Republic, foreign investment is limited to a percentage not exceeding 29% in internal land transport, internal air and maritime transport.

120 No legal person or enterprise may acquire land located within 60 metres of the high water mark along the coast-line of the Dominican Republic. Likewise, purchases of land by foreign legal persons or enterprises are limited to 5,000 m2. Above this limit, authorisation in the form of a presidential decree is required.

121 In Dominica for instance, all foreign companies must recruit a minimum of 80% of Dominican employees. In special circumstances, the employment of more foreigners may be authorised when it is hard or impossible to replace them by Dominicans, with the obligation for the company to train Dominican staff.

122 The room limitation on Hotel and Resort Development is within the context of this policy.

123 In Belize for instance, special permission is required to invest in certain service activities such as cruise ships and sight seeing tours and some sectors are closed to foreigners. In the Bahamas, certain businesses are reserved for Bahamians including restaurants, construction, most retail outlets and small hotels (Reports of the Department of Commerce of the USA Government, in Abugattas Majluf, CRNM).
<table>
<thead>
<tr>
<th>Hotel and Restaurant Management (cat. A)</th>
<th>Travel agencies and tours operators services (cat. B)</th>
<th>For the Tourist guide services (cat. C)</th>
<th>Horizontal commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mode 4</strong> This is the majority of limitations for all the Member States (mainly on market access). They are UNBOUND, that is the Member State remains free to introduce or maintain restrictions, and/or they refer to horizontal commitment.</td>
<td>Major restrictions are\textsuperscript{124}: work permit, sometimes for a specific period, a particular post, specific skills (managers, executives, specialists, technical experts) and only when qualified nationals are in short supply or unavailable, labour market test, work visa\textsuperscript{125}, limitation for senior and specialised staff associated with commercial presence contributing to the training of nationals, tax provided for by law on income received by foreigners in the form of payment of dividends, royalties and interest, registration with the appropriate professional or governmental body for professionals in certain disciplines.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Commitments by the EU under GATS**

There are few limitations on market access or national treatment in GATS schedule, remaining restrictions being mainly under Mode 4 mainly due to migration pressures (migration of persons who overstay their tourism visas and take up work).\textsuperscript{126} The two major types of restrictions that exist are:

**Table 21: Major types of restrictions**

<table>
<thead>
<tr>
<th>Sector specific restrictions</th>
<th>Horizontal restrictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationality conditions</td>
<td>Except for very specific categories of workers who are very qualified intra-corporate transferees (senior positions, manager positions, specialists) or who are negotiating sales or setting up a commercial presence without being engaged in making direct sales or who are in Europe on a temporary basis while not having a commercial presence, market access commitments are UNBOUND.</td>
</tr>
<tr>
<td>Sometimes specific market access requirements by imposing conditions of nationality to be able to practice an activity related to tourism and quotas of foreigners by entity involved in a tourism-related activity.</td>
<td>Diploma requirements are important limitations regarding national treatment. The EU does not automatically recognise third countries diplomas: recognition of the diplomas that are required in order to practice a professional activity remains within the competence of each member state and is thus a heavy and complicated procedure.</td>
</tr>
</tbody>
</table>

\textsuperscript{124} These restrictions may be serious barriers to trade in services and negate the opportunities for market access otherwise extended in the commitments (ILO 2001).

\textsuperscript{125} Visa restrictions such as economic needs tests are usually considered discretionary and non-transparent (ILO 2001).

\textsuperscript{126} See Inception Report with respect to initial GATS offers (Dunlop 2003). And see ILO 2001.
The “frontier formalities”, including travel taxes and duty free limits, imposed on outgoing residents do not fall within the scope of the GATS. There are opportunities to reduce regulatory barriers to increase visitors. Other barriers that affect tourism exporters from the Caribbean to EU markets include high costs associated with marketing and advertising.

The status quo regarding the bilateral trade regime between CARIFORUM and EU countries most clearly affects the development of European investment opportunities in the Caribbean, and may impact the growth of tourist arrivals from Europe. Despite the fact that in 2002 more than half of the visitors (52%) to the Caribbean region were from North America and just 24% from Europe, Europe has been the fastest growing market since the mid-1990s and is now the most significant market for many Caribbean destinations. Moreover, Europeans tend to stay longer than North Americans and travel in larger groups, thereby spending more per visit (although spending less per day).

European visitors continue to gravitate towards Caribbean destinations with which they share historical links and common languages. The Dominican Republic has been increasing its European market share by benefiting from entry into the long-haul mass tourism market by major European tour operators (it is a leading charter destination). Europe is now also the largest market for the Dominican Republic. In 2002, the Dominican Republic depended on Europeans for an estimated 37.5% of all tourist arrivals, behind Suriname (82.9 %) and Barbados (43.8 %).

Even without an EPA, the forecasts suggest that further development of the tourism sector in the Caribbean is likely to occur. For example, the CTO predicts that the number of stay-over visitors and cruise ship visitors will continue to grow at a rapid rate over the next decade. The WTTC estimates an average annual growth in the

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129 The largest European country to contribute tourists to the Caribbean in 2002 was France with a market share of 32.5 percent, followed by the United Kingdom numbered 24.6 percent of the European market, together accounting for more than half of all Europeans visiting the region (CTO 2004).
131 CTO 2004.
travel and tourism sector of 4% over the next ten years in the Caribbean region. It is likely that the trend of growing numbers of EU arrivals will continue.

3.4.1.3. Potential Sustainability impacts

The impact on sustainability of tourism in the context of the baseline section is based on changes that might come about regardless of an EPA. To predict these impacts, existing forecasts generated by the CTO and the WTTC are employed. Potential sustainability impacts are assessed as indirect results of changes in tourism development predicted by these organisations. This assessment also takes into account the policy responses implemented to address issues related to tourism (such as programmes to fight HIV/AIDS or increasing efforts in environmental management).

Economic impacts

Strong growth in the contribution of travel and tourism to GDP

While the WTTC forecasts growth in demand of tourism, the wider travel and tourism sector will contribute over 16% to the GDP of the Caribbean region by 2014. This is more than any other individual economic sector. Jamaica, followed by Barbados, is expected to benefit the most from growth in tourism growth with a contribution to GDP of 10% to 15%. The WTTC predicts, however, that St. Lucia and Trinidad & Tobago will experience reductions in contribution to GDP from travel and tourism.133 Cruise tourism which has generally grown faster than land-based tourism over the past decade, is expected to continue to grow. The CTO predicts that the number of cruise passengers visiting Caribbean destinations will increase from just under 14 million visits in 2000 to 19.5 million visits by 2005. Given the relatively low contribution of cruise tourism to GDP, unless policies are put in place to capture the benefits of cruise tourism, economic gains could be relatively small, despite the huge increase in numbers.

The potential to increase the Caribbean's share of the European long-haul market is vast, particularly from non-traditional markets like Germany and Italy. Rapid growth in charter programs has made European travel to the Caribbean much more affordable, enabling potential visitors to switch from Mediterranean destinations at a relatively modest additional

133 See Graphs 9 and 10 in Annex 3.
cost. This trend could be positive in terms of visitor expenditure since European tourists stay longest on average.

**Exports**

Travel and tourism, as a share of total Caribbean exports is expected to drop in the period between 1999 and 2014 in all Caribbean countries.\(^{134}\) This may be due to the development of other services exports, without which, the smaller Caribbean countries will suffer the impacts disproportionately in the region.

**Investment**

WTTC forecasts indicate that the share of capital investment dedicated to travel and tourism out of total capital investment will experience a modest increase between 1999 and 2014 for the 12 CARIFORUM countries, rising from 35.2% to an average of 37%. The most important increases would be in the largest economies such as Trinidad & Tobago, Bahamas, and Jamaica. St. Lucia is an exception being a small island that is expected to benefit from high levels of increasing investment. The ranking of countries where over 30% of total capital investment is already dedicated to travel and tourism will remain largely unchanged during the same period. This includes Antigua & Barbuda, Bahamas, Barbados, St Lucia, Jamaica, and St. Vincent & the Grenadines.\(^{135}\)

Most Caribbean countries have a relatively attractive framework for investors in place. However, difficulties associated with incentive programmes are viewed as a major drawback and/or limiting factor for continuing investment in travel and tourism. In addition, bureaucratic barriers and “red tape” associated with new travel and tourism projects are also factors limiting economic development and job creation.\(^{136}\)

The relatively weak increase in capital investment can also be linked to the present operating climate in CARICOM countries which does not encourage investment due to high costs. This includes labour costs, the high cost of local and imported inputs, cost of capital, high import duties on both construction and consumer

\(^{134}\) WTTC, 2004.

\(^{135}\) WTTC 2004. See Graph 12, Annex 3.

\(^{136}\) WTTC 2004.
goods, costs of distribution and marketing, and broad-based levels of taxation. There is also an increasing problem associated with securing hurricane insurance.\footnote{WTTC 2004.}

The WTTC suggests that there is a danger that CARICOM countries may not be able to meet their growth targets because of lack of investment. The problem is not a lack of investors, rather the lack of projects yielding returns over 15%. Moreover, commercial banks tend to view the hospitality industry as an above-average risk for lending with the result that terms for borrowers tend to be onerous.

The development of management contracts for investors is likely to continue. Experience shows that hotel management contracts can be highly profitable.\footnote{Pro€Invest 2004.} In the future, governments might consider funding hotel construction and pass on the contracts of operating facilities to private companies.\footnote{In the same way that governments are expected to provide transportation infrastructure such as airports and harbours for the development of their tourist industries, governments will be expected to provide hotel infrastructure (Pro€Invest 2004).} This has already been tried in Barbados.

The increase in Spanish investment contributing to the development of all-inclusive holiday packages in the Caribbean in general and in particular in the Dominican Republic may continue as it is compared to an experience along the lines of traditional Spanish tourism destinations such as Mallorca.\footnote{Pro€Invest 2004.}

\textbf{Social Impacts}

\textit{Employment}

One of the major contributions of tourism to Caribbean economies is its capacity to generate employment across a wide range of jobs.\footnote{WTTC 2004.} The tourism sector has the potential to relieve the growing burden of unemployed or under-employed persons in the region.\footnote{Caribbean Tourism Strategic Plan, in WTTC 2004: 68.} In particular, it may offer new opportunities and employment for rural workers suffering from the potential contraction of Caribbean agriculture in a more liberalised and competitive context.
The WTTC forecasts that employment in the travel and tourism industry will increase by an average of 14% for all Caribbean countries between 1999 and 2014 and by 15%, taking into account related economic activities. Jamaica would experience the highest levels of growth – 48% in the travel and tourism industry and 37% taking into account related economic activities. The four countries where employment in the travel and tourism industry (and in related economic activities) would be the most important in absolute terms would be Antigua & Barbuda, Bahamas, Barbados and St. Lucia.

However, entrants into the sector will require higher skills (notably in the field of new technologies). Therefore, positive impacts on employment and more generally on the competitiveness of the Caribbean destination will depend on the skill level and professionalism of the workforce. This in turn depends on strengthening training programmes for the workforce at all levels of the industry. The need to accommodate the seasonality, daily flows and other operating characteristics of an industry that operates continuously requires a flexible labour force. But the pressure to improve efficiency and competitiveness must be balanced with the need for quality jobs and quality of life for tourism workers.

**Potential increase of HIV/AIDS**

The continuing increase in the number of visitors could aggravate the problems related to HIV/AIDS as a result of increasing interactions between visitors and local populations. However, the magnitude of the impact will depend on the development and efficiency of social programmes aimed at fighting the spread of the disease. Two major regional organisations working in the field of tourism have developed such programmes.

**Environmental impacts**

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143 See Graph 13 and 14 in Annex 4.
144 WTTC 2004.
146 The Caribbean Tourism Health, Safety and Resource Conservation Project (CTHSRCP) collaborates with key stakeholders in the tourism industry and health sector in the development of policies, procedures and practices that protect the health of visitors and host populations with particular reference to HIV/AIDS. The joint venture project Quality Tourism for the Caribbean (QTC) which has published HIV/AIDS Policy Guidelines for the Caribbean Tourism Industry to assist hoteliers and restaurateurs in protecting their workforces (WTTC, 2004).
As a result of the increase of tourist arrivals and the rapid rate of growth of the tourism sector, supply of tourism goods and services will probably be developed (such as the construction of new hotels, tourism complexes, and development of recreational activities). This is likely to exacerbate the current pressure on the environment in particular in coastal areas and watersheds. Growth in numbers of tourists raises the fundamental issue of carrying capacities of coastal ecosystems. However, impacts on the environment will vary depending on: i) types of tourism infrastructures, ii) type of tourism, iii) purpose of stay (professional /holidays), iv) geographical origin of the new investments.

Type of tourism infrastructure

If tourist facilities such as all-inclusive resort increase, environmental impacts resulting from their construction and operation along coastlines will be significant. It may exacerbate pressure on the environment including:

- physical changes and damages to habitats: elimination of mangroves and salt ponds;
- depletion and contamination of groundwater;
- sedimentation, which can be harmful to coral reefs and sea-grass beds;
- nitrification (sewage).

Such environmental damages will occur mainly in salt ponds, estuaries, coastal waters and reefs. Small hotels and resorts may have relatively fewer negative environmental effects. However they are generally less economically viable, with even lower capacity to afford environmental infrastructure such as wastewater treatment plants. However, an increase in tourist demand will not necessarily lead to the development of new infrastructure, since the rate of occupancy in the existing tourism facilities is often relatively low (around 40%) and could be improved. Investment can also be in management contracts rather than in infrastructure.

Type of tourism

Tourists are increasingly sophisticated and demand quality. Environmental impacts will largely be linked to behaviour and consumption habits. Estimates from

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147 The Final Report will explore further the geographical origin of the different types of investment in tourist facilities.
national authorities and tourism organisations identify a growing interest of tourists in eco-tourism and agro-tourism, reflecting a higher environmental awareness and interest in local traditions and unique ecosystems. Given this interest, public authorities could be encouraged to create marine or forest reserves, or to improve the management of existing reserves. However without adequate regulation, increases of the eco-tourism could exacerbate current pressures on ecologically sensitive areas.

Despite the high potential for development of niche markets tourism, mass tourism will remain predominant. Mass tourism is generally associated with high levels of water and energy consumption and high use of recreational facilities. These facilities include entertainment (such as bars, restaurants and golf-courses), shore-side activities (such as snorkelling, day sailing, pools, jet skis, and harbour cruises) and marine activities and services (such as scuba diving and sport fishing).

Environmental impacts will differ depending on the category of activities. Entertainment activities may lead to groundwater pollution and depletion (golf course for instance). Shore-side and marine recreational activities may cause damage to sensitive coastal habitats (for instance anchoring and mooring in seagrass beds) and involve oil or solid waste pollution (from jet skis, harbour cruises, and cruise ships).

Forecasts predict an increase of cruise ships. This will probably exacerbate actual marine pollution problems. A considerable amount of the water pollution in the Caribbean already stems from ship-generated waste (including unprocessed waste and plastic products) which is illegally discharged into the ocean. Although most ships are registered to countries which are signatory to international environmental protocols and subject to standards for waste treatment, storage and disposal, there is increased evidence that cruise ship waste is reaching the shores of many Caribbean islands. The coastal areas most polluted in the Caribbean are also major habitats for marine growth and animals which are reliant on vulnerable coastal mangroves, estuaries and coral reefs. Regardless of strong currents, if the levels of pollution were to significantly increase in the central basins of the Caribbean, the pollution would cause long-term degenerating effects.

**Purpose of the stay**

Holiday oriented tourism may exhibit more environmental impacts than business tourism, essentially because stays are generally longer and tourists demand for recreational activities tend to be higher. However levels of recreational services consumption may depend on individual behaviour, and in particular on environmental awareness.

**Geographical origin of the new investments**

The question is to identify whether national or foreigner investors tend to comply with regulation and to develop voluntary initiative to protect the environment.

The occurrence of the damages identified above will largely depend on the institutional framework (such as enforcement of environment health protection legislation, and planning) and on infrastructure (sewage treatment, solid waste management disposal). The Final Report will further examine this institutional framework, primarily on the basis of national environmental reports, regional tourism and environmental plans.

### 3.4.2. Scenario of a full liberalisation

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

This scenario will be assessed in the next version of the report. This assessment depends in part on the results of a proposed CGE modelling exercise is proposed. Through this, the Consortium can undertake a thorough analysis of liberalisation on the economic performance of different sectors of the economy, government budget situations, current account balance, employment and GDP. The relatively macro data

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149 See Inception Report.
generated would provide results on variables for up to ten economic sectors, including tourism, agriculture and others. It would place tourism in context with related economic sectors. Moreover, given the importance of employment, the employment data generated by this CGE approach for tourism would be useful for analysing social impacts.

With respect to the environment, a case study has been commissioned and will be undertaken by the CPDC to provide concrete empirical information and causal links between tourism development and environmental sustainability. Used in conjunction with the modelling exercise, the findings of the case study and the findings related to links between tourism development (or contraction) in the baseline scenario and the consultation with experts, should result in a solid approach to examining the impacts on sustainability of the scenario.

In the meantime, presented below are some preliminary working hypotheses of a full liberalisation scenario to be confirmed or rejected prior to the Final Report. They are based on the findings of the baseline scenario and a preliminary literature review on trade liberalisation.

**3.4.2.1. Potential impacts on regional integration**

Since the CSME is expected to result in the free movement of goods, services, capital and people within the region by 2005, the major potential impacts of a full liberalisation scenario could be the following:

- To strengthen relations between the CARICOM and the Dominican Republic regarding trade in services.
- To further liberalise the regional trade in tourism services under Mode 4, allowing for the movement of unskilled persons.
- To develop the regional capacity to respond to the potential growth in regional trade in tourism services through higher levels of EU investment in tourism-related sectors (including tourism infrastructure, transportation, and training).
- To increase competition with regional providers of tourism services.
3.4.2.2. Potential impacts on EU-Caribbean trade

For EU exports to the CARIFORUM

- Compared to the baseline scenario, a full liberalisation scenario under Mode 3 could allow European investors to develop further their tourism projects in the Caribbean.

- Full liberalisation under Mode 4 could also involve an increase in the movement of persons from the EU.

- However, even in a more liberalised trade context, changes in investment flows will depend on a range of non-trade related factors (such as operating costs). In particular, the regulatory environment for the industry is judged often restrictive in relation to employment and not conducive to increased investment.\(^{150}\)

For Caribbean tourism exports to the EU

- Opportunities arising from a full liberalisation scenario in the Caribbean will mainly concern trade flows under Mode 4 since the trade regime under Mode 3 is already liberalised by the EU.

- Investment opportunities may exist in diversification of tourism products: extension of the sub-sectors beyond beach tourism to sports, spa, health, eco-, cultural and heritage tourism.\(^{151}\)

- An increase in Caribbean investment flows will depend on non-trade related factors such as marketing costs and quality standards.

- A potential increase in investment flows could be linked to an increase in tourist arrivals.

- Regarding Mode 4, the opportunities from full liberalisation for Caribbean trade flows could be:
  - Nationals from third countries would be allowed to enter the EU and could be treated like nationals.
  - Less-skilled workers could also access the EU market. This could

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\(^{150}\) Pro€Invest 2004.

\(^{151}\) Pro€Invest 2004.
benefit the Caribbean tourism industry because the tourism sector is human resources intensive and concentrates a majority of less-skilled workers. Concerning Caribbean comparative advantage in tourism activities, it could be hampered by the necessity to comply with EU minimum wage requirements and other social requirements, but socially it would not be desirable to remove these social protections.

- Mode 4 market access could be de-linked from commercial presence. This may be more flexible because it enables ACP countries to send staff and management to the EU without establishing a commercial presence.
- No more limitation on the duration of stay. Thus, short term workers could be allowed to enter EU market and permanent workers could be able to stay as long as they wish.

3.4.2.3 Potential Sustainability impacts

*Economic impacts*

On the basis of a stronger development of the tourism sector than in the baseline scenario due mainly to increased tourism investment and tourist arrivals from the EU, the major economic impacts could include:

- A greater contribution to GDP particularly through land-based tourism due to the fact that EU visitors tend to stay longer than other visitors.
- A greater contribution to export earnings and improvement of the BOP.
- A greater contribution to government tax revenues notably if land-based tourism continues to predominate and/or if cruise tourism generates government tax revenues.
- However, negative impacts of increased development could include an over-reliance of already vulnerable Caribbean economies on this sector which is fragile and can be subject to downturns.
Social impacts

- Positive impacts of tourism development could include greater employment opportunities and reduced poverty.
- The full liberalization by the EU of Mode 4 could be an opportunity for the Caribbean industry to contribute to addressing problems of unskilled labour.
- Foreign firms may also employ and train local people, increasing local employment and contributing to a higher standard of living.
- However, negative impacts on employment in local enterprises (mainly SMEs) could also occur in the short term as a result of increased competition by better equipped hotel and restaurant companies from abroad.\(^{152}\)
- Potential increased employment may not automatically result in better living conditions depending on working conditions (seasonal variations, causal employment and turnover are some characteristics of unsustainable employment).\(^{153}\)
- Other social issues such as HIV/AIDS and crime related to rapid development may get worse if social effects of tourism development are not sufficiently perceive (in terms of income, education) and if specific programmes aimed at addressing these issues are not sufficiently effective.

While potential impacts on employment will be mainly studied through the modeling exercise, a qualitative approach will be used passed on intensive exchanges with local experts and a specific literature review.

Environmental impacts

- Construction of new hotels is likely to be encouraged by full liberalisation of tourism and construction services. In the absence of adequate and enforced coastal management, land use legislation, this could increase pressure on ecologically sensitive habitats (coral reefs, wetlands, etc.).
- If construction of new hotels and resort attract more tourists, the following consequences might be expected: increase of demand for recreational activities and for energy and water resources, and increase of solid and liquid waste

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\(^{152}\) ILO. 2001.  
\(^{153}\) ILO. 2001.
generation, leading to groundwater depletion, physical changes of natural habitats and marine pollution. However, such environmental impacts will depend on the existence of efficient solid and liquid waste treatment plants, enforcement of environmental health protection legislation, on tourist habits and environmental awareness.

- Caribbean countries are characterised by poor operational status of sewage treatments plants. Only 10% of the population in the Caribbean is served by modern centralised sewage treatment. Most of efficient sewage treatment plants are owned by tourism sector.\(^\text{154}\)

### 3.5 Preliminary Recommendations

The objective in this section is to make recommendations ensuring an EPA will allow the tourism sector to respond to the growth in tourism demand in a sustainable way. This involves increasing the competitiveness of tourism in the Caribbean so that it can compete effectively with other tourist destinations (notably Thailand and China)\(^\text{155}\) without increasing vulnerability. Policy measures can be put in place to avoid potential negative impacts on EPA will be identified in the Final Report. Preliminary recommendations are presented below.

#### 3.5.1 Using the tourism sector as a catalyst to develop other economic sectors

In economic terms, addressing the challenge of reducing tourism leakage, generating maximum benefits for all stakeholders at all levels of the economy, being in a position to respond rapidly to changing demand (flexibility), as well as reducing vulnerability could make tourism a catalyst for other economic sectors such as agriculture, manufacturing and other services sectors. For example, the food and man-made products built in a sustainable way (not wooden, man made products involving deforestation or food products involving soils degradation) that tourists buy when they

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\(^{154}\) Caribbean Environmental Health Institute, “Why treat waste water? Environmental, health and legal considerations”.

\(^{155}\) In the region, the opening of Cuba as a holiday destination for US travellers is also creating a more competitive marketplace. Not only will Cuba be seen as a novelty destination, but it is also cheap and, with 50,000 new beds scheduled to come on line on the island –more than the current bed capacity of the whole English-speaking Caribbean (WTTC 2004).
visit the Caribbean countries could create an opportunity for exports in the countries of origin.

From a social perspective, working in the tourism sector could provide opportunities for developing valuable skills for use in other sectors, notably in services, through training programmes, in fields such as new information technologies for communication or marketing. Cross training and cross flexibility of jobs are therefore important and may provide additional opportunities and motivation to the workforce.\footnote{\textit{WTTC} 2004: 69}

From an environmental perspective, developing sustainable tourism could be a way to raise awareness of environmental issues, and develop environmental protection and management more effectively than without tourism.

3.5.2 Facilitating sustainable investment

For this, it seems important to consider the liberalisation in the tourism sector in conjunction with liberalisation of environmental services. Market-based incentives in favour of corporate social responsibility could also be a way to encourage investment contributing to sustainable development.

3.5.3 Implementing policies including, \textit{inter alia}:

- Certification/voluntary initiatives (e.g., CSR);
- Improvement of integrated coastal and watershed management;
- Improvement in public sector planning, control and monitoring;
- Improvement of construction practices, engineering, architecture;
- Existence of adequate and effective waste treatment disposal;
- Information sharing on risks and rewards of the tourism.
4 SECTOR STUDY ON THE PACIFIC REGION: FISHERIES

4.1 Introduction

On 10 September 2004 EPA negotiations were launched between the EC and 14 Pacific ACP (PACP) countries, which were organized within the framework of the Pacific Islands Forum. At that meeting, both Parties agreed on a *Joint Road Map* that includes a specific timetable for the negotiations and an objective for Phase I (2004-2006), “to reach an agreement on basic principles and elements to be integrated into an ACP-EC EPA”. The fishery sector is highlighted in the *Joint Road Map* as one of the main elements to be integrated into the EPA negotiations. Negotiations on trade liberalization are scheduled to begin in 2007 during the second phase of negotiations.

**Table 22. Schedule of Negotiations for Pacific Region**

<table>
<thead>
<tr>
<th>Stages</th>
<th>Objective</th>
<th>Timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage I – Substantive Negotiations</td>
<td>To reach an agreement on basic principles and elements to be integrated into an ACP-EC EPA (e.g. investment, services)</td>
<td>October 2004–December 2006</td>
</tr>
<tr>
<td>Stage II – Final Negotiations</td>
<td>To finalize any issues outstanding. To translate principles and agreed arrangements on matters of substance into a binding legal text.</td>
<td>January 2007–December 2007</td>
</tr>
</tbody>
</table>

The EU is the third largest fishing power in the world and it is the world’s largest consumer market for processed fish and aquaculture products. At present, only 50% of the EU’s demand for fish is met by its domestic fleet and under the reformed Common Fishery Policy, the EU fishery will be reduced by 45%. This indicates that there is an existing deficit in supply to the EU from fish caught in EU waters, and that this is likely to increase in the coming years.

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The EU is the world’s largest producer of canned tuna.\textsuperscript{159} Tuna accounts for almost 60% of total production of canned fish in the EU. The EU is not a major player in the tuna fishery in the Pacific region.\textsuperscript{160}

Fisheries, and especially tuna, are the PACP countries’ most important natural resource. The region is the most important area for the tuna fishery in the world, supplying one-third of the all tuna landed worldwide.\textsuperscript{161} The increase in value of tuna catches has been dramatic over the past 20 years rising from US$375 million in 1982 to US$1.9 billion in 1998.\textsuperscript{162} The Exclusive Economic Zones (EEZs)\textsuperscript{163} of the PACP countries (around 30.5 million km\textsuperscript{2}) represent 74\% of the water surface of the Western Pacific. Annual tuna catches account for 11\% of the region’s GDP and half of the value of all exports from the region. The sector is of even greater importance for social sustainability because of its contribution to food security.\textsuperscript{164}

This study assesses the potential economic, environmental and social impacts of including fisheries in the EPA negotiations. It begins by exploring the sustainability impacts of a \textit{baseline scenario}, which reflects the current regime of the EU’s \textit{Common Fishery Policy} (CFP) and, in particular, \textit{Bilateral Fisheries Agreements} (BFAs) between the EU and three PACP countries which govern existing fishing relationships with the EU. An \textit{alternative scenario} considers the negotiation, in the general framework of the EPA, of a \textit{Regional Fisheries Agreement} consistent with the Common Fisheries Policy Reform and its potential impacts on sustainability.

\textsuperscript{159} Suansez-Carpegna D.V. (2003).
\textsuperscript{160} This sector is important for Spain, Portugal and France and for the Pacific European Overseas Regions: The French Territories of New Caledonia, French Polynesia and Wallis and Futuna.
\textsuperscript{161} Gillet R., M. McCoy, L. Rodwell and J. Tamate (2001). Despite the importance of the fishery to the PACP countries, the tuna fishery in the region is dominated by foreign vessels from the Philippines, Taiwan, Korea, Japan and the United States. Most of their catches are transferred onto vessels for shipment to canneries in Thailand, the Philippines or American Samoa. The highest value product (sashimi grade) is sent, fresh-chilled, by air freight to Japan. Scollay R. (2002).
\textsuperscript{162} Gillet R., M. McCoy, L. Rodwell and J. Tamate (2001).
\textsuperscript{163} EEZs cover a 200 mile marine area over which coastal states exercise jurisdictional rights, according to the 1982 UN Law of the Sea Convention (http://www.un.org/Depts/los/index.htm).
\textsuperscript{164} Food and Agricultural Organisation (1995).
4.2 Update on the Consultation Process

Due to the high cost of organising a workshop in the Pacific region, the consultation will be organized in partnership with a regional workshop that has already been planned. Two options are being explored.

Firstly, TRINNEX (part of the EU funded program PRO€INVEST) will, in principle, organize a seminar in January 2005 in the Pacific region in collaboration with the Commonwealth Secretariat to examine ways to promote investment in the PACP countries. Because investment is one of the main issues relevant for the tuna fishery in the region, an agreement in principle has been reached to include specific discussions about the fisheries sector, the EPA, and the prospect of the EU-FPA negotiations.

Secondly, the Forum Fisheries Agency (FFA)\textsuperscript{165} is conducting studies on the impact of international trade negotiations, including the EPAs, on the Pacific region. The publication of the results of these studies will likely coincide with a seminar in the region in December 2004 or January 2005, organised by the FFA and the Commonwealth Secretariat. The Commonwealth Secretariat has agreed in principle to include discussions on the results of the SIA sector study in this seminar. Discussions are underway with the FFA.

4.3 Summary of work to date

This study focuses on institutional and governance issues related to the PACP countries fisheries, regional integration, and on specific trade-related measures such as sanitary and phytosanitary (SPS) measures, subsidies and investment. It does not include market access issues, except for rules of origin. Levels of trade in fishery products between the EU and the ACP Pacific countries are relatively low. Only three PACP countries export fish and fish products to the EU, the Solomon Islands, Papua New Guinea and Fiji, and the weight of these exports is negligible relative to total EU

\textsuperscript{165} The FFA is a specialized body of the South Pacific Forum whose members are the 14 PACP countries, New Zealand and Australia (http://www.ffa.int).
imports.\textsuperscript{166} (Table 23) Moreover, fisheries products from the ACP Pacific countries already enter the EU free of duty and quotas, except for tuna where specific quotas based on the rules of origin are applied.\textsuperscript{167}

<table>
<thead>
<tr>
<th>Total EU Imports (‘000 €)</th>
<th>Value of Import from Pacific ACP (‘000 €)</th>
<th>Share of Imports from ACP (%)</th>
<th>Share of Extra-EU imports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0301. Live fish.</td>
<td>121,444</td>
<td>207</td>
<td>8.6</td>
</tr>
<tr>
<td>0303. Frozen fish (excl. fish fillets etc.)</td>
<td>1,057,574</td>
<td>1,063</td>
<td>0.68</td>
</tr>
<tr>
<td>1604. Prepared or preserved fish; caviar, etc.</td>
<td>1,596,031</td>
<td>23,926</td>
<td>11.04</td>
</tr>
</tbody>
</table>

Source: EU DG Trade – Expanding Export Helpdesk.

An EPA between the Pacific ACP countries and the EU should prioritize regional integration that aims to (1) develop a common fisheries policy that promotes sustainable management of the resource and, (2) provide the necessary conditions in the ACP Pacific countries to attract FDI, which can contribute to the infrastructure necessary to develop the industrial processing of fisheries products and add value to fisheries exports.

4.3.1 Sustainability Indicators

4.3.1.1 Economic Sustainability

The fishery sector is important for many Pacific ACP countries whose economies tend to be fragile due to a number of factors including small markets and remoteseness 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.

\textsuperscript{166} COMTEXT (2004). This is despite the fact that the fisheries sector (as a whole) is dramatically important for the exports of several PACP countries, although there are important differences among them. Fisheries exports account for 94.7% of total exports of FSM, 81.9% for Cook Islands, 73% for Palau, 61.5% for Samoa, 23.8% for Tonga, 20% for Solomon Islands. But its weight in the total exports is inferior to 10% for Fiji and the Marshall Islands, and less than 2% for the five other countries. Tuna Fisheries account for around 50% of the total exports of the region.

\textsuperscript{167} Market access into PACP countries is still limited and the fish and fish products sector is the most heavily protected of all the non-agricultural sectors. Levels of protection are particularly high in the Solomon Islands (66% MFN tariff) and Papua New Guinea (32% MFN tariffs). WTO (2003).
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 stringent technical, quality and food safety requirements. Due to the scarcity of domestic finance, the development of fisheries will likely be based on FDI, an increase in access fees received in exchange for fishing rights granted to foreign vessels, and/or various forms of development support. 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 thereby improving the investment climate (through a free-trade area, harmonization of rules). The main economic parameters of this study are:

- Impact on GDP.
- Impact on access fees.
- Impact on industrial fisheries and investment.
- Impact on small-scale fisheries

4.3.1.2 Social Sustainability

The fisheries sector plays an important social role, both directly and indirectly, in the PACP countries. It is an important source of employment and income generation for coastal populations and for women. It is also important for food security, as a major source of protein for local populations.

Further regional integration could have positive social impacts in terms of job creation, both directly (in the processing chain) and indirectly (through infrastructure, legal and institutional support, and other related services). Indirect positive impacts could occur as a result of increases in public revenues and 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 gender.
Impact on nutrition and food security.

4.3.1.2 Environmental Sustainability

Important environmental concerns revolve around the protection of fish stocks and marine ecosystems. Moreover, 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% are at medium and 10% 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. It is also necessary to address ship-source marine pollution (discharge of ballast and bilge water, discharge of waste oil, bunker oil spills). Regional integration may help to ‘pool resources’ to develop Control and Monitoring System (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 include:

- Impact on the preservation of fish stocks, including tuna.
- Impact on marine habitat preservation (coastal areas, critical habitats).
- Pollution generated by processing, infrastructure, energy use and ships.

4.4 Methodological Issues and Impact Analysis

As a baseline, this study first considers the Bilateral Fisheries Agreement (BFAs) signed between the EU and Kiribati (July 2002), the Solomon Islands (February 2004) and the Federal States of Micronesia (FSM, May 2004) and their potential sustainability impacts. As a second scenario, the study considers the prospective negotiation of a regional Fishery Partnership Agreement (FPA) between the EU and the 14 PACP countries. This FPA, promoted by the reformed EU Common

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168 This assessment is mainly prospective: only the BFA with Kiribati is already entered into force (in September 2003), whereas the two others Agreements (with the Solomon Islands and the FSM) will enter into force in 2005.
Fisheries Policy, would be negotiated in the context of the EU-PACP EPA negotiations.

This study does not benefit from prior consultations, nor SIA Year I study. Moreover, the negotiations between the EU and the PACP countries were only launched several weeks ago. Therefore this Mid-Term report focuses on economic and social impacts of the baseline situation and the alternative scenario. Identifying potential impacts on the environment require in-depth consultations with international and regional experts. The constitution of a network of experts is underway – with the objective of conducting electronic consultations through the dedicated web site (http://www.sia-acp.org). The results of both the electronic and workshop consultations will contribute to the Final Report.

4.4.1 Baseline Situation: The EU Common Fishery Policy and Bilateral Fisheries Agreements

Within the general framework of the EU Common Fisheries Policy, existing relations in the fisheries sector between the EU and the PACP countries are governed by the three BFAs with Kiribati, the Solomon Islands and the Federal States of Micronesia. These BFAs are essentially access agreements. They will be phased out before the entry into force of a prospective EPA. Any subsequent (bi-lateral or regional) agreement will take place in the general framework of the Fisheries Partnership Agreements.

Under the current BFAs, EU boats are allowed access to the EEZs of the PACP countries to catch ‘surplus stocks’. EU fleets are required to fish outside a 12-mile coastal zone (30-miles for the Solomon Islands) to avoid competing with the local artisanal fleet.

In return for granting access to the EEZs, the three PACP countries receive a financial contribution from the EC. A percentage of this is directed to ‘targeted

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169 With the support and collaboration of Roman Grynberg (Commonwealth Secretariat, London).
170 That is, stocks corresponding to the difference between a coastal country’s targeted management objective and its domestic fishing capacity. This is in keeping with the provisions of the United Nations Convention on Law of the Sea (UNCLOS), Article 62(2). http://www.un.org/Depts/los/index.htm.
actions’ to promote the conservation of the resources and the sustainable development of the fisheries sectors in the countries. Moreover, under the BFAs the EU ship-owners fishing in the PACP EEZs are required to make payments to the affected PACP country for each ton of tuna caught, and to employ either one or two local fishermen on their boat (see Details of the EU- PACP countries in Table 24).

<table>
<thead>
<tr>
<th>Table 24. Details of EU Bilateral Fishing Agreements with PACP countries</th>
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<tbody>
<tr>
<td><strong>Fishing Opportunities</strong></td>
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<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>1st year</td>
</tr>
<tr>
<td>Purse seiners: 6</td>
</tr>
<tr>
<td>Surface longliners: 12</td>
</tr>
<tr>
<td>Following years</td>
</tr>
<tr>
<td>Purse seiners: up to 11 (Palau Agt)</td>
</tr>
<tr>
<td>Longliners: 12</td>
</tr>
<tr>
<td><strong>Solomon Islands (01/01/2005 - 31/12/2007)</strong></td>
</tr>
<tr>
<td>Purse seiners: 4</td>
</tr>
<tr>
<td>Longliners: 10</td>
</tr>
<tr>
<td><strong>Federal States of Micronesia (01/01/2005-31/12/2007)</strong></td>
</tr>
<tr>
<td>Tuna seiners: 6</td>
</tr>
<tr>
<td>Longliners: 12</td>
</tr>
</tbody>
</table>

*Source: EC – DG Fisheries web site - (*) Targeted actions: actions to promote conservation of resources and sustainable development.*

4.4.1.1 Governance

There is an apparent contradiction at present between the EU Common Fishery Policy and the EU-ACP Development Co-Operation framework, ¹⁷¹ which pursue seemingly different objectives. The Development Co-Operation Policy aims to

promote sustainable development and reduce poverty in the ACP countries.\textsuperscript{172} However, the main objective of the CFP is to promote EU fisheries. Along with access fees, the BFAs promote EU fisheries through \textit{EU subsidies joint ventures}. (Box 2) These contribute to achieving the objective of a 45\% reduction in fishing in EU waters while helping to preserve EU employment in the fisheries sector and meeting the growing demand for fish products in the EU market.\textsuperscript{173}

<table>
<thead>
<tr>
<th>Box 2 – EU subsidies fishing joint ventures with third countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under the EU Financial Instrument for Fisheries Guidance (FIFG), the EU funds projects aiming at the restructuring of the Fisheries sector in the EU. Under the objective of adjustment of the fishing efforts, FIFG funds (until 31 December 2004) “permanent transfer of EU vessels to a non-member country, including through the creation of a joint enterprise; the vessels must be less than 30 years old and exceed 20 Gross Registered Tonnage / 22 Gross Tonnage”. Permanent transfers (including through joint ventures) eligible to FIFG funding are restricted to “countries with whom the EC has concluded a fisheries agreement” with case-by-case derogations for “permanent transfers in the framework of a joint enterprise”. Since 1999 temporary partnerships are no longer eligible to FIFG financing. The maximum FIFG premium for a ‘permanent reassignment’ (i.e. transfer) is of 80% of the premium granted for the scrapping of the vessel (function of the GT/GRT of the vessel) in the framework of a joint enterprise and could be of 100% if the vessel is reassigned to non-profitable purposes other than fishing; it is of 30% of the scrapping premium in case of a “simple reassignment to a third country”. See: EU Financial Instrument for Fisheries Guidance—Instructions for Use. (<a href="http://europa.eu.int/comm/fisheries/doc_et_publ/liste_publi/facts/ifop03_en.pdf">http://europa.eu.int/comm/fisheries/doc_et_publ/liste_publi/facts/ifop03_en.pdf</a>).</td>
</tr>
</tbody>
</table>

The Commission Green Paper - The CFP after 2002\textsuperscript{174} indicates a “problem of coherence inside the CFP between Fisheries Agreement on one hand and vessels transfers subsidised by FIFG on the other. Vessels owned by companies with predominantly European financing interests are competing for the same resource but with different rules”. The Green Paper therefore underlined that EU financing of joint ventures could “export the over-capacity problems to third countries’ waters”.\textsuperscript{175} However despite this, a 2002 EC regulation confirmed EC support for this policy until

\textsuperscript{172} EU development aid in the fisheries sector (under the 9\textsuperscript{th} EDF) is not linked directly to the conclusion of a BFA. See Prade J. (2003). Fisheries Development” is one of the three focal areas defined by the Regional Strategy Paper and the Indicative Program agreed by the PACP countries and the EC for the period 2002-2007. It includes specific actions to support regional organizations, and to promote networks of regional stakeholders, scientific research and capacity building. Moreover, other development programs could have positive spill-over effects on the fisheries sector.\\textsuperscript{173} BFAs are often referred to as ‘cash for access’ agreements. See ICSF (2000). On subsidies joint ventures, see COFREPECH (2000). .\\textsuperscript{174} EU (2001).\\textsuperscript{175} Idem.
the end of 2004 and it could even be extended under Fisheries Partnership Agreements (FPAs).176

4.4.1.2. Relevant Trade Measures

**Subsidies and WTO Compatibility**

Current EU fisheries policies could be under growing pressure at the WTO where they raise questions of subsidies and the issue of whether they encourage unfair competition between EU vessels and the local fishing sectors.177 This includes in particular policies such as: (a) the (non-targeted share of the) access fees paid by the EU to the PACP countries as compensation for access to their EEZs; and, (b) the EC financial support granted to EU ship-owners to transfer their vessels in PACP waters under the joint-ventures developed with local ACP partner.178

<table>
<thead>
<tr>
<th>Box 3: WTO definition of public subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Governmental transfers by which a benefit is conferred are defined as existing if:</td>
</tr>
<tr>
<td>▪ there is a financial contribution by the government or any member public body within the territory of the member;</td>
</tr>
<tr>
<td>▪ A government practice involves a direct transfer of funds (for example, grants, loans and equity infusions) or a potential direct transfer of funds or liabilities (for example loan guarantees);</td>
</tr>
<tr>
<td>or</td>
</tr>
<tr>
<td>▪ there is any form of income and price support in the sense of Article XVI of GATT 1994; and</td>
</tr>
<tr>
<td>▪ a benefit is thereby conferred.</td>
</tr>
<tr>
<td>Source: Article 1 of the Agreement on Subsidies and Countervailing Measures.</td>
</tr>
</tbody>
</table>

**Rules of Origin**

The current rules of origin can represent an important non-tariff barrier to potential increased PACP exports of fish and fisheries products to the EU. Under these rules, the originating status is automatically conferred on fish caught within the ACP states’ territorial waters. For fish caught or processed off-shore in the ACP EEZs very restrictive requirements are applied for determining origin, that are linked to the


177 As defined by the Agreement on Subsidies and Countervailing Measures (ACSM), since the WTO Agreements on Agriculture do not deal with fisheries; See Grynberg R. (2003). See also Schröder Ch. (2003) and Gorez B. and B. O’Riordan (2003b).

178 Transfer of vessels is from EU waters (rather limited for the Pacific) as well as others fishing areas (for example the Indian Ocean) to ACP EEZs. It may also concern EU boats that are already fishing in the ACP EEZs under private agreements and that will be ‘incorporated’ in the EU-PACP fisheries agreements, with the aim of improving the sustainability of the fishery.
ownership, registration and crew composition.\textsuperscript{179} In addition, derogations from rules of origin are possible for tuna products within a specific quota.\textsuperscript{180}

Some commentators indicate that the existing rules of origin provide indirect support to EU fleets fishing in the ACP EEZs, distorting trade and investment decisions, contributing to over-fishing, negatively impacting the ACP fisheries sector, and “decreasing the competitiveness of ACP canneries that are obliged to use higher cost EU caught fish”.\textsuperscript{181} Article 37.7 of the Cotonou Agreement commits the EU to review the rules of origin as an avenue to improve market access to the ACP states in the context of an EPA.

\textit{Sanitary and Phytosanitary Measures}

The EU is the largest market for ACP fisheries products. However, the exports from Pacific ACP countries are almost negligible due to the long distance and the importance of the Pacific regional market (especially Japan). The entry of new fishing powers on the Pacific market (especially China) will lead to increased competition for fish resources in the region and for the main markets for fresh fish and fisheries products in the region (Japan and the United States).

The PACP countries may, therefore, consider expanding their exports to other markets such as the EU where duty-free access is granted to ACP fish and fish products and the fisheries sector offers the “\textit{greatest potential for future development of increased exports to the EU}”.\textsuperscript{182} However, imports into the EU face increasingly stringent food quality and safety standards as EU consumers place a growing importance on product identification, traceability and eco-labels.\textsuperscript{183} Although legitimate, SPS measures can constitute a barrier to the exports of fisheries products from ACP countries to the EU market and thereby impede the export-oriented fisheries sector where opportunities to add value are the most important.\textsuperscript{184}

\textsuperscript{179} Scollay (2003).
\textsuperscript{180} Article 38 of Protocol 1 provides that “\textit{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.}”. These derogations are subject conditions, such as the fact that EU should have been offered, and denied, opportunity to negotiate a fisheries agreement with the concerned state.
\textsuperscript{181} Block L. and R. Grynberg (2004).
\textsuperscript{182} Scollay R. (2002).
\textsuperscript{183} Gorez B. and B. O’Riordan (2003b).
\textsuperscript{184} CEC (2003). In addition, Gorez and O’Riordan (2003b) underline that “\textit{this aspect is particularly important where the local artisanal sector is an important supplier of the export oriented industry}”.
4.4.1.3. Regional Integration

For the EPA negotiations the PACP countries are organized “in the framework of the Pacific Islands Forum”.\(^{185}\) On 8 August 2001, two regional Agreements were signed. The Pacific Islands Trade Agreement (PICTA) will progressively establish a Free Trade Area between the 14 Pacific ACP countries by the removal of tariff barriers by 2010 and by 2012 for Small Islands States and LDCs.\(^{186}\) PICTA is considered as a ‘training ground’ for the PACP countries for achieving more complete integration in the international economy.

All PACP countries are also members of PACER (Pacific Agreement on Closer Economic Relations) that includes their principal trading partners, New Zealand and Australia. PACER is not a Free Trade Agreement, but contains series of provisions designed to ensure that Australia and New Zealand are “not disadvantaged relative to other trading partners in their trade relations with the PICs.”\(^{187}\) The Federal States of Micronesia, Palau and the Marshall Islands are also signatories of the COMPACT Agreements with the United States.\(^{188}\)

In addition, PACP countries are signatories of specific regional agreements on fisheries:

- the Palau Agreement for the Management of the Western Pacific Purse Seine Fishery 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 have ratified it;

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This, however, seems not to be the case in the Pacific ACP countries where most of the artisanal sector is oriented toward the local or regional market.

\(^{185}\) The Pacific Islands Forum also includes New Zealand and Australia.

\(^{186}\) Except for a “negative list of imports” (submitted by each country) that will not be fully liberalized until 2016. Non-tariff barriers, such as quotas must be lifted as soon as the Agreement enters into force. PICTA only deals with trade in goods, and the intention is to transform it into a single market in the future. Among the PACP countries, Kiribati, Samoa, the Solomon Islands, Tuvalu and Vanuatu are LDCs and the Cook Islands, Kiribati, the Marshall Islands, Nauru and Niue are Small Islands States.

\(^{187}\) Pacific Islands Forum Secretariat (2001). The PACP countries are also called Pacific Islands Countries (PICs).

\(^{188}\) The implications of these commitments will be further discussed infra.
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.

Seven PACP countries are also members of the *Federal States Arrangement of Micronesia for Regional Fisheries Access (FSM Arrangement)*, that grants access to the EEZs to purse-seine fishing vessels of others member states.\(^{189}\) At the end of 2002, 23 purse seine vessels were licensed under this arrangement. It offers an interesting approach to regional cooperation or integration under the auspices of “pooling” tuna resources among several PACP countries. However, some commentators question its proven effectiveness.\(^{190}\)

Furthermore, the management of 40%-50% of the catch in the high seas and in the water of non-FFA members has been the subject of discussions with their ‘distant water fishing nation’ (DWFN) partners since 1994. These discussions led to the establishment of the *Convention on the conservation and management of highly migratory fish stocks in western central Pacific Ocean (WCPTC)*. In spite of the opposition of several major players in the region (notably Australia and New Zealand) the EU has been accepted as a Party to the WCPTC. Under this Convention it is hoped that control over the resources will improve in particular with the extension of an effective Control and Monitoring System to all the PACP countries. Without external assistance, these countries do not have the technical and financial resources to control fishing activities throughout their EEZs and to combat illegal fishing, particularly by relative newcomers such as Taiwan and China.\(^{191}\)

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\(^{189}\) “To be eligible to the FSM arrangement, vessels must meet certain regionally-agreed criteria which give special weighting to those vessels that are fully owned by the FFA member countries, provide high employment opportunities and have an excess of US$5 million onshore investment”; Signatories are: FSM, Kiribati, Nauru, Palau, PNG, Solomon Islands and the Marshall Islands; Tuvalu agreed to the arrangement but is not a member yet. Gillett (2003).

\(^{190}\) Gillett (2003) indicates that the “a study to quantify the benefits and costs of the FSM arrangement, including its impact on domestic development and potential lost revenue from licence fees” would be an “important requisite for improving its effectiveness”.

\(^{191}\) Greenpeace (2004).
4.4.1.4. Potential Impacts on Sustainability

Economic Impacts

Impact on GDP

The tuna fishery is by far the largest fishery sector in the PACP countries, in both volume and value terms. (Table 25) It plays an important role in both subsistence fishing and the industrial sector.

Table 25: Annual Volume and Value of Catch of Pacific Islands Fisheries

<table>
<thead>
<tr>
<th>Type</th>
<th>Volume (MT)</th>
<th>%</th>
<th>Value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial tuna fishery</td>
<td>1,074,113\textsuperscript{a}</td>
<td>90.77%</td>
<td>1,900,000,000</td>
</tr>
<tr>
<td>Industrial prawn fishery</td>
<td>946\textsuperscript{b}</td>
<td>0.08%</td>
<td>9,043,618</td>
</tr>
<tr>
<td>Subsistence fishery</td>
<td>83,914\textsuperscript{c}</td>
<td>7.09%</td>
<td>179,914,623</td>
</tr>
<tr>
<td>Small-scale commercial fishery</td>
<td>24,327\textsuperscript{d}</td>
<td>2.06%</td>
<td>81,800,664</td>
</tr>
<tr>
<td>Total</td>
<td>1,183,300</td>
<td>100.00%</td>
<td>2,170,758,905</td>
</tr>
</tbody>
</table>

Source: Adapted from Gillett and al. (2001), based on data from \textsuperscript{a}SPC (2000), \textsuperscript{b}Van Santen and Muller (2000), \textsuperscript{c}NFA (1988), \textsuperscript{d}Dalzell et al. (1996)

However, under the current regime, the fisheries sector does not contribute significantly to the GDP of the PACP countries. This reflects, \textit{inter alia}, the low levels of value added generated by these countries.\textsuperscript{192} Difficulties with collecting accurate data are illustrated in Table 26 which indicates official figures for contribution to GDP and a re-estimate by analysts, with significant differences.

Table 26 – Official and Re-estimate Fishing Contribution to GDP (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Official</th>
<th>Re-estimate</th>
<th>Country</th>
<th>Official</th>
<th>Re-estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Islands</td>
<td>11.3</td>
<td>9.90</td>
<td>Fiji Islands</td>
<td>1.70</td>
<td>2.40</td>
</tr>
<tr>
<td>FSM</td>
<td>4.70</td>
<td>9.50</td>
<td>Kiribati</td>
<td>12.0</td>
<td>21.50</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>7.40</td>
<td>3.80</td>
<td>Nauru</td>
<td>2.12</td>
<td>2.10</td>
</tr>
<tr>
<td>Niue</td>
<td>1.60</td>
<td>1.90</td>
<td>Palau</td>
<td>2.70</td>
<td>8.00</td>
</tr>
<tr>
<td>PNG</td>
<td>0.60</td>
<td>1.40</td>
<td>Samoa</td>
<td>8.00</td>
<td>6.60</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>-</td>
<td>12.80</td>
<td>Tonga</td>
<td>7.13</td>
<td>7.50</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>6.77</td>
<td>7.00</td>
<td>Vanuatu</td>
<td>1.00</td>
<td>2.20</td>
</tr>
</tbody>
</table>


\textsuperscript{192} For several reasons, including the complexity of the sector (for example numerous forms of fisheries,) but also the lack of cooperation between the fisheries agencies and the national statistics offices. Methods of calculation for re-estimate are described in Gillett and Lightfoot (2001).
Access Fees

The total value of access fees received by the region has increased dramatically over the past 20 years, to US$60.3 million in 1999, which represents a 402% increase from 1982.\(^{193}\) (Table 27) Despite this, within the region non-European access fees are important for only a few countries (Kiribati, Tuvalu and, to a lesser extent, FSM, Nauru, the Marshall Islands and Niue).

The EU is a relatively recent and a modest player in the PACP fisheries sector. Data on the overall contribution of access fees to GDP are only available for 1999, before the first EU BFAs entered into force. EU access fees (in euros) are very low in Kiribati and the FSM compared to the total amount of access fees received by these countries in 1999 (in US$). In the Solomon Islands the gross value is roughly the same, but the contribution to GDP is negligible.

**Table 27. Contribution of Access Fees to GDP of three Pacific ACP Countries**

<table>
<thead>
<tr>
<th>Access Fees (US$)</th>
<th>GDP (US$)</th>
<th>Access Fees as % of GDP</th>
<th>EU Access Fees (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kiribati</td>
<td>$ 20,600,000</td>
<td>$ 48,123,871</td>
<td>42.81 %</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>$ 273,458</td>
<td>$ 279,593,229</td>
<td>0.10 %</td>
</tr>
<tr>
<td>FSM</td>
<td>$ 15,400,000</td>
<td>$ 229,869,864</td>
<td>6.70 %</td>
</tr>
</tbody>
</table>

*Source: Gillett R. and Lightfoot (2001); EC – DG Fisheries*

Access fees are important as a contribution to government revenue in the FSM, Papua New Guinea, Kiribati, Tuvalu and the Marshall Islands.\(^{194}\) (Table 28) However, considering the potential competition between the Islands, this information is generally difficult to obtain. This lack of transparency encourages illegal practices.\(^{195}\)

**Table 28. Access fees as a % of the government revenues for selected PACP countries**

\(^{193}\) Gillet et al. (2001).

\(^{194}\) Gillet R. et al. (2001).

\(^{195}\) Idem.
<table>
<thead>
<tr>
<th>Country</th>
<th>% of total government revenue</th>
<th>Year(s)</th>
<th>Other impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marshall Islands</td>
<td>25 %</td>
<td>1992/1993</td>
<td>Partly responsible of the country’s recovery in the late 1990s after a 3-years economic recession</td>
</tr>
<tr>
<td>Kiribati</td>
<td>45 %</td>
<td>1991</td>
<td>+16% GDP in 1998 due to a doubling of the fees.</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>40 %</td>
<td>1999</td>
<td></td>
</tr>
<tr>
<td>Palau</td>
<td>10 %</td>
<td>mid-1990s</td>
<td></td>
</tr>
<tr>
<td>Vanuatu</td>
<td>62 %</td>
<td>Generated by the US tuna treaty alone.</td>
<td></td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>2 %</td>
<td>2000</td>
<td>33% of the non-tax revenue.</td>
</tr>
</tbody>
</table>

Source: adapted from Gillett et al. (2002).

Under current BFAs, EU supported joint-ventures and the current rules of origin lead some to suggest that there is unfair competition between EU vessels and ACP domestic fleets. The negative impacts could be important, both in economic and social terms, for the local artisanal fleets and the development of industrial processing activities, the employment promotion (both on- and off-board) and the related services (such as crew catering, technical vessels services, etc.).

**Industrial Fisheries and Investment**

A recent report for the FFA indicates that at the end of 2002, there were 14 pole-and-line vessels, 40 purse seiners and 495 longliners based in the Pacific Island countries.

**Table 29 – Domestic Tuna Industry Development in the Pacific ACP countries**

<table>
<thead>
<tr>
<th>Country</th>
<th>Active Locally-based Tuna Vessels</th>
<th>Canneries and Dedicated Loining Facilities</th>
<th>Air Export Packing and Value Adding Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Islands</td>
<td>10 L/L</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Fiji</td>
<td>96 L/L - 1 P/L</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>FSM</td>
<td>34 L/L - 8 P/S</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Kiribati</td>
<td>2 L/L - 1 P/S</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>54 L/L - 5 P/S</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

196 In other EU BFAs, “due to the competition distorting effects of subsidies, the EU fleet has been able to carry on fishing when local fleet fishing effort has had to decrease” (Mauritania for example); Gorez B. and B. O’Riordan (2003b).
The region has a total of five canneries located in Fiji (2), the Marshall Islands, Papua New Guinea and the Solomon Islands. Not surprisingly, these four countries also include the majority of the air export packing and other processing facilities. However, several other PACP countries also benefit from industrial facilities (notably the Federal States of Micronesia, Samoa and Tonga) but the level of development differs between these facilities and a substantive tuna industry only exists in five countries in the region: Fiji, Tonga, Samoa, the Marshall Islands and Papua New Guinea.  

The EU BFA with Kiribati stipulates that EU boats fishing in Kiribati EEZs have to tranship their catch locally at least three times a year. This provision is intended to support the local fisheries sector, and for Kiribati to benefit from the revenues related to the fees associated with the ship being in port. However, there is no information on the quality of the fish that are landed. Experience with other BFAs shows that EU boats tend to land low quality and low value fish. This ‘compulsory transhipment’ provision was not included in the subsequent BFAs with Solomon Islands and the FSM. The impact of EU BFAs on the economies of these two countries in terms of transformation and value-added would therefore tend to be lower.

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The major constraints facing industrial development of the tuna sector are as follows:\textsuperscript{200}

- Infrastructure issues: inefficient harbour management and air freight (low capacity and high cost);\textsuperscript{201}
- Government policies: stability of policies affecting the tuna industry, heavy taxation of fuel and fisheries, administrative problems, poor development of government/industry dialogue;
- Business environment issues: lack of credit, unattractive to investors;
- Human resources and capacities issues: low levels of entrepreneurial and fish skill development, lack of preparation for food safety control requirements.\textsuperscript{202}

Several studies indicate that the key component for attracting investment resides in government policies that guarantee potential investors (domestic and foreign) \textit{“a stable, reliable set of policy measures and trading environment”}.\textsuperscript{203} Current EU BFAs provisions, particularly the rules of origin and the absence of further compulsory landing provisions, do not favour investment and the development of local processing for fish products. Improvements to this situation could be built into the new FPAs.

\textit{Small-scale fisheries}

For ten of the PACP countries, tuna (and tuna-like fish) accounts for over 75% of total small-scale fishing. Nearly all the tuna caught on a small-scale is consumed in the region. It plays the most important role as a source of income and sustenance for the smallest and most vulnerable islands, deprived of virtually any other resource. Therefore, competition over the tuna resource in the PACP EEZs does not only concern the domestic and foreign industrial sectors but also the preservation of small-scale fishing that is of vital for the economic viability and food security of a large

\textsuperscript{200} Gillett (2003).
\textsuperscript{201} Tamate (2002).
\textsuperscript{202} HACCP (Hazard Analysis and Critical Control Point) requirements by the US Food and Drugs Administration (http://www.cfsan.fda.gov/~comm/haccpsea.html).
\textsuperscript{203} Idem. The role of a specific tuna-fishery promotion exercise by a Foreign Investment Advisory Service is also indicated as a key element for attracting FDI. Based on previous (non-specifically fishery fisheries sector oriented) work of the Foreign Investment Advisory Service (FIAS), joint facility of the World Bank and the International finance Corporation; see: Gillett (2003).
proportion of the local population. Despite its importance for sustainability, the small-scale fishery is not well addressed in the current EU BFAs.

Table 30. Proportion of Tuna and Tuna-like Fish in Small-Scale Fishing in selected Pacific Islands Countries (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Islands</td>
<td>97.6</td>
<td>Fiji Islands</td>
<td>29.7</td>
</tr>
<tr>
<td>FSM</td>
<td>-</td>
<td>Kiribati</td>
<td>77.8</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>-</td>
<td>Nauru</td>
<td>88.5</td>
</tr>
<tr>
<td>Niue</td>
<td>85.9</td>
<td>Palau</td>
<td>45.9</td>
</tr>
<tr>
<td>PNG</td>
<td>84.6</td>
<td>Samoa</td>
<td>-</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>-</td>
<td>Tonga</td>
<td>98.4</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>79.4</td>
<td>Vanuatu</td>
<td>92.9</td>
</tr>
</tbody>
</table>

Source: Gillett and Lightfoot (2001); data from Dalzell et al. (1996).

Social Impacts

Employment and gender

An evaluation of the contribution of fisheries to employment in the PACP countries is difficult. Gillet and Lightfoot (2001) suggest that in 2000 “about 45,000 Pacific Islanders appear to be presently involved in commercial fishing in the region” out of a total estimated 388,000 wage earners. The number of people involved in subsistence fishing is even higher. Table 31 provides estimates of both paid employment and subsistence fisheries. Business conditions including proximity to processing facilities, schedule of air connections and levels of fuel taxation, are most important for formal employment fisheries while the size of the island is a crucial determinant for subsistence fisheries.

Table 31 – Relative Importance of Fisheries in Paid Employment and in Subsistence

<table>
<thead>
<tr>
<th>Country</th>
<th>Basic Information on Fisheries-related Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Islands</td>
<td>Formal employment: 160 jobs (3.0% of total employment). Subsistence fishing: 4,435 people or 22% of the population.</td>
</tr>
<tr>
<td>Fiji</td>
<td>6,246 jobs or 2.2% of the total formal and informal fishing jobs.</td>
</tr>
<tr>
<td>FSM</td>
<td>767 people or 7.4% of the private sector employees enrolled in the Social Security system.</td>
</tr>
<tr>
<td>Kiribati</td>
<td>349 fisheries-related jobs, or 4.4% of the 7,848 “cash work” employment. 88% of the household fishing of which 17% full time, 22% commercially part-time and 6% for subsistence only.</td>
</tr>
</tbody>
</table>

204 Like the differences in the usage of terms, especially ‘employed’ and ‘fisher’ that cover very different reality in the different surveys and sources available.


206 Idem.
Country | Basic Information on Fisheries-related Employment
---|---
Marshall Islands | 2.8% of all employment is in fishing
Nauru | Around 100 half-time fishermen out of 1,917 formally-employed people.
Niue | 61% of households performed some form of fishing activity.
Palau | 200 commercial and 1,100 non-commercial fishers out of a population of 19,000 (or 6.8%)
PNG | 23% of rural households engaged in fishing (out of 130,963 citizens) of which 60% fish for their own consumption.
Samoa | Around 500-600 people are formally employed in fishing. 1/3 of the households are engaged in some form of fishing.
Solomon Islands | 6% of ‘paid-workers’ are in fishing and fishing-related activities. Fish is the main unpaid activity for 5% of people involved in unpaid work.
Tonga | 8% of the paid employment and 3.2% of the economically-active people are in the fishing sector.
Tuvalu | 5.3% of the total cash employment is in fisheries. 19.6% of all traditional activity is traditional subsistence fisheries.
Vanuatu | 35% of the 22,000 rural households are engaged in fisheries and of those, 40% are selling fish for some form of income.

Source: Gillet and Lightfoot (2001).

Evaluating the importance of employment in the tuna fishery is less difficult than for fisheries generally, as a large proportion of workers in the tuna fishery are “formally” employed. Gillet et al. (2001) estimate that about 15,000 Pacific islanders are formally employed on tuna vessels and in tuna processing plants (Table 32). According to the authors, “total direct and indirect tuna-related employment is estimated between 21,000 and 31,000”— that is, between 5% and 8% of all wage employment in the region.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total jobs</th>
<th>Processing and Export</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fishing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Small</td>
<td>Artisana l</td>
</tr>
<tr>
<td></td>
<td>Commercial Vessels</td>
<td>Artisana l</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>77</td>
<td>7</td>
</tr>
<tr>
<td>FSM</td>
<td>614</td>
<td>150</td>
</tr>
<tr>
<td>Fiji</td>
<td>1 407</td>
<td>340</td>
</tr>
<tr>
<td>Kiribati</td>
<td>1 193</td>
<td>350</td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>519</td>
<td>14</td>
</tr>
<tr>
<td>Nauru</td>
<td>21</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 32 – Direct Employment in Tuna Fishing and Processing in Pacific ACP Countries, 2000

---

*207 Idem.
### Fishing

<table>
<thead>
<tr>
<th>Country</th>
<th>Total jobs</th>
<th>Foreign Fishing vessels</th>
<th>Trans-shipment</th>
<th>Long line</th>
<th>Purse Seine</th>
<th>Pole/Line</th>
<th>Small Commercial Vessels</th>
<th>Processing and Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niue</td>
<td>47</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Palau</td>
<td>36</td>
<td>1</td>
<td></td>
<td>10</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td>3015</td>
<td></td>
<td>25</td>
<td>340</td>
<td>75</td>
<td></td>
<td>2515</td>
<td></td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>2853</td>
<td>138</td>
<td>240</td>
<td>135</td>
<td>750</td>
<td>100</td>
<td>1490</td>
<td></td>
</tr>
<tr>
<td>Tonga</td>
<td>403</td>
<td>3</td>
<td>140</td>
<td></td>
<td>30</td>
<td></td>
<td>230</td>
<td></td>
</tr>
<tr>
<td>Tuvalu</td>
<td>57</td>
<td>7</td>
<td></td>
<td></td>
<td>50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vanuatu</td>
<td>130</td>
<td>120</td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Samoa</td>
<td>1070</td>
<td>60</td>
<td>45</td>
<td>1706</td>
<td>240</td>
<td>785</td>
<td>1360</td>
<td>80</td>
</tr>
</tbody>
</table>

*Including unspecified smaller commercial vessels – Source: Gillett and al. (2001) with data from Gillett and McCoy (1997), interviews with national fisheries officers, FFA staff and regional experts.*

Data indicate that foreign fishing vessels do not contribute in any significant way to total employment in the fishery sector in the PACP countries. Foreign vessels offer fewer opportunities than the smaller artisanal fishery. The most important sector in terms of employment is clearly the processing and export sector, where female employment is crucial.\(^{208}\) The five tuna canneries in the region employ 5% of the total formal female workforce, estimated at one-third of the total jobs in the region.

In many PACP countries the tuna fishery is the subject of specific policies (sometimes implemented in collaboration with FDWN vessels) to promote employment in remote and rural areas, opportunities for women, and support for the private sector. This includes, for example, preferential recruitment of workers from remote areas or outer islands both on vessels and in canneries, and increasing opportunities for women. As an important source of employment and economic activity for several PACP countries, a more developed tuna fishery and processing industry could play an important role in their development and could have important social benefits by providing employment, particularly for women.

\(^{208}\) However, the importance of women in fisheries employment seems to be largely under-evaluated in available evaluations. Gillett and Lightfoot (2001).
However, overall jobs opportunities for local workers on EU vessels are slim under the current EU BFAs. Indeed, there has been a decrease in provisions mandating the employment of local seamen on the EU vessels fishing under the current BFAs. \(^{209}\)

**Nutrition and Food Security**

Fishery products are important for the nutrition of the populations in the PACP countries where average *per capita* consumption of fishery products, at 55 kg/year, is far above the world average of 13 kg/year. \(^{210}\) As with other data, collecting and estimating fish consumption in the PACP countries alone is difficult. Table 33 provides a range for *per capita* consumption of fishery products for the PACP countries. The authors indicate that there seems to be a negative correlation between the size of the island and average *per capita* consumption of fish. This suggests that subsistence fisheries are critically important for food security in the smallest islands that generally lack other economic activity and employment opportunities. The FAO categorises PNG, Kiribati, Tuvalu, Solomon Islands, Vanuatu and Samoa as ‘low-income food deficit countries’. \(^{211}\)

**Table 33 – Fisheries Products Consumption in Per capita (range of estimate, in kg/year)**

<table>
<thead>
<tr>
<th>Fisheries Products Consumption in Per capita (range of estimate, in kg/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Islands: 47.0 – 71.0</td>
</tr>
<tr>
<td>Fiji Islands: 44.0 – 62.0</td>
</tr>
<tr>
<td>FSM: 72.0 – 114.0</td>
</tr>
<tr>
<td>Kiribati: 72.0 – 207.00</td>
</tr>
<tr>
<td>Marshall Islands: 38.9 – 59.0</td>
</tr>
<tr>
<td>Nauru: 46.7</td>
</tr>
<tr>
<td>Niue: 49.9 – 118.9</td>
</tr>
<tr>
<td>Palau: 84.0 – 135.0</td>
</tr>
<tr>
<td>Marshall Islands: 38.9 – 59.0</td>
</tr>
<tr>
<td>Nauru: 46.7</td>
</tr>
<tr>
<td>Niue: 49.9 – 118.9</td>
</tr>
<tr>
<td>Palau: 84.0 – 135.0</td>
</tr>
<tr>
<td>PNG: 18.2 – 24.9</td>
</tr>
<tr>
<td>Samoa: 46.3 – 71.0</td>
</tr>
<tr>
<td>Solomon Islands: 32.2 – 32.7</td>
</tr>
<tr>
<td>Tonga: 25.2 – 30.0</td>
</tr>
<tr>
<td>Tuvalu: 85.0 – 146.0</td>
</tr>
<tr>
<td>Vanuatu: 15.9 – 25.7</td>
</tr>
</tbody>
</table>

Source: Gillett and Lightfoot (2001) with data from various studies.

While small-scale fisheries plays a key role in supplying nutrition to the local population, industrial tuna fishing is also becoming increasingly important in the food supply of the PACP countries. Gillett *et al.* (2001) indicate that “the emergence of medium-scale tuna longline operations in most Pacific Islands Countries has resulted in the sale of damaged tuna, undersized tuna and by-catch on the domestic markets”.

\(^{209}\) While the EU-Kiribati BFA stipulated an obligation of two seamen employed on each EU boat, in the BFA with the Solomon Islands requires one and there does not seems to be any such provision in the last BFA signed with the FSM; however, no precise information has been collected on this point, but is will be investigated further for the Final Report.

\(^{210}\) FAO (1995).

\(^{211}\) FAO (1995).
Ironically as the sector develops progress made towards more selective fishing (thereby reducing undersized and damaged tuna and by-catch) could have a positive impact on marine resources while depriving local populations of an important source of food available at an affordable price.

**Environmental impacts**

*The conservation of fish stocks, including tuna.*

Pacific ACP countries are poor countries whose public budgets are largely dependent on external financing, including access fees. Therefore, linking financial support to the granting of access to the resources is a strong incentive for poor or indebted countries to grant access to already fully exploited or even over-exploited resources. It might also provide an incentive to delay or fail to implement measures necessary for the stock to recover, thereby endangering the preservation of the resources for future generations in order to fulfil short-term public budget requirements. Therefore, the system of access fees that exists under the current fisheries regime acts almost as a built-in incentive to encourage over-fishing of all stocks, including tuna.

Furthermore, the last edition of the EU *Common Fisheries Policy Compliance Scoreboard* (July 2004) indicates a very low level of compliance by EU members states with regard to reports on catch data in third-countries (including ACP). Control of EU member states over the activities of their vessels in ACP waters, including the EEZs of PACP countries, is weak.

One recent study indicates that, “*fisheries Agreements are, therefore, generally signed without any guarantee that they will be implemented in a context of sustainable fisheries*” and that “*practical conditions for implementing of Fisheries Agreements (FAs) cannot guarantee that FAs will operate against a background of sustainable fisheries*”. It further stresses that “*costal states are unable or unwilling to obtain and communicate an overall view of the actual fishing efforts in their EEZs*”.213

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212 *Common Fisheries Policy Compliance Scoreboard* (July 2004).

213 However, this study was conducted in 2002 and does not take into account the BFAs with PACP countries; ADE, PwC and EPU (2002).
Moreover, information on actual catches is not always fully disclosed, a practice which violates the *FAO Code of Conduct for Responsible Fisheries*. Under the BFAs, because 83% of the EU financial contribution is funded by public funds and only a small part by the EU ship-owners themselves there is an incentive for ship-owners to under-report the actual volume of catches to minimize their payments under the BFAs. Moreover, although the BFAs stipulate the compulsory presence of independent observers on each EU boat that fishes in the PACP countries’ EEZs, these observers are paid directly by the ship-owners, which can be an incentive for corruption. Finally, although the BFAs provide for a fixed amount of the EU financial contribution to be directed to ‘targeted actions’ to develop the sector and promote sustainable fisheries, control over the actual utilization of the funds, which are incorporated in the public budget of the beneficiary PACP countries, is difficult. Therefore it is not clear whether these funds are always being directed towards promoting conservation of the resource and sustainable development. Moreover, the value of these contributions is far exceeded by the total amount paid by the access fees.

Apart from the BFAs, EU operators conclude private agreements with local counterparts in the Pacific region to gain access to the 12-mile costal zone reserved for local and traditional fishing. These private arrangements are not consistent with the EU’s objective to preserve fish stocks and develop the local fisheries and undermine the economic, social and environmental viability of the fishery. Unsustainable fisheries activities could have negative impact on others sectors such as tourism.

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214 FAO (1995); See also Satia B. (2003).
216 According to Gorez and O’Riordan (2003), under “good budgetary practices (...) receipts can’t be earmarked in advance” and BFAs protocol stipulate that the third country governments “shall have full discretion regarding the use to which the financial compensation is put” ; therefore, “the domain covered by the ‘targeted actions’ can be considered as [only] indicative of the priorities set by the third country for sustainable development”.
217 The EC (2002) states that “in cases where private licenses are sold to operators, there is also no guarantee that the financial counterpart benefits the fisheries industry and their employees in the third country in the way that the Community targeted actions do”.
218 For example, in Fiji a group of villagers recently imposed a ban on fisheries around the island of Monudraki, a major tourist attraction. Due to unsustainable fisheries, the rich marine resource around the island, an important incentive for tourism activity, is nearly exhausted with negative side-effects on the tourism sector, the main economic activity of the islands. The ban will be lifted in three years and
4.4.2 Alternative Scenario: Regional Fisheries Agreements in the Framework of the EPA

In the general framework of its Common Fisheries Policy reform, the EC plans to negotiate Fisheries Partnership Agreements (FPAs) with third countries. Concerning the ACP countries, the EC proposes “to establish a sector partnership in fishing with Developing Coastal States in line with the co-operation programmes provided for under the Cotonou Agreement”. This new policy will be implemented under four guiding principles:

- ownership (i.e. respect for the fisheries policy of the coastal states);
- integrated approach to enhance the coherence and complementarity of the actions;
- global approach taking into account trade, economic, social and environmental impacts;
- contribution to the development of a favourable environment for FDI (stable legal, institutional and financial framework).

4.4.2.1 Governance

These negotiations take place in the context defined by the EPA negotiations, other international commitments and the current Reform of the European Common Fisheries Policy. At the international level, the EC is committed to promoting sustainable fisheries. At the Community level, since January 2003, the EC has adopted a new Common Fisheries Policy (CFP) that aims to achieve “biologically, environmentally and economically sustainable fisheries” with the same imposed on neighbouring islands. Even though this decision has negative effects on local fishermen (who will have to fish in more distant waters), the local populations support this policy aimed at “maintaining fish stocks while promoting tourism”. Fiji Times Online (2004).

219 EC (2002).
221 At the WSSD in Johannesburg, the EC subscribed to the objective to “maintain or restore stocks to levels that can produce the maximum sustainable yield with the aim of achieving these goals for depleted stocks on an urgent basis and where possible not later than 2015”. The EC also subscribed to the DDA, which states that in the context of the negotiations “participants shall also aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries.”. WTO Ministerial Conference Fourth Dession Doha 9-14 November 2001 WT/MIN(01) /DEC/W/1.
commitment inside and outside the EU waters.\textsuperscript{223} However, this \textit{overall objective} has to be consistent with the \textit{specific objectives} of:

\begin{itemize}
  \item the \textit{Common Fisheries Policy}: to protect the interests of EU fleets by maintaining its presence in distant waters (Long Distant Water Fishing); and,
  \item the \textit{European Development Policy}: to foster the capacity of developing countries to exploit their marine resources, increase local value-added and obtain the fairest price for access by foreign fleets to their EEZ.\textsuperscript{224}
\end{itemize}

In order to ensure the compatibility of these two objectives – and to respect the \textit{coherence principle}\textsuperscript{225} - the EC proposes that “\textit{EU fisheries bilateral relations gradually move from access agreements to partnership agreements with a view to contribute to responsible fishing in the mutual interest of the Parties concerned}”.\textsuperscript{226}

The proposed Fisheries Partnership Agreements (FPAs) will differ from the existing BFAs in two important ways:

\begin{itemize}
  \item fisheries and development policies will be considered ‘on the same basis’; and,
  \item in the calculation of the EC financial contribution the “\textit{mutual interest of the Parties in establishing responsible fishing on a sustainable basis}” will outweigh the fishing interests of the EU LDWF.\textsuperscript{227}
\end{itemize}

This new policy will be applied for negotiations on fisheries in the framework of the EC – Pacific ACP countries negotiations that began on 10 September 2004.

\textbf{4.4.2.2 Regional Integration}

The \textit{Joint Road Map} between the EC and the PACP countries indicates that the trade negotiation will begin in January 2007. This decision rests on the compatibility difficulties between a potential FTA with the EU and the others regional commitments of the PACP countries. All of them are also signatories of the \textit{Pacific Agreement on Closer Economic Relations (PACER)} that includes their main trading partners, New

\begin{itemize}
\item EC (2000).
\item EC (2002).
\item One of the funding principles of the Treaty on the European Union – Article 178.
\item EC (2002).
\item \textit{Idem}.
\end{itemize}
Zealand and Australia. The PACER requires “negotiations with Australia and New Zealand to commence 8 years after the PICTA comes into force”. It came into force on 13 April 2003 and so negotiations will begin in 2011. However, Article 6 of PACER requires the PACP countries undertaking formal negotiations with the objective of forming a free trade area or a customs union with third countries/regional organizations, to offer to undertake, as soon as possible, consultations with Australia and New Zealand “with a view to commencement of negotiations” of a similar type of agreement.

Despite the delay in negotiating trade measures with the EU, “Australia and New Zealand are now insisting that PACER’s trigger has been pulled”. One can therefore assume that the conclusion of an EPA between the EU and the PACP countries will be followed shortly by a similar agreement with New Zealand and Australia in the framework of PACER. Moreover, the COMPACT Agreements between the Federal States of Micronesia, Palau and the Marshall Islands and the United States includes a commitment to give the United States market access at least as favourable as that provided to any other country by the these PACP countries.

The Joint Road Map has therefore prioritised regional integration. The regional dimension of fisheries policy is important for the PACP countries given the size of their EEZs. Moreover tuna is a highly migratory species and can only be effectively controlled at the regional level.

The development of the fisheries sector (especially for tuna) and the preservation of the resource require further regional integration to encourage a

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228 See supra. PACER entered into force on October 3rd, 2002 once ratified by 6 members (Fiji, Australia, New Zealand, Cook Islands, Samoa and Tonga); Kiribati, Nauru, Niue, Papua New Guinea and Solomon Islands have since joined.

229 Pacific Islands Forum Secretariat (2001). PICTA required ratification by at least six and came into force on 13 April 2003. Current PICTA members are the Cook Islands, Fiji, Niue, Samoa, Tonga, Solomon Islands, PNG, Nauru and Kiribati. Vanuatu, Tuvalu have yet to ratify. The Compact States (Micronesia, Palau, and the Marshall Islands) have been given three more years to assess the implication of extending the same concession to the US.

230 A “Customs Union” is defined by Article 24:8 of the General Agreement on Tariffs and Trade.


233 Lamy, P. (2004). This is consistent with the EC objective to “promote international and regional cooperation for the sustainable exploitation of resources based on sound scientific advice, and better control and enforcement systems”. EC (2002).
regional fisheries policy and a regional common market. A regional fishery policy should be implemented at a broad level, in collaboration of the other non-ACP countries in the region. The relevant organization is the FFA. The FFA has already developed several programs to encourage the sustainable management of the fishery resource. (Box 4)

**Box 4. FFA Monitoring Control and Surveillance Programmes**

The MCS Division supports national fisheries monitoring, control and surveillance (MCS) programmes being conducted by FFA members and acts as a coordinating point for regional MCS initiatives such as the FFA members' vessel monitoring system (FFA VMS) and aerial surveillance by the air forces of Australia, France and New Zealand, and the U.S. Coast Guard. The support for FFA members is in the form of MCS training and fellowship opportunities at the FFA Secretariat, and in-country workshops on dockside boarding of fishing vessels, prosecution of offences and operational aspects of the FFA VMS.

The MCS Division also operates several databases on behalf of FFA members including the Regional Register of Foreign Fishing Vessels database, Fisheries Agreements and Licensing database, FFA VMS database and Violations and Prosecutions database. Regularly updated information from these databases is available to FFA members to enhance their national MCS programmes.

Within the MCS Division, the Observer Programme places Pacific island nationals on purse seine vessels operating under the U.S. Multilateral Treaty on Fisheries and the Federated States of Micronesia Arrangement. The Observer Programme also provides comprehensive regional and national training on all fishing vessel types, on request, in support of national and regional fisheries observer programmes. All observer collected data is stored on the Observer Programme database where it is available to FFA members, and other approved organisations or persons for management and monitoring purposes.

*Source: FFA Monitoring Control and Surveillance Division (http://www.ffa.int).*

In the context of FPAs, EU support to the 14 PACP countries could help them develop and coordinate their national MCS programs. Support could also be granted to the FFA VMS to ensure that it is operating throughout the EEZs of the 14 PACP countries. The further involvement of the EU in these programs will also help the EC to better monitor its LDWF where control by member states is weak.\(^{234}\)

The creation of a *regional market* is a necessary condition for the economic development of PACP countries and to attract FDI. The PACP countries impose among their highest imports duties on fisheries, reflecting their desire to protect their

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\(^{234}\) EC (2004).
Fisheries. However, it tends to discourage the development of an industrial sector while a regional market would encourage FDI by creating a larger pool of inputs.

A comprehensive development strategy could allow domestic PACP fleets to develop a common regional infrastructure that could be financed with the support of the EU. Examples of necessary infrastructure include ports, testing and certification facilities (for SPS requirements, traceability, eco-labelling), and industrial processing and export facilities. A regional, integrated, approach is necessary for the development of air freight services in the region to maximise utilisation and loads. Moreover, the financial viability could be improved if it were to include “complementary traffic of fresh products other than fish”. Finally, communication with producers and shippers is essential in order to ensure predictable loads. These large investments can be made most effectively on a regional basis.

Fostering regional integration could also have positive effects on the implementation of coherent and mutually supportive national tuna management plans.

There is also evidence that national fisheries associations play a key role in the industrial development of the fisheries sector. This could be enhanced at the regional level by the creation and promotion of regional fisheries associations that could ensure coherence and develop synergies between the programs and actions of the national fisheries association.

FPAs will take place in the general framework of the EPA. The Cotonou Agreement stresses the importance of a public policy dialogue and the involvement of the private sector and the civil society in the consultation and the decision making process. FPAs therefore offer an adequate framework to enhance, both at the national and the regional level, dialogue between regional organisations, government and public agencies, private sector and civil society. Supportive EU actions should be

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235 Inter alia, by improving the global governance in the sector (fight against corruption), generating political will, disseminating relevant information, facilitating interaction between government and the representative organisations of the industrial sector and influencing the government policies in favour of the fisheries sector; Walton H. (1998); Gillett (2003).

236 “The European Commission has provided over € 12 million for trade related assistance in the Pacific Region. In 2003, the Commission approved a Regional Plan for preparation of EPA negotiations (€1.2 million), which covers studies, technical expertise and support for coordination meetings. The Commission is currently also funding a Pacific regional representation office in
especially directed in favour of the regional fisheries organisations that are able to ensure, at the regional level, comprehensive implementation of the development programs for the fisheries sector.

4.4.2.3 Trade Measures

**WTO Compatible subsidies: the need for a ‘special and differential treatment’**

The EPAs have to be ‘WTO compatible’. Subsidies are an important question related to negotiations on fisheries. The current BFAs are under pressure from the WTO as both the fees paid by the EU for access to ACP EEZs and the grants to EU-ACP joint ventures could be considered as subsidies that distort competition between EU fleets and PACP fleets (as well as third countries). In April 2003, the EC made a submission to the *WTO Negotiating Group on Rules* that proposes make a distinction between:

- subsidies that enhance capacities through the fishing fleet renewal (construction of vessels, increase in fishing capacity) or the permanent transfer of fishing vessels to third countries (including joint ventures with local partners) that would be prohibited (‘red box subsidies’);
- subsidies that contribute to achieve the “objective of reducing fishing capacity and to mitigate negative social and economic consequences of the restructuring of the fisheries sector”\(^{237}\) that would be permitted (‘green box’).\(^{238}\)

This submission seems to be somewhat in opposition with the *Conclusions of the Agriculture and Fisheries Council Meeting on ‘an integrated framework for fisheries partnership agreements (FPAs) with third countries’* of 19 July 2004, that states that FPAs should promote “European investments and the transfer of technology and vessels”\(^{239}\). The transfer of technologies and knowledge is important to support the development of the capacity in the PACP countries to promote sustainable fisheries.

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\(^{237}\) In particular the modernization of the vessels “to improve safety, product quality or working conditions or to promote more environmentally friendly fishing methods” or ‘withdrawal of capacities’. WTO (2003).

\(^{238}\) WTO (2003).

\(^{239}\) EC Council (2004).
However, the ‘transfer of vessels’ (supposed to be phased out after 31 December 2004) seems to be in contradiction with the EC submission to the WTO Negotiating Group on Rules, as well as with provisions of UNCLOS. If this provision is to be included in a future EPA with the PACP counties, these countries must ensure that “any vessel transfers that occur do not create or exacerbate over-fishing in their waters.”\textsuperscript{240} This requires improved Control and Monitoring of EU fleets (as well as of the other DWFN fleets). This could be achieved, for example, through the extension of the FFA Vessel Monitoring System (VMS) to all EU boats fishing under the FPAs.\textsuperscript{241} This will also allow EU Member States to better monitor the activities of their DWFN in the Western Pacific and to fulfil their commitments under the EU Common Fisheries Policy Compliance.

The submission to the WTO Negotiating Group on Rules also proposes taking into account the special needs of the developing countries, through a ‘development box’. Under the ‘special and differential treatment’ of the Cotonou Agreement, the PACP countries should have the option of developing their own fishing capacities without being constrained by rules applicable to modern fleets of developed countries. The EU-ACP EPA negotiations could play an important role to promote such ‘differential treatment’ in the fisheries sector in the general framework of WTO negotiations.

**SPS measures and Trade Facilitation**

The EU could become a lucrative market for exports of frozen fish and fish products\textsuperscript{242} Through Europ/Aid, the EU has developed a specific program for the Strengthening of Fisheries Health Conditions in ACP/OCT Countries (SFP ACP/OCT) in collaboration with the ACP Secretariat Brussels. This programme has the objective to “improve the access of ACP/OCT countries fish and fishery products to the world market by strengthening (exports) health controls and improving productions conditions in the beneficiary countries”.\textsuperscript{243} (Box 5)

\textsuperscript{240} Idem.
\textsuperscript{241} CTA (2004).
\textsuperscript{242} See supra; Scollay (2002).
\textsuperscript{243} Ledoux O. (2003).
Box 5. Strengthening of Fisheries Health Conditions in ACP/OCT Countries (SFP ACP/OCT) – EU program of €44.8 Million

The program includes 4 types of actions:

- Studies and artisanal fisheries support
- Advice on sanitary control for public and private sector
- Advice and training to testing laboratories
- Training for public and private sector.

The results to be achieved are:

- Ameliorated national health conditions and control capacities for fish and fish products
- Established scientific support for the health control system by improved laboratories and technical institutes.
- Improved level of fish industry by compliance to modern health condition standards.
- Improved handling practices and infrastructures for small scale fisheries.

Source: Ledoux (2003).

The FPA negotiations will ensure that the specific needs of the Small Islands Countries and the LDCs in the Pacific region and those of the small-scale fisheries are met. In particular, the objective will be to ensure that local small-scale fisheries gain improved access to local, regional and even international markets, in order to develop the sector and reduce waste but with the specific intent of preserving local food security.244

The prospect to develop the export market for fisheries products from PACP countries depends on:

- Access to the resource at a ‘fair price’ and the capacity to transform it in order to add value in situ.
- The compulsory landings provisions (post-harvest provisions) and the rules of origin that will be negotiated in the FPA.
- Whether new agreements include specific trade facilitation provisions – not only in financial terms but also concerning technical cooperation and capacity building provisions – in order to provide the adequate institutional, legal and technical environment for the development of the industrial fisheries sector.245

Rules of origin

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244 Gorez B. and B. O’Riordan (2003b).
245 Scollay (2002).
Article 37.7 of the Cotonou Agreement commits the EU to reviewing rules of origin as one avenue for providing improved market access to the ACP countries within the proposed EPA. A reform giving “originating” status to all fish caught not only in the territorial waters of the PACP countries, but throughout their EEZs (notwithstanding the flag or the crew composition of the boat) would contribute to eliminating the competition distortions between EU and APC fleets and have positive impacts on the locally-based fish processing sector that will no longer have to ‘import’ EU-originating fish caught in their EEZs.

Specific measures: Post-Harvest and Vessel Arrangements
FPAs could improve on some of the shortcomings of the existing BFAs by including provisions for the compulsory landing in local ports of some or all catches by EU vessels in the EEZs of the PACP countries. These provisions will be made in conjunction with the Regional Indicative Program and the national fisheries policy of each coastal country (ownership principle).

Provisions need to be made in the FPAs for an accurate and comprehensive program of fishing-vessels control at the regional level. This will allow the Pacific ACP countries – through a regional organization (like FFA) – to control the volume and nature of the catches, to evaluate and reduce by-catches and to ensure the compliance with reporting and compulsory landing rules. Together with EU support for the scientific capacity and the periodic evaluation of the tuna stocks under the framework of the WCPTC, this program will allow PACP states to gain improved understanding of, and control over, their resources.

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246 Scollay (2002).
248 EC (2002), Community Action Plan to eradicate Illegal, Unreported and Unregulated Fishing (IUU), COM 2002/180. The different components of this program are as follows: the compulsory use of Vessel Monitoring System in the EEZ of PACP countries (for example: development and enhancing of the current FFA VMS); an (increasingly important) program of on-shore observers, trained and paid from an EU-ACP fund and no longer by ship-owners (fight against corruption); EU assistance to PACP countries to prosecute illegal, unreported or unregulated fishing (IUU), in line with the EU Action Plan to eradicate Illegal, Unreported and Unregulated Fishing.
4.4.2.4 Potential Sustainability Impacts

A FPA between the EU and the PACP countries will support the current regional integration process and could have several positive impacts in economic, social and environmental terms. However, the development of the sector it will promote could also pose risks for the local small-scale fisheries and the economic and social sustainability of the region.

**Economic Impacts**

FPAs could play an important role in the support of development prospects of the fisheries sector in the PACP countries. Scollay (2002) indicates that the main prospects for export to the EU are frozen fish of an intermediate quality (between fresh products and cannery grades), provided duty free access to EU is preserved.

The Pacific ACP countries are demonstrating increasing determination to capture a larger portion of the direct economic benefits derived from their tuna resources. This involves less reliance on access fees and greater reliance on industrial development in the sector.249 This objective, which would promote longer term economic sustainability, is consistent with the objectives of the FPAs.

**Public and Private Investment**

Fostering regional integration is a pre-requisite for attracting public and private FDI in the region. Contributing to the development of a favourable environment for FDI, by promoting a stable legal, institutional and financial framework, is one of the guiding principles of the Fisheries Partnership Agreements policy of the EU.250 The **development dimension of the EPAs** could consider contributing to the financing of the infrastructures necessary to the development of the fisheries sector as well as investments in capacity building both in the sector and in the legal and institutional environment251. An important dimension will be the capacity building in the area of quality and food safety control (SPS measures, traceability, eco-labelling).

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251 Infrastructures investments would concern material investments – such as in the port, cold chain, transport (air freight) ; capacity building support will concerns training of fishermen and of people working in the processing sector, national and regional officials in charge of the conception, implementation and control of the fisheries policies.
Development of current EU programs in this area will be necessary for the fish-products of PACP countries to enter regional and international markets.

Synergies could also be developed between industrial small-scale tuna fisheries. Gilett et. al. (2001) indicate that the development of the tuna fishery has increasingly had a positive impact on small-scale fishers that benefit from the infrastructure and the economies of scale provided by industrial-scale tuna operations.

The creation of an investment-friendly environment and the prospect of a regional market would have a positive impact on the private investment (FDI) in upgrading the local/regional fleets and local processing activities. Specific attention could therefore be paid to the conduct of specific missions aimed at the promotion of tuna-industry in the region.252 Activities that increase value-added will have positive economic impacts on GDP and also in the development of services related to fisheries253

**Fiscal and public finance impacts**

The economic development of the sector could have positive impacts on the public finances in several ways. At the regional level the FPA will allow the EU access to larger areas for fishing (EEZs) with a proportional increase in the fees (paid by ship-owners) either to the governments and/or to specific organizations/programs aimed at the sustainable development of the sector. Economic development also has direct fiscal impacts on the budget through the development of related sectors and an increase in the tax base. However the creation of a regional free-trade area could also have negative fiscal impacts given the high level of MFN tariffs currently applied in many PACP countries.254

**Social impacts**

**Employment**

In the framework of a FPA, provisions need to be made to ensure that the local population will benefit from the new job opportunities offered by the development of

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252 Specific EC programs dedicated to private sector development and investment promotion in ACP countries (such as the Pro€Invest programs and more largely the EU CDE) could be mobilized to meet this objective.

253 Including, for example, management and repair of the boats: annual expenditures by the 303 industrial-scale tuna vessels based in the region are estimated to be around $150 million (Gillet et al. (2001)).

254 This question will be further investigated in the Final Report.
the fisheries sector both off-shore and on-shore. Specific actions in terms of capacity building and transfer of technical knowledge would help develop local capacity in terms of industrial fish processing but also in the support infrastructures and the legal and institutional environment (such as customs). All these actions could have positive impacts on employment in the region and increase levels of qualifications.

Nutrition, subsistence fisheries and food security

As a key element of the diet of several low-income PACP countries, tuna plays a central role in the food security of the population. The industrial development of the sector, leading to increasing pressure on the resource, runs the risk of displacing small-scale and subsistence tuna fishing.

However, industrial fisheries also plays an important role in food security of some remote local populations that ‘smoked, baked or dried’ excess catch (not used by the industrial processing sector) and ‘stored it for use during periods of food scarcity’.

The sustainable development of the sector, with the upgrades of the fleets and fishing techniques, improvement of the monitoring and control of the fishing activities, should lead to a decrease of by-catch, undersized, damaged and excess tuna catch with a positive impact on conservation. The FPAs should take into account the potential drop in excess catch landed and consumed by local populations. Moreover, the scrupulous respect of the ban on industrial fishing inside coastal zones, reserved for subsistence fishing is vital for the food security of the local population. This is particularly important for the several Pacific ACP countries (PNG, Kiribati, Tuvalu, Solomon Islands, Vanuatu and Samoa) classified by the FAO as ‘low-income food deficit countries’.

Environmental impacts

The development of the industrial fisheries sector could have negative environmental impacts if it is uncontrolled and implemented in an unsustainable way. The construction of ports and others facilities as well as processing units will have to meet the environmental protection requirement in order to preserve the fragile coastal and marine ecosystems. The preservation of the trophic integrity of the biosystem

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255 Gilett et al. (2001).
should be a clear dimension in both national and regional development policies. EU development aid programs should require that these objectives are taken into account.

The main potential negative effect of industrial tuna-fishing development concerns the health of the fish stocks, which is vital both for the economic development of the region but also for the subsistence and food security of the local populations. This involves modern Control and Monitoring Systems at the regional level. 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. This environmental dimension will be further explored in the Final Report.

4.5 Preliminary Recommendations

The following policy measures will be followed-up for the Final Report, for consideration in the framework of the EPA/FPA negotiations.

Trade-Related Measures

• Review rules of origin for fishery products to promote the development of the local fish processing industry in the Pacific;

• Phase out EU-subsidised vessels transfers in PACP countries waters;

• Maintain existing duty-free access to the EU market for fish and fish products from the PACP countries;

• Pursue progress towards regional integration between the 14 Pacific ACP countries (PICTA) to improve the climate for investment in processing infrastructure and other facilities (such as testing and/or certification labs) that can lead to increased capacity to export over time.

• To promote a ‘differential treatment’ in the fisheries sector in the framework of WTO negotiations.

Conservation of the resource

• Implement a modern and comprehensive Control and Monitoring System at the regional level to:
  o accurately evaluate catches and by-catches and trends over time;
  o generate precise and regular information on the status of fish stocks;
- encourage the sustainable management of the resource;
- limit practices such as on-shore transboarding, illicit, undeclared and unregulated fishing;
- ban unsustainable and damaging fisheries practices (such as poisoning)

- Maintain and enforce a scrupulous ban on industrial fishing within the coastal zones of the PACP countries to help ensure a viable small-scale and subsistence fishery necessary for food security of local populations.

**Capacity Building**
- Implement activities to transfer technical knowledge to develop local capacity in terms of modern fishing techniques, industrial fish processing and support for infrastructure and the legal and institutional environment.
- Support training initiatives with regard to technical requirements for export to the EU such as SPS measures and traceability requirements.
- Support to regional fisheries organisations to ensure the comprehensive implementation of sustainable development plans in the fisheries sector.

**Governance**
- De-link access to the resources and financial support with respect to fisheries.
- Explore the feasibility of coordinating existing National Tuna Management Plans at the regional level and ensuring their compatibility with regional policies for the conservation and sustainable use of tuna.
- Include in the FPAs, national and regional decentralization policies aimed at promoting economic activity and employment opportunities.

**Sustainable Development and Investment**
- Include in the FPAs provisions to ensure that the local population benefit from new *job opportunities* offered in the fisheries sector both off-shore and on-shore and in related activities (SPS control, transport, support activities).
- Contribute to financing infrastructure necessary to development value-added in the fisheries sector including investment in ports, cold chain, transport (air freight).
- Explore the potential synergies and complementarities between industrial and small-scale tuna fisheries in the implementation of development project in the fisheries sector.
- Take into account the potential negative impact of a reduction of excess catch on poor and remote communities that store excess catch for food scarcity period and develop adequate policies to mitigate this potential impact.
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WTO Ministerial Conference Fourth session Doha 9-14 November 2001 WT/MIN(01)/DEC/W/1.

## Annexes

### Annex 1. Sustainability Indicators for West Africa

#### Table 1-1: Economic indicators

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#### Table 1-2: Social indicators

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<th>Employees in agriculture 258</th>
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<td>Urban (%)</td>
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259 MDG, 1996-2002; Unicef.
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<th>Employees in agriculture</th>
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Table 1-3: Environmental Indicators

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<th>Forest average annual change rate (%)</th>
<th>Average annual fertiliser use (kg/ha of crop land)</th>
<th>Energy consumption by industry (% of Total consumption)</th>
<th>CO2 emissions by industry (million metric tons)</th>
<th>Water withdrawals (total millions m³)</th>
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<th>Share of Industrial water withdrawal (percent)</th>
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261 World Resources 1999.
Annex 2: Production Figures for Fruits and Vegetables in West Africa

Table 2-1. Pineapple production: harvested areas in ha

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<tr>
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</table>

Source: FAO stat.

Table 2-2. Pineapple production in metric tons

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Source: FAO stat.

Table 2-3. Mango production: area harvested in ha for the top five countries and the ECOWAS + Mauritania

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</table>

Source: FAO stat.

Table 2-4. Mango production: production in metric tons for the top five countries and the ECOWAS + Mauritania

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<td>12,000</td>
<td>12,000</td>
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<tr>
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Source: FAO stat.
### Table 2-5. Tomato production in ECOWAS + Mauritania: Top five countries and all region. Harvested area (in ha)

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### Table 2-6. Tomato production in ECOWAS + Mauritania: Top five countries and entire region. Production (in metric tons)

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### Table 2-7. Onions production in ECOWAS + Mauritania and Top Five countries. Harvested area in ha

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### Table 2-8. Onions production in ECOWAS + Mauritania and Top Five countries. Production in metric tons

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129
Visitor expenditure estimates refer to total expenditure by visitors and do not take into account leakages. The Gross Domestic Product (GDP) is the sum of the value added contribution of each good and service produced in the economy.

The hotel occupancy tax varies in definition and form across countries. It is referred to variously as the room sales tax, the tourism tax, the bed occupancy tax, or the taxe de séjour. The tax is levied either as a flat rate (for example, $10 per person) or as a percentage of the room rate. This presents problems for cross-country analysis. With these limitations in mind, however, the data provides a useful indication of the revenue potential of the sector for governments (CTO, 2004: 251).
Travel & Tourism Economy employment includes Travel and Tourism Industry employment (airlines, hotels, car rental, restaurant, retail, entertainment, etc) plus those faceless jobs associated with: Industry suppliers (airline caterers, laundry services, food suppliers, wholesalers, accounting firms, etc); Government agencies, manufacturing and construction of capital goods and exported goods used in Travel & Tourism; Supplied commodities (steel producers, lumber, oil production, etc).
CTO, 2004: 32. Note: the seasonal pattern of tourist arrivals also varied according to individual source market. US travel is essentially summer time travel, the opposite of Canadian travel.