

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

## Phase Two



*Final Report (revised)*

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**SUSTAINABILITY IMPACT  
ASSESSMENT (SIA) OF THE EU-ACP  
ECONOMIC PARTNERSHIP  
AGREEMENTS**

**Executive  
Summary**

A translation into French of this Executive Summary is also available from the project website: <http://www.sia-acp.org>.

# EXECUTIVE SUMMARY AND POLICY RECOMMENDATIONS

This is the Final Report of Phase Two of the Sustainability Impact Assessment (SIA) of the Economic Partnership Agreements (EPA) being negotiated between the European Union (EU) and the African Caribbean and Pacific (ACP) countries. The EPA negotiating process began in September 2002 and is scheduled to be completed by December 2007. This *ex-ante* SIA assesses the potential economic, social and environmental impacts of an EPA on the agro-industry sector in West Africa (the Economic Community of West African States (ECOWAS) and Mauritania), tourism services in the Caribbean ACP countries and fisheries in the Pacific ACP countries.

The sector studies all explore the sustainability impacts of a 'baseline scenario', which reflects the current status of regional integration and trade liberalisation between the EU and the ACP region. They then consider the sustainability impacts of an EPA scenario that contemplates robust regional integration in conjunction with asymmetric tariff reductions (for West Africa), comprehensive liberalisation (for tourism services in the Caribbean) and an EPA with the PACP countries that liberalises trade and addresses regional fisheries in partnership with the EU. Finally each sector study makes policy recommendations related to economic, environmental and social sustainability with a view to promoting positive impacts and mitigating any negative impacts of an EPA.

One of the purposes of the SIA is to help define and put in place policy packages to accompany EPAs to ensure that the outcome of the negotiations contributes to sustainable development. In response to this, policy recommendations have been developed in three general categories: policies related to regional integration, policies designed for trade negotiators that address trade measures, and policies that are directed at all decision-makers in ACP countries and in the EU, that can be pursued in order to promote sustainability.

The policies are grouped under these categories, as opposed to under the headings "economic", "environmental" and "social". They are integrated to recognise that the three pillars of sustainable development are inextricably interrelated and policies will often affect one or more variables identified. For more detail on specific sectors or regional priorities please refer to the policy recommendation sections that conclude each sector study.

However, there are some overarching conclusions from the sector studies and policy recommendations that apply to all three studies. This begins with the need to reflect in the EPAs the central objective of promoting sustainability in conjunction with promoting trade. This could be achieved, along with reaffirming a commitment to the spirit of the Cotonou Agreement (and major international efforts that preceded it and those that have come since such as the Doha Development Agenda), in a Preamble. Further to the general findings in these sector studies, through an EPA, the Parties might also seek, *inter alia*, to:

- Promote sustainable development;
- Pursue trade liberalisation and enhance the competitiveness of their firms in global markets in a manner consistent with environmental protection and conservation, safeguarding public welfare;
- Ensure a predictable commercial framework for business planning and investment in a manner consistent with environmental protection and conservation, safeguarding public welfare;
- Strengthen the development and enforcement of environmental laws and regulations, basic social protections and workers' rights, and gender equality.
- Create new employment opportunities and improve working conditions and living standards in their respective territories;
- Strive to reduce and ultimately eradicate poverty in their respective territories;
- Preserve flexibility to safeguard the public welfare;
- Recognise the importance of effective multistakeholder public participation in the successful development of policies related to both trade and sustainable development.

The consultations for this SIA made it clear that a large number of the stakeholders lack basic information on the EPAs and on the SIA. Therefore, all of the sector studies include a general recommendation that dissemination of information should be improved and the effective participation of civil society in the EPA negotiations should be pursued. Civil society actors equipped with the appropriate information, knowledge and skill could make effective contributions to ACP-EU cooperation under the EPAs to support sustainability, in the short, medium and long

terms. In order to encourage such informed stakeholder participation in the short term to contribute to the negotiations and in the longer term to follow-up on the findings in this SIA and inform future programmes to promote sustainability, the Parties should consider establishing a permanent mechanism to promote multi-stakeholder participation in development co-operation and capacity building to support sustainability under the EPAs as well as a mechanisms for the ongoing collection, analysis and dissemination of relevant data and information to track progress towards sustainability.

Therefore, recommendations that apply to all the sector studies, and the overall EU-ACP cooperative agenda could include short-term arrangements to feed into the negotiations, supplementing what already exists, along with longer term institutions to make ongoing recommendations to key decisions-makers in both the EU and the ACP regions.

- ***Establish a High-Level Independent Advisory Committee on Sustainability to promote meaningful public participation in the EPA negotiations.*** A High-Level EU-ACP Advisory Committee on Sustainability should be established to feed directly into the EPA negotiating process. Documents should be made available, in confidence if necessary, on a timely basis to this group. The Advisory Committee should include representatives from, inter alia, important sectors affected, from environmental NGOs, from social NGOs, from women's groups and trade unions. The Parties could consider granting members of this committee observer status in EPA negotiating groups. This committee should report directly to the negotiators from the EU and the ACP regions. The Advisory Committee should hold regular consultations with civil society in both the EU and the ACP regions.

Following the negotiation of the EPAs, this initiative could evolve into a more permanent structure to increase awareness, disseminate information, and build capacity on an ongoing basis.

- ***Establish a permanent EU-ACP Cooperative Dialogue for Public Participation and Capacity Building for Sustainability.*** In order to encourage informed participation in the implementation of the EPAs, as a follow-up to this SIA a mechanism should be established to encourage ongoing participation of civil society in the EU and the ACP regions to develop EU-ACP cooperation on sustainability and the EPAs on a permanent basis. Such a mechanism could:

- Compile and disseminate information, and undertake research and assessments with regard to trade and sustainable development;
- Coordinate technical assistance in support of sustainability;
- Consult and collaborate with national, sub-regional and regional environmental authorities and institutions;
- Interact and consult regularly with civil society in the design and implementation of its work plan;
- Create guidelines for public participation on matters related to EU-ACP cooperation under the EPAs.

To be successful, such as mechanism should include a broad range of influential stakeholders representing, *inter alia*, trade unions, women's' organisations, environmental and social non-governmental organisations (NGOs), traditional communities, business organisations, and government representatives from both the EU and ACP countries. Such an institution and the guidelines it establishes could have spill-over effects into other areas such as intra-regional cooperative mechanisms or other multilateral efforts, including trade negotiations.

Specific recommendations related to the sector studies are presented below. Each of the following sections includes a matrix of major sustainability impacts and a summary matrix of policy recommendations. Policy recommendations are presented in descending order of priority within each category, based on considerations including: impact on economic, social, and/or environmental sustainability; building on existing initiatives, negotiations or policies; and feasibility.

### **West Africa: Agro-Industry**

This sector study concludes that the most appropriate scenario to pursue, to promote economic, social and environmental sustainability in the trading relations between the EU and ECOWAS (and Mauritania) is one where there is asymmetric liberalisation along with progress on cooperation for development, trade facilitation, foreign direct investment (FDI) and standards.

The West African study focuses on fruits and vegetables, cereals, meat and cotton yarn. Fruits and vegetables encompass tropical fruits and vegetables for export markets and vegetables produced for the regional market. Exports are important for

mangoes, pineapples and green beans. Vegetables produced for the regional market include potatoes, onions and tomatoes. Cereals include wheat and wheat products imported from the EU and local cereals produced in West Africa. The meat sector includes beef and poultry and finally cotton is examined from the perspective of first-level processing – cotton yarn and unbleached fabrics – for export to the EU and for the regional textile industry.

Consistent with the methodology developed for this SIA, this study explores trade measures and sustainability variables identified as most the relevant for the specific products under consideration. These are presented below.

### Trade Measures and Sustainability Variables

Trade Measures	Economic Variables	Social Variables	Environmental Variables
<ul style="list-style-type: none"> <li>• Market Access</li> <li>• Trade Facilitation</li> <li>• SPS measures and TBTs</li> <li>• Foreign direct investment</li> </ul>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Government revenue</li> <li>• Investment</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Employment and labour</li> <li>• Poverty</li> <li>• Gender equity</li> <li>• Food security</li> </ul>	<ul style="list-style-type: none"> <li>• Land use</li> <li>• Use of inputs</li> <li>•</li> </ul>

The major findings related to sustainability are presented in a matrix that follows, which is followed by a summary of the policy recommendations that frame the EPA scenario with respect to regional integration, trade measures and accompanying policies to promote sustainability.

From an environmental perspective, in the short term impacts of the EPA scenario will tend to be minimal. In the longer term, to the extent that viable processing industries develop in West Africa there could be negative impacts (use of fossil fuel, production of waste material). These can be mitigated through sound environmental regulation. There are unlikely to be major changes associated with land use brought about by liberalisation *per se*. However, production is already increasing in the region for fruits, vegetables and cereals and to the extent that this is encouraged without improvements in cultivation techniques, existing pressures could be exacerbated.

### Regional Integration

Integration in West Africa is progressing slowly. Regional integration includes adopting a common external tariff (CET) as well as addressing key policy priorities at

a regional level and encouraging regional cooperation with the EU on issues of mutual concern. Further regional integration can help countries develop internal markets, address supply-side constraints on increasing trade and production, and take full advantage of a prospective EPA. In West Africa, these impacts are likely to be significant, encouraging the development of the regional institutions that exist under ECOWAS to begin to engage in cooperative dialogue with the EU on issues related to the EPA to promote sustainability in the short, medium and long-terms.

More directly, further integration can help build regional markets for existing agricultural products and processed food products. It could also encourage countries to cooperate on regional strategies for investment, trade facilitation and standard-setting which would not only be of benefit within the region, but would strengthen their trading position *vis-à-vis* the EU and the rest of the world. Regional integration can also encourage the ability of West African countries to “pool” their resources and promote shared environmental management of transboundary environmental issues.

A first priority in the region in order to promote economic, social and environmental benefits from agriculture and agro-processing is the further development of regional integration, which includes establishing a viable customs union and helping West African countries develop internal markets. Emphasis should be placed on improving trade flows among the countries of West Africa including regional transportation networks. Regulatory cooperation in key policy areas and the development of sectoral strategies would also contribute to and improve climate for foreign and local investment and increase the competitiveness of the West African industry for food products and agriculture.

### **Trade Measures**

The benefits of regional integration would be enhanced by an EPA that left tariff barriers in place for specific products in West Africa (to protect regional markets from cheaper imports or import surges). The West African study is most concerned with market access for goods. ACP products enter the EU free of duties and quotas at present with the exception of some products which are subject to tariffs. In this study, this includes specific mango products. In West Africa important economic and social impacts would be felt to the extent that tariffs are lowered on specific products. This is because for some of the products existing tariffs are not high enough to compensate

for the cheap imports of products such as poultry parts or worn clothes. The full liberalisation scenario indicates that for specific products (potatoes, onions, poultry, prepared tomatoes, and worn clothing) there could be serious injury to domestic production and the well-being of producers as a result of lower tariffs. This is likely to have negative impacts on poverty and food security in rural areas, where the poorest populations live, depress local industry and discourage the development of processing capacity.

Therefore, a first priority, as indicated in the EPA scenario, is to address issues of market access. This includes five main recommendations. The first is to continue to protect specific products in West Africa by leaving existing tariffs in place, at least in the short and medium terms. Asymmetric tariff reductions should focus on these products and in particular those where existing gains could be most rapidly eroded as a result of full liberalisation, as well as those where the largest losses in government revenue might come about as a result of complete liberalisation. In this study, these include poultry, and some vegetables for the regional market and processed products such as prepared tomatoes. Taken together, these products could remain protected, and represent less than 20% of total trade between West Africa and the EU. Moreover, additional protection for prepared tomatoes and poultry could be helpful to optimise the potential gains of an EPA. This could take the form of quantitative restrictions or an increase in the CET for those products.

The second recommendation is to remove any existing tariffs in the EU with respect to processed food products, in this case mango products. A third recommendation is to accelerate tariff reduction in West Africa on goods and services that can support the development of the agro-processing industry. This includes equipment and other inputs into the food processing industry, as well as related service areas. It also includes improving access to high-quality fertilisers at low prices to protect soil fertility, protect human health, and improve yields without putting additional pressure on marginal lands. The fourth recommendation related to market access is to ensure that an appropriate safeguard mechanism is available to allow West African countries from periodic import surges that can harm domestic production. In order to promote economic, social and environmental sustainability, this should be available based on a criterion of harm to sustainability, and not limited to economic harm.

A second priority is to improve the climate in West Africa for FDI. In contrast to the existing baseline scenario and very low levels of investment in West Africa, agro-industry in the region could be enhanced by an EPA that addresses issues of FDI and encourages the development of the service sector to support investment and could help countries in the West African region improve logistics and build capacity to diversify and integrate their production vertically. FDI is crucial for sustainable development in large part because the resources do not exist in West Africa to make the investments necessary to improve competitiveness and to ensure that this is done in a sustainable way. An EPA could contribute to a more stable environment for FDI by including rules to protect investors, improve transparency and provide an adequate dispute settlement procedure. These rules should put in place protections to ensure that FDI is carried out in a way that respects environmental and social sustainability, as well as allowing governments to regulate as they see fit for environmental and social protection. This will help mitigate any potential negative impacts of increased investment in infrastructure and transportation networks, necessary for development in the region, but where negative environmental impacts could arise if not pursued sustainably.

A third priority is increased attention to trade facilitation which is progressing slowly under the baseline scenario. Advances here would work in synergy with increasing investment to alleviate some constraints on increasing levels of trade between the EU and West Africa, regional integration and South-South trade. Trade facilitation includes addressing, *inter alia*, inefficient trade support services, lack of trade-related financing and underdeveloped customs, transportation, business information and human resource development. Improved transportation networks could reduce the high costs associated with transporting goods in the region, and improve the speed and reliability of delivering goods. The EU could work with West African countries to cooperate on implementing programmes to improve trade facilitation. This cooperation could be achieved through the establishment of a working group (following the model of the *North American Free Trade Agreement*, NAFTA) on trade-related measures which prioritises trade facilitation.

Fourth and fifth priorities are related to building capacity with respect to technical barriers to trade (TBT) measures and sanitary and phytosanitary (SPS) measures (particularly for meat products and processed food) respectively. At present, under the baseline scenario, West African has in place very few SPS measures, food

quality requirements or technical barriers to trade. While this does not produce negative impacts *per se* it does have economic impacts to the extent that producers find themselves unable to meet requirements imposed by the EU and private importers in the EU. In particular, TBTs are increasingly posing challenges for West African producers with respect to labelling and packaging standards.

The EPA negotiations offer an opportunity to further cooperation on these measures to ensure that potential negative economic impacts are mitigated and the positive benefits for the environment and populations that accompany effective SPS and food quality regimes are realised. Any movement to this end will have positive spill-over impacts into other sectors of the economy that also depend on meeting internationally based standards for export of other goods to other markets. Moreover, the ultimate goal of developing regional standards and regional bodies for verification will also allow the countries to ultimately protect their own populations more effectively. This should include capacity building efforts to promote, *inter alia*, the application of “organic” certification for West African production. This cooperation could be achieved through the establishment of a working group (following the NAFTA model) on trade-related measures which prioritises SPS and TBT measures. This group could advance the regulatory dialogue and promote cooperative approaches to sharing information and improving technical capacity as necessary to help ensure that gains available through the EPAs are not hampered by obstacles that can be overcome through increasing awareness and capacity building.

### **Domestic Policies**

Recommendations are also directed to domestic policy makers that should help the West African agro-processing industry become more competitive and sustainable in the medium and long-term.

A first priority is to encourage investment for development in specific areas such as infrastructure and transportation and ensure that appropriate laws and regulations exist in host countries to promote investment that is environmentally and socially sustainable. This includes regulations and policies to support sustainable production and processing. Countries might consider employing economic instruments (positive and negative incentives) to the extent that they are viable in West Africa. These could usefully be directed towards, *inter alia*, generating a

sustained market for environmental goods and services, encouraging good governance and corporate social responsibility (CSR), encouraging the pursuit of “organic” certifications, and promoting environmentally friendly modes of transport and renewable sources of energy. To take advantage of opportunities to engage in even rudimentary processing of agricultural products, significant investment in equipment and infrastructure is necessary. To the greatest extent possible, these initiatives should be pursued at the regional level to promote efficiency and policy coherence and foster improved regional integration.

A second priority should be a focus on improving information and training. There should be a focus on improving training and extension services for farmers and disseminating best practices related to sustainable technologies and farming practices. In particular this should target issues related to desertification and include effective crop rotation (to combat soil fertility), no-till technologies (to combat erosion) and efficient irrigation technologies. It should also include training to improve the capacity of farmers to pursue organic markets in the EU for specific products (including improvements to certification).

A third priority is to provide technical assistance, re-training and education to assist the workforce (particularly in the poorest and least diversified countries in the West Africa) to adapt to changing prices and increased competition and make a transition into non-traditional industries. Focus should be placed on developing programmes to strengthen technological capacity and quality with a view to training local staff and advising them on more sophisticated stages of production and technology upgrading with respect to agro-processing. This can help compensate for any potential losses in traditional commercial farming. It should include capacity building to improve levels of education and training for women, as well as their access to technology and finance. It should include dissemination of information on voluntary standards such as CSR or International Standardisation Organisation (ISO) Management systems and on compliance with “organic” and existing “fair trade” regimes for relevant products.

A fourth priority is to focus on capacity building with the private sector (including agricultural producers) and creating effective public-private and private-private partnerships to promote sustainable development.

A fifth priority is to improve the gathering of information related to trade and sustainability. The consultations for this SIA made it clear that a large number of

stakeholders lack basic information on the EPA. Capacity building for civil society (including industry) starts with improving understanding and information. Civil society actors equipped with the appropriate information, knowledge and skill could make effective contributions to ECOWAS-EU cooperation under the EPA to support sustainability, in the short, medium and long terms. This should also address the large data gaps that exist in the West African region to facilitate further efforts to monitor trade and economic, environmental and social sustainability.

IMPACTS OF THE BASELINE SCENARIO: CURRENT STATUS OF REGIONAL INTEGRATION AND LIBERALISATION BETWEEN THE EU AND WEST AFRICA					
	Fruits and vegetables for export	Fruits and vegetables for the regional market	Cereals	Meat: Beef and Poultry	Cotton Lint
<b>Economic impacts</b>	<p>Significant exports from WA to EU/large quantities of exports from EU to WA</p> <p><b>Positive</b> economic impacts (but increasing competition with third countries in EU market)</p> <p>Increasing production for all products.</p>	<p>No exports to from WA to EU/significant exports from EU to WA</p> <p><b>Positive</b> economic impacts for onions and potatoes (complementarity between EU imports and local products)</p> <p><b>Negative</b> economic impacts for preserved tomatoes (competition from EU imports depresses development of agro-industry for tomatoes)</p>	<p>No exports of cereals from WA to EU. Wheat and wheat and meslin flour exported in large quantities from EU to WA</p> <p><b>Negative</b> for most countries because EU imports depresses WA market for local cereals</p>	<p>No exports from WA to EU / Large quantities of poultry exported from EU to WA (import surges); significant quantities of beef from EU to WA (declining)</p> <p>Increasing production.</p> <p>Competition from EU imports depresses local market for poultry</p> <p>EU beef not in competition with WA beef</p> <p><b>Negative</b> for poultry</p> <p><b>Insignificant</b> for beef</p>	<p>No significant exports to EU despite possible increase in production</p> <p>Competition from EU imports of worn clothing depresses local textile industry</p> <p>Weak link to EU market, poor marketing</p> <p>Little investment</p>
<b>Social impacts</b>	<b>Lightly positive</b>	<p><b>Positive</b> for onions and potatoes</p> <p><b>Negative</b> for processed tomatoes processing (women more affected)</p>	<b>Negative</b> for poverty at the farm level (difficulties developing processing and low employment opportunities/competition with imports)	<p><b>Negative</b> for poultry (collapse of commercial farms; increase vulnerability and poverty for small-scale poultry producers)</p> <p><b>Negative</b> for beef (breeders are the poorest participants in the agricultural sector)</p>	<b>Negative</b> since depressed textile industry cannot offer viable markets in the region for local lint
<b>Environmental impacts</b>	<p><b>Positive</b> if adequate techniques of farming are employed (well use of fertilisers and chemicals – Organic farmers)</p> <p><b>Negative</b> if trends to export lead to an increase in large-scale farms, often less sustainable.</p>	<b>Positive</b> if adequate techniques of farming are employed (well use of fertilisers and chemicals – organic farming)	<b>Negative</b> (increase land cultivation instead of yields/cultivation of marginal lands)	<b>Insignificant</b> impacts	<p><b>Insignificant</b> at the level of yarn production</p> <p><b>Slightly negative</b> for production of unbleached fabric (use of energy)</p>

IMPACTS OF A FULL LIBERALISATION SCENARIO					
	Fruits and vegetables for export	Fruits and vegetables for the regional market	Cereals	Meat: Beef and Poultry	Cotton Lint
<b>Economic impacts</b>	<b>Lightly positive</b> (liberalisation of EU market will benefit the non-LDCs only and tariffs exist only for limited mango products / gains are very low)	<b>Negative</b> impact on WA trade balance (increasing imports), particularly for prepared tomatoes <b>Negative</b> impact on prices in WA markets (downward pressure). <b>Negative</b> impact on government revenue from removal of duties on prepared tomatoes.	<b>Insignificant</b> impact. Imports will likely remain at the same level as in the baseline, see impacts above <b>Negative</b> impact on government revenue from removal of duties on cereals.	<b>Negative</b> impact for poultry <b>Small negative</b> impact for beef (due to a small increase in imports from the EU) <b>Negative</b> impact on government revenue from removal of duties on poultry.	<b>Negative</b> impact on government revenue from removal of duties on worn clothing <b>Positive</b> with the revival of the textile industry with high levels of investment and value-added on raw cotton.
<b>Social impacts</b>	<b>Positive</b> if farmers and exporters are able to take advantage of opportunities. But competitiveness of West African products remains low.	<b>Positive</b> for urban consumers (lower food prices) <b>Negative</b> for rural populations (where most poor are) and producers <b>Negative</b> for poverty and inequalities <b>Negative</b> for food security in rural areas (because of impact on poverty)	<b>Neutral</b> for urban consumers (lower food prices) <b>Neutral</b> for poverty and inequalities <b>Neutral</b> for food security (because of increasing poverty)	<b>Positive</b> for urban consumers (lower food prices) <b>Negative</b> impact for poultry <b>Small negative</b> impact for beef <b>Negative</b> impact on poverty and inequalities <b>Negative</b> impact on food security (because of increasing poverty) <b>Negative</b> impact on women (because women produce poultry at the household level and will be most affected by the decrease in price).	<b>Positive</b> for employment and revenue creation in rural areas <b>Positive</b> for increased training and quality control <b>Positive</b> to stabilise prices to ginners and farmers
<b>Environmental impacts</b>	<b>Positive impacts</b> to the extent that organic farming develops (producers are already aware of increasing demand in the EU) <b>Negative impacts</b> to the extent that unsustainable, large-scale production ensues.	Depends on the way farmers are going to cope with economic impacts and on national and regional policies	Depends on the way farmers are going to cope with economic impacts and on national and regional policies	<b>Insignificant for poultry</b> (very few environmental impacts and declining production) <b>Negative for beef</b> if poultry substitutes for beef for consumers. Trends are to pursue extensification practices on marginal land	<b>Negative</b> with additional energy needs use of fossil fuel (unless alternative energy sources can be made economically viable, such as wind or solar). <b>Positive</b> for soil fertility (farmers get higher incomes and increase use of fertilisers)

<b>IMPACTS OF THE EPA SCENARIO</b>					
<b>Regional Integration</b>	<b>Positive.</b> To the extent that a regional market develops for these products.	<b>Positive.</b> Production is increasing for the regional market.	<b>Positive.</b> Production increasing for the regional market	<b>Positive.</b> Production is increasing for the regional market	<b>Positive.</b> Production is increasing for regional markets
<b>Economic impacts</b>	<b>Lightly positive</b> (liberalisation of EU market will benefit the non-LDCs only and tariffs exist only for limited mango products / gains are very low)	<b>Neutral</b> <b>No impact</b> on government revenues	<b>Insignificant</b> impact. Imports will likely remain at the same level as in the baseline, see impacts above <b>Negative</b> impact on government revenue from removal of duties on cereals.	<b>Neutral</b> for poultry <b>Small negative</b> impact for beef (due to a small increase in imports from the EU) <b>No impact</b> on government revenues	<b>Positive</b> with the revival of the textile industry with high levels of investment and value-added on raw cotton.
<b>Social impacts</b>	<b>Positive</b> if farmers and exporters are able to take advantage of opportunities. But competitiveness of West African products remains low.	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b> for poultry <b>Small negative</b> impact for beef	<b>Positive</b> for employment and revenue creation in rural areas <b>Positive</b> for increased training and quality control <b>Positive</b> to stabilise prices to ginners and farmers
<b>Environmental impacts</b>	<b>Positive impacts</b> to the extent that organic farming develops (producers are already aware of increasing demand in the EU) <b>Negative impacts</b> to the extent that unsustainable, large-scale production ensues.	<b>Neutral</b>	<b>Neutral</b>	<b>Neutral</b>	<b>Negative</b> with additional energy needs use of fossil fuel (unless alternative energy sources can be made economically viable, such as wind or solar). <b>Positive</b> for soil fertility (farmers get higher incomes and increase use of fertilisers)

## Summary of Policy Recommendations

### POLICIES RELATED TO REGIONAL INTEGRATION

- **Encourage ongoing efforts to achieve a CET.** This will lower trade barriers in some countries, but in some cases the CET might be raised.
- **Continue to promote trade facilitation at the regional level.** Parties should build on initiatives that already exist in the region.
- **With a view to developing a general industrial policy in the region, develop regional strategies and cooperative policies in key sectors.** These include, *inter alia*:
  - A regional agricultural policy
  - A regional policy for textiles
  - A regional strategy for energy
- **Pursue cooperative regulatory dialogue on issues of common interest that can promote sustainability.** These include, *inter alia*:
  - Regional cooperation on transboundary environmental issues
  - A regional approach to standards, including SPS measures and food safety issues
  - A regional approach to labelling and certification

### TRADE POLICY: RECOMMENDATIONS FOR NEGOTIATORS

- **Market Access.** Issues of market access are the most important priority. This includes not only ensuring that existing preferences remain in place in the trading relationship between the EU and the West African ACP countries. It also includes the following recommendations that flow from this study.
  - Inclusion of “sensitive” products. The results of this SIA suggest that selected specific products should be included as “sensitive” in the EPA. These products include potatoes, onions, poultry and prepared tomatoes. Additional protection might also be considered for prepared tomatoes and poultry. This could take the form of quantitative restrictions or an increase in the CET for these products.
  - Removal by the EU of tariff barriers that remain for processed products from the ACP countries. This recommendation applies specifically to mango products (mango juice, preserved mango) for non-LDCs in West Africa.
  - Accelerated tariff reduction. Provisions should be included in the EPA to allow for accelerated tariff reduction for specific goods and services that support the agro-processing sector in West Africa. This could include machinery for agro-industry and packaging or vital inputs into agricultural production, such as fertilisers.
  - Safeguards. The availability of appropriate safeguard measures could be valuable in regard to agricultural and value-added food products.
- **FDI.** Promote a stable and transparent climate for investment, negotiators should consider including provisions in the EPAs to provide such protection to investors while respecting environmental protection and conservation and safeguarding public welfare.
- **Trade Facilitation.** Address challenges associated with trade facilitation through cooperative regulatory dialogue in an ongoing **Working Group on Cooperation and Capacity Building for Trade Facilitation.** This working group would facilitate ongoing regulatory dialogue and cooperation on trade facilitation, based on the NAFTA model.
- **SPS and TBT measure.** Fourth and fifth priorities are challenges associated with TBT and SPS measures, respectively. These are also best addressed through cooperative regulatory dialogue. As above, this could occur in an ongoing **Working Group on Cooperation and Capacity Building on SPS and TBT Measures.** This working group would facilitate ongoing regulatory dialogue and cooperation on SPS and TBT measures, based on the NAFTA model.

#### **POLICIES TO PROMOTE SUSTAINABILITY: RECOMMENDATIONS FOR ACP AND EU POLICY-MAKERS**

- ***Development of specific infrastructure to support agro-processing and trade.*** This includes transportation infrastructure (road and rail) as well as facilities associated with ports where products are exported. It also includes investment in infrastructure to support the cold chain (particularly for meat and fruits and vegetables) and storage capacity (warehouse facilities), providing support to local processing units including slaughterhouses and facilities for processing cereals.
- ***Put in place domestic regulations that support sustainability.*** It is also important to ensure that appropriate laws and regulations exist in host countries to mandate sustainable practices and ensure that adequate legislation is in place to support high levels of environmental protection.
- ***Capacity building, training and information to encourage sustainable agricultural production*** (to support diversification and organic farming). Countries should put in place strategies for diversification in response to increasing competition from imports in some sectors and for some products. Farmers should be encouraged to adopt more sustainable cultivation techniques including organic techniques and requirements for certification.
- ***Education and training.*** Directed information and technical assistance can assist the traditional workforce and industry adapt to changing economic situations and make transitions into non-traditional industries.
- ***Capacity building for the private sector including public-private and private-private partnerships.*** This includes capacity building to meet requirements put in place by the private sector in the EU such as packaging and just-in-time delivery. Partnerships could also include contractual relationships between producers and agro-industry, partnerships between West African cotton producers and EUROMED to improve trade opportunities, marketing and promotion. Such partnerships could be encouraged to undertake research and development to improve production methods in agro-industry with an emphasis on sustainability.
- ***Improving Information.*** Establish an Information Clearing House for the effective dissemination of information about the EPA negotiations and other relevant documentation. Establish permanent Data Banks for Sustainability in the West African regions. Working with national statistics offices, this publicly accessible data bank, established at the regional level should include an institutional component that could be tasked with improving the gathering, analysis and disseminating information related to sustainability.

## Sector Study on the Caribbean: Tourism Services

The Caribbean study addresses tourism services from a broad perspective including traditional land-based tourism along with cruise tourism. In both cases, there has been strong growth in the Caribbean region for the past decades, in line with a global trend. While this growth might slow in the coming years as a result of increasing competition from other regions, it is expected to continue to grow notwithstanding an EPA. However, there are ways in which the EPA negotiations can promote regional integration and encourage growth that promotes sustainability. The negotiations should be used as an opportunity to take into account, and mitigate, any potential negative impacts of this growth in the region and harness potential positive impacts, particularly with respect to cruise tourism.

The economic importance of the tourism industry to countries in the Caribbean differs, which has an effect on potential impacts of an EPA that covers tourism services. To distinguish impacts among the countries this study divides the region into the following six categories based on their economic size and the maturity of their tourism industries: **Large islands and mature tourism destination:** Barbados, Jamaica; **Large islands and emerging destinations:** Dominican Republic and Trinidad & Tobago where, although tourism is expanding rapidly in the former country, contribution of industry to the gross domestic product (GDP) still remain important (over one third in both countries); **Small islands and mature destinations:** Antigua & Barbuda, Bahamas, St Kitts & Nevis; **Small islands and emerging destinations:** the Windward Islands where tourism is developing at the same time as agriculture (primarily banana production) is declining: Dominica, Grenada, St Lucia, St Vincent & the Grenadines; **Mainland countries:** Belize, Guyana, Suriname where tourism is primarily nature based (such as diving or adventure tourism); and, **Haiti** the only least developing country in the region and where tourism industry is marginal.

Consistent with the methodology developed for this SIA, the study also identifies the trade measures and sustainability variables most the relevant for this sector, as follows:

<b>Trade Measures</b>	<b>Economic Variables</b>	<b>Social Variables</b>	<b>Environmental Variables</b>
<ul style="list-style-type: none"> <li>• Market access for services</li> <li>• Foreign direct investment</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on GDP</li> <li>• Government revenue</li> <li>• Investment</li> <li>• Balance of payments</li> <li>• Inter-sectoral impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Employment, wages and poverty</li> <li>• Education and professional training</li> <li>• Gender equity</li> </ul>	<ul style="list-style-type: none"> <li>• Land use, watersheds and coastal ecosystems</li> <li>• Use of natural resources</li> <li>• Pollution, wastewater and solid waste</li> </ul>

## **Regional Integration**

As in the other sector studies, regional integration plays a key role in the Caribbean and encouraging this integration should be a priority throughout the EPA negotiations. The process of regional integration is already well established in the region. However, further attention could be focused on removing remaining barriers to entry for tourism services. Along with promoting EU-Caribbean ACP trade in tourism services, improved regional integration is particularly important for helping to foster South-South trade within the region. Regional integration is also beneficial in terms of policy coherence and establishing a regional approach to sustainable tourism among Caribbean ACP countries.

Specifically, an EPA could have three general impacts on the regional integration. First, it could impact the institutional configuration of the region to the extent that it promotes negotiations for a free trade zone between CARICOM and the Dominican Republic. Second, an EPA may strengthen regional integration by encouraging Caribbean ACP countries to engage in regulatory cooperation and build a common position towards non-Members and in particular the EU through common external policies and common policies with respect to key sectors and other areas such as investment. Third, regional integration and services liberalisation could provide opportunities for the transfer of skills through the free movement of persons (for specific categories of skilled persons).

## **Trade Measures**

The two most important trade measures in this study are market access including FDI (mode 3). In the tourism services sector opportunities for further liberalisation between the Caribbean and the EU exist primarily under modes 3 and 4 and to a lesser extent under mode 1. To a large extent services is already relatively liberalised, particularly with respect to the *de facto* delivery of services in the Caribbean.

A first priority is with respect to mode 3 and encouraging FDI in the region. An EPA could contribute to remove remaining restrictions to FDI. Domestic regulations are also crucial to offer a more stable environment for FDI by including rules to protect investors, improve transparency and provide an adequate dispute settlement procedure. These rules should put in place protections to ensure that FDI is carried out in a way that respects environmental and social sustainability, as well as allowing governments to regulate as they see fit for environmental and social protection. This will help mitigate any potential negative impacts of increased investment in infrastructure and

transportation networks, necessary for development in the region, but where negative environmental impacts could arise if not pursued sustainably.

A second priority is with respect to mode 4. Further opportunities for Caribbean tourist professionals to work temporary in EU countries either to improve their experience and training in tourist destinations (e.g., France, Spain, Croatia) or to prospect new markets (e.g., in the ten new Member States) are crucial to improve competitiveness of Caribbean tourism. Tourist professionals coming from the EU into the Caribbean may also strongly help Caribbean countries to respond to the forecasted further tourism development (without an EPA and much stronger with an EPA) in a sustainable way and to improve their competitiveness. The modelling exercise carried out to identify major and employment related impacts indicated that an inflow of tourism services providers in the Caribbean (at a level of 2% in the model) created overall positive impacts for the tourism industry by introducing productive factors into the economies. Therefore, recommendations are made to liberalise specific flows of tourism services under mode 4.

A third priority is to pursue opportunities from making additional commitments in related services industries. Services play a vital *intermediate role* in economies as a prerequisite for economic performance and development, by contributing to a more efficient business climate for other economic sectors, including air and maritime transportation. Transportation is in fact one of the major limiting factor to tourism development but has to be developed in a sustainable way. A particular emphasis is also on environmental services, given the negative impacts associated with increases in scale from ongoing tourism development (both under the baseline scenario and the EPA scenario). Negative impacts are generated mainly from pollution related to solid waste and wastewater. For both of these environmental impacts, increased development of environmental services and the transfer of technology and know-how (as well as investment) could mitigate these negative impacts. A second priority area is air transportation.

## **Domestic Policies**

A first priority would be to increase the competitiveness of Caribbean tourism services by improving the quality of human resources with development of training, in particular for unskilled women. As tourism is a labour intensive activity and competitiveness is increasingly driven by quality standards in human resources, emphasis need to be put on training.

A second priority should be to ensure that adequate legislation exists to ensure that increased FDI and other investment in infrastructure occur in a way that supports sustainability. This implies high levels of protection for new investment and the

expansion of existing infrastructure in priority areas such as wastewater treatment and solid waste disposal. It also includes appropriate zoning and planning legislation with respect to land use (including perhaps regulating tourist access to fragile areas) and coastal ecosystems. In conjunction with planning, legislation could be drafted to require SIAs for new investment and expansion of existing infrastructure and, where viable, offering economic incentives to improve logistics and up-grade equipment and transportation facilities in a way which encourages economic, environmental and socially responsible investment, including management practices and overall good governance (such as the application of CRS). Avenues could be considered to use economic instruments to help maximise the economic benefits of cruise tourism for local economies, such as through incentives (or mandatory) local provisioning.

A third priority should be to put in place policies that encourage domestic decision-makers and the private sector to direct local resources towards improved logistics and infrastructure, cooperating at the regional level to develop strategies for investment. Investment should be directed in particular towards environmental infrastructure, technology and environmental services and large-scale recycling, composting and incineration facilities to address potential environmental impacts related to increasing levels of solid waste generated by the tourism industry. Investment should also be directed towards major infrastructure for transportation, although subject to high levels of environmental scrutiny and mandatory SIAs.

A fourth priority would be to encourage capacity building for research, development and technology; training and education (particularly for women, and in an effort to compensate for any structural adjustments that might occur within the economies); and small and medium-sized enterprises (SMEs) related to tourism, which tend to have positive local economic impacts.

## MATRIX OF SUSTAINABILITY IMPACTS: CARIBBEAN

### IMPACTS OF THE BASELINE SCENARIO

<p><b>Economic impacts</b></p>	<p>Most development in the sector is expected to occur in cruise tourism and all-inclusive resort tourism.</p> <p><b>Positive</b> with the expected continuing increase in tourist arrivals, especially from the EU spending more than other tourists, but tempered by the continuing stronger increase in cruise tourism for which leakages are higher than other tourism products. Small economic gains from increases in cruise tourism and relatively small economic gains from increases in resort-based tourism.</p> <p><b>Small positive.</b> The continued challenges in the operating environment may impede a more significant positive impact on investment and in particular FDI from the EU. Investment will increase modestly.</p> <p><b>Positive</b> impact on balance of payments linked to the expected continuing in Caribbean exports under mode 2 (more tourist arrivals).</p> <p><b>Small positive</b> impact on government revenue due to the expected stronger increase in cruise tourism, which has marginal, if any, contribution to government revenue, compared to land-based tourism.</p>
<p><b>Social impacts</b></p>	<p><b>Positive impact on employment</b> as a result of the continuing demand for tourism.</p> <p><b>Neutral and even potential negative</b> impact in some cases on wages, inequality and quality of jobs with potential increase in seasonality with increasing cruise tourism and in pressure for more flexible labour with further competition among the Caribbean countries through full implementation of the CSME.</p> <p><b>Positive impacts on training and education</b> with the continuing trend in favour of higher skills requirement and opportunities in transfer of skills through the free movement of persons, but <b>potential negative</b> impacts on unskilled workers (notably women) if no implementation of training policies.</p> <p><b>Positive impacts</b> on female employment.</p>
<p><b>Environmental impacts</b></p>	<p><b>Negative impacts</b> on coastal zones associated with increases in scale</p> <p><b>Negative impact</b> on natural resources such as freshwater, associated with scale.</p> <p><b>Negative impacts</b> on solid waste associated with scale.</p> <p><b>Insignificant impacts</b> related to hotel infrastructure because current vacancy rates are relatively low.</p> <p><b>Negative impacts</b> on marine pollution and solid waste from increasing numbers of cruise ships.</p> <p><b>May be negative impacts</b> resulting from developments in transportation infrastructure (airports, cruise terminals, road networks)</p>

IMPACTS OF THE EPA SCENARIO: COMPREHENSIVE LIBERALISATION	
<b>Regional Integration</b>	<p><b>Positive for intra-regional trade.</b> Could strengthen movement to FTA between CARICOM and the Dominican Republic</p> <p><b>Positive</b> for addressing interdependencies through regional policy, including related to tourism (such as a regional system for rating hotels)</p> <p><b>Positive</b> on development of intra-regional tourism</p> <p><b>Positive</b> on employment opportunities for Caribbean workers throughout the tourism sector (although may not be for wages and poverty depending on levels of skill).</p> <p><b>Potential positive</b> impact on local investment in sectors where Caribbean suppliers have a comparative advantage.</p>
<b>Economic impacts</b>	<p><b>Trade-related impact:</b> Further commercial presence and further tourism arrivals</p> <p><b>Generally results of the CGE modelling are positive for macroeconomic variables and in particular for tourism sector (in both Jamaica and Trinidad and Tobago).</b></p> <p><b>Positive impact on GDP</b> (higher tourism production in response to further EU tourist arrivals).</p> <p><b>Positive impact on total investment</b> in countries which are less dependent on tourism and which therefore export less tourism services. <b>Positive</b> impact on local SMEs with transfer of technologies but <b>potential negative</b> impacts for local operators competing with EU operators.</p> <p><b>Positive</b> impact on balance of payments due to further Caribbean exports as a result of an EPA.</p> <p><b>Positive impact on production in tourism-related sectors</b> (intermediate products) as a result of an increase in tourism production.</p> <p><b><u>Differences between countries highly dependent on tourism and those less dependent.</u></b></p> <ul style="list-style-type: none"> <li>Differences in impacts of an EPA are strongly related to some factors such as the relative importance of the sector in the economy, its export ration and the structure of the national demand for tourism services. The relative importance of the tourism sector in Jamaica or instance, compared to Trinidad &amp; Tobago, contributes to producing more favourable effects in the economy in general and in the tourism sector specifically.</li> </ul>
<b>Social impacts</b>	<p><b>Positive impacts on employment</b> along with the growth in the tourism sector.</p> <p><b>Positive impact on education and training</b> (further EU investment in the tourism sector may require further high skills and represent new opportunities for training for local staff) but potential <b>negative impact for unskilled workers</b>.</p> <p><b>Positive impacts on gender equity</b> due to further female employment in response to further tourism development and increase in FDI.</p> <p><b>Negative impacts on levels of HIV/AIDS</b> with an increase of tourist arrivals.</p>
<b>Environmental impacts</b>	<p><b>Negative</b> scale impacts likely to be the same as in the baseline scenario (increasing pressure on coastal zones, sensitive marine ecosystems). Positive for land use if EU hotel chains employ high standards and CSR even in the absence of domestic regulations and provide for their own waste treatment facilities (as do some local hotels).</p> <p><b>Negative</b> scale impacts associated with use of freshwater and energy</p> <p><b>Negative</b> scale increases in production of solid waste</p> <p>These impacts could be <i>mitigated</i> with improved adoption of environmental services (which could be encouraged by further liberalisation and commitments)</p> <p><b>Potential for positive impacts</b> with development of sustainable tourism (diversification of tourism products) as long as regulation is in place to limit access to ecologically sensitive areas (exceeding carrying capacity).</p> <p><b>Potential for negative impacts</b> to the extent that physical infrastructure is built for transportation (such as airports, cruise terminals and road networks). These could be <i>mitigated</i> with increased availability of environmental services, strong domestic legislation and requirement for SIAs for major investment in infrastructure.</p>

## Summary of Policy Recommendations

### POLICIES RELATED TO REGIONAL INTEGRATION

- **Remove any remaining barriers to entry for tourism services**
- **Define guidelines, at the regional level, for the economic, social and environmental sustainability of tourism development.** Elements of regional cooperation to develop a single regional tourism market include:
  - Development of a regional definition of tourism;
  - Develop a regional cruise tourism policy;
  - Build safety and security provisions into regional, national and local strategies;
  - Free movement of tourism professionals and tourists;
  - Regional cooperation to improve the skills of workers in the tourism industry and enhance the quality of tourism services offered in the region;
  - Regional competition policy;
  - Regional approach to ratings, certification and voluntary initiatives (e.g., CSR).
- **Encourage South-South trade.** Develop linkages with other ACP regions experiencing similar sustainability challenges.

### TRADE POLICY: RECOMMENDATIONS FOR NEGOTIATORS

**Market Access.** In the Caribbean, the most important modes of delivery for tourism services, relevant for liberalisation, are commercial presence and the presence of natural persons, even if the cross border supply is increasing with the use of NTIC.

- **Remove remaining restrictions to commercial presence (mode 3) to encourage FDI.** An EPA should include clear rules to govern FDI between the EU and the Caribbean region to ensure environmental and social protections and transparency.
- **Further liberalisation with respect to the presence of natural persons (mode 4).** Recognising each country's right to decide on market access conditions associated with their scheduled commitments the following recommendations are presented in order to promote these potential positive impacts associated with mode 4 liberalisation:
  - Improve market access for tourism professionals;
  - Remove requirements for an "economic needs test" for entry except under exceptional circumstances, which should be specifically stated.
- **Improve market access in related services.** Tourism development could be affected by lack of market access in other services sectors. Improving market access in the following related services sectors could strengthen positive impact of an EPA in tourism services: air transportation services and environmental services.
- **Include items related to sustainable tourism on the agenda of the existing Regional Preparatory Task Force (RPTF).** The RPTF should consider adding issues related to sustainable tourism to its work programme. In the first instance, these could include: addressing commercial barriers such as high marketing/advertising costs or inadequate internet access, frontier formalities and diploma recognition or the pursuit of Mutual Recognition Agreements between the Caribbean region and the EU..

### POLICIES TO PROMOTE SUSTAINABILITY: RECOMMENDATIONS FOR ACP AND EU POLICY-MAKERS

- **Training and Education.** Put education and training at the forefront of tourism development.
- **Review and develop domestic regulation and economic instruments to:** Ensure high standards for environmental quality and social protection; Regulate tourist access to ecologically fragile or stressed natural areas; Improve competition policy; Ensure adequate planning and zoning; Sustainability impact assessment; Develop licensing and rating; Monitor and enforce national, regional and international laws; Employ economic instruments (positive and/or negative incentives), as viable.
- **Encourage investment for development.** There is a need for improvements in infrastructure across the region, notably in utilities such as water and electricity supply and solid waste disposal. Focus in the first instance should be on: Investment in environmental infrastructure; The role of technology and environmental services; Investment in large-scale recycling, composting and incineration; and, Investment in major infrastructure such as airports and cruise port facilities.
- **Capacity building for the private sector.** In the Caribbean this should focus on: **Research and Development and Technology** and Strategies to promote SMEs.

## Pacific Region: Fisheries

The Pacific study focuses on fish and fish products with specific attention to tuna, the most important resource in the Pacific ACP (PACP) region and the source of potential future economic development. Over half of the world's tuna fishery is located in the Exclusive Economic Zones (EEZs) of the PACP countries. An increase in global demand for tuna, coupled with a growing scarcity makes the richly endowed waters of the PACP countries even more important in the coming years.

At present the EU is a minor player in tuna fishing in the West Central Pacific Ocean (WCPO) and is likely to remain one, compared to countries such as New Zealand, Australia, the United States, China, Korea and Taiwan. However, the increased demand for tuna products in the EU market, combined with the reduction of the fishing effort in the EU waters, means that EU vessels will increasingly have to find new fishing grounds with rich stocks, which could extend to the PACP EEZs.

However, several tuna species are already fully or over-exploited and unsustainable tuna fishing leads to critical by-catch of endangered species. The opportunity provided by the EPA is to put in place a trade regime, and complementary policies for sustainable fisheries management that protect the resource in the long term and maximise the benefits of development, from an economic, social and environmental perspective, for the PACP countries.

Consistent with the methodology developed for this SIA, at the outset, this study identifies trade measures and sustainability variables that are most the relevant for the fisheries sector and that will be used to explore the potential sustainability impacts of an EPA. They are presented below.

<b>Trade Measures</b>	<b>Economic Variables</b>	<b>Social Variables</b>	<b>Environmental Variables</b>
<ul style="list-style-type: none"> <li>• Market access</li> <li>• SPS measures, TBTs and certification</li> <li>• Foreign direct investment</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on GDP</li> <li>• Government revenue</li> <li>• Investment on small-scale fisheries</li> </ul>	<ul style="list-style-type: none"> <li>• Employment, wages and poverty</li> <li>• Gender equity</li> <li>• Food security</li> </ul>	<ul style="list-style-type: none"> <li>• Fish stocks, including tuna</li> <li>• Marine habitat</li> <li>• Pollution</li> </ul>

An important additional component that is considered in this study is the extent to which regional integration can help PACP countries develop internal markets, address supply-side constraints to increasing trade and production, and take full advantage of prospective EPAs. In the Pacific region, the countries are working towards a free trade area (for 2010) and therefore while an EPA might encourage this process it might not make an immediate impact in the short term.

The study examines impacts of an EPA at two levels. The first is trade related and the second focuses on sustainable fisheries management.

From a trade perspective flows of exported Pacific tuna products to the EU are very low. Due to the long distance the high costs of transportation Pacific exporters cannot compete in the 'traditional' raw-product fish market. Rather they have to target EU 'niche' markets for processed fish products (smoked, flavoured, prepared filets), that produce more local value-added. Therefore, specific attention should be paid to differentiation strategy, with the development of specific regional originating brand name (*'Pacific produced'*) and that respects both eco-labelling and fair-trade production, both of which are growing concerns in the EU market and would allow PACP producers to target more lucrative markets. On the other hand, the Pacific fishing sector could also target the specific market of high-quality sashimi grade tuna, mainly in Japan.

At present fisheries management between the EU and the PACP countries occurs under the auspices of three Bilateral Fisheries Agreements (BFAs) signed between the EU and three PACP countries. The BFAs grant EU vessels access to the area where most of the catch is taken in the PACP region. Initially based on a cash-for-access model, the BFAs raise several questions in terms of sustainability. But given the low number of EU vessels in the PACP EEZs, their impact is very small both in term of sustainability and public finance. Nevertheless, the negotiations surrounding the EPA offer an opportunity to improve on the existing framework. Under the umbrella of the reformed European Common Fishery Policy a move towards a regional Fisheries Partnership Agreement (FPA) would help promote more sustainable fisheries in the PACP region and cement the EU reputation for already pursuing more sustainable fishing practices than most of the other long distance water fishing nations (LDWFNs) that fish in the PACP region.

## **Regional Integration**

The EPA negotiations provide an opportunity for encouraging regional integration, which is likely to have positive impacts in all ACP regions. This should be a priority for the Parties in the EPA negotiations. In the Pacific, negotiations could encourage countries to cooperate on regional strategies for investment, standard-setting which would not only be of benefit within the region, but would strengthen their trading position vis-à-vis the EU and the rest of the world. Regional integration can also encourage the ability of ACP countries to “pool” their resources and promote shared environmental management of shared fisheries resources

## **Trade Measures**

From a trade perspective, there are five priorities.

The first priority is to ensure the continuation of duty and quota free access for fisheries products (including processed products) from the Pacific into the EU market.

The second priority is to ensure that there are no negative impacts in the Pacific from reciprocal market access, which could involve including in the EPAs specific “sensitive” products, which would be excluded from liberalisation, at least in the short and medium terms. The study found that as part of an overall strategy to promote increased value-added processing activities in the fisheries sector tariffs on processed fish products that exist in some countries should remain in place.

The third priority, which should be undertaken simultaneously, is to put in place elements to help build capacity in the PACP region and encourage further local value-added for fishery products. To this end, there are three important recommendations.

The first recommendation is to implement accelerated tariff reduction in the PACP countries on inputs into the fish processing sector, and light machinery and other equipment to help build processing capacity, such as packaging equipment. This includes environmental goods and services that can ensure that processing occurs in a way that includes state-of-the-art wastewater treatment and the proper disposal of other waste by-products.

The second recommendation is to promote a stable climate for FDI. This includes rules to promote transparency, to protect investors’ rights and to govern disputes. FDI should be directed towards infrastructure and logistics including

transportation networks. However, any development of infrastructure, particularly in fragile coastal areas, could have negative impacts on the environment if not pursued sustainably despite the likelihood that economic and social impacts would be largely positive. Rules to govern FDI should ensure that it is carried out in a way that respects environmental and social sustainability, as well as allowing governments to regulate as they see fit for environmental and social protection.

The third recommendation is to encourage the development of production and labelling that targets high-value “niche” markets in the EU.

A fourth priority is to cooperate to build capacity on SPS and TBT standards. Under the baseline scenario, there are very few protections in place in the Pacific region with respect to SPS measures or food quality requirements or technical barriers to trade with respect to areas such as labelling and packaging. While this does not produce negative impacts *per se* it does have economic impacts to the extent that producers can find themselves unable to meet requirements imposed by the EU and private importers in the EU. The EPA negotiations offer an opportunity to further cooperation between the ACP regions and the EU on these and other trade measures, where increased regulatory cooperation and dialogue could help ensure that potential negative economic impacts are mitigated and the positive benefits for the environment and populations that accompany effective SPS and food quality regimes are realised. Any movement to this end will have positive spill-over impacts into other sectors of the economy that also depend on meeting internationally based standards for export of other goods to other markets. Moreover, the ultimate goal of developing regional standards for SPS and TBT and regional bodies for standard-setting, testing and verification will also allow the ACP regions to ultimately protect their own populations more effectively with “home-grown” standards that are most relevant for their particular situations.

This cooperation could be achieved through the establishment of a working group (following the NAFTA model) on trade-related measures, which prioritises SPS and TBT measures. This group could advance the regulatory dialogue and promote cooperative approaches to sharing information and improving technical capacity as necessary to help ensure that gains available through the EPAs are not hampered by obstacles that can be overcome through increasing awareness and capacity building.

## **Domestic Policies**

Policies should also be put in place, aimed at domestic decision-makers. A first priority is to directing local resources towards improved logistics and infrastructure to improve logistics and up-grade equipment and transportation facilities in a way which encourages economic, environmental and socially responsible investment, including management practices and overall good governance (such as the application of CRS).

A second priority is to develop strong environmental and social protections related to the fishery sector and the fish-processing industry. This is closely related to the promotion of environmentally and socially sustainable investment and is important for the protection of the resource and the integrity of coastal areas in the long term. It includes policies to allow PACP countries, at the regional level where possible, to implement and effectively enforce sustainable fishery policies, including CMS, both off-shore and in-port inspection, ban off-shore transshipment and fight against all forms of illegal, unreported and unregulated (IUU) and other unsustainable fishing.

A third priority would be to promote capacity building including capacity building with the private sector and create effective public-private and private-private partnerships (including with EU companies) to promote sustainable development.

A fourth priority is to promote economic instruments (positive and negative incentives) to the extent that they are viable in specific ACP regions. Specifically, the findings of this study indicate that these could usefully be directed towards, *inter alia*, generating a sustained market for environmental goods and services, encouraging good governance and CSR, encouraging the pursuit of “fair trade” and “organic” certifications or the pursuit of a regional label designating specific quality.

## **The Fisheries Sector**

The EPA negotiations offer the opportunity to include a specific regional FPA between the EU and the PACP countries. In order to promote sustainable fisheries management between the EU and the PACP countries, an over-arching priority is to conclude a Regional FPA, which should have generally positive impacts on economic, environmental and social sustainability, particularly

compared to the previous regime of BFAs. To the extent that it promotes sustainable fisheries and improves monitoring and enforcement, contributing to conserving this vital resource in the long term, it will extend the viability of the tuna fishery in the PACP region.

Under the FPA, EU vessels would be granted access to the EEZs of all the PACP countries. On the other hand, a regional lump sum (mainly financed by the vessels rather than subsidized by the EC) will be transferred to a regional body in charge of the development of the sector and promotion of sustainable fisheries in the region, in such a way as to ensure that these fees will not be directed into general budget funds of a specific state but will benefit all PACP countries. Specific attention will be paid to ensuring that the three PACP countries that already negotiated BFAs with the EU will, at least, preserve their existing benefits or gain equivalent benefits (in terms of development). The EPA will ensure that the free access to the EU market for Pacific fish and fish products is preserved and favour the access to the PACP countries to specific industrial products (therefore not competing with local production) necessary to develop processing activities in the region.

Finally, a regional FPA should include specific provisions ensuring that a substantial share of the tuna caught in the Pacific EEZs is landed in the region in such a way to support the port activities and the other related sectors and to ensure the development of the local processing activities. Moreover, compulsory landing provisions in PACP countries should have positive economic spin-offs that encourage FDI and could further the development of local processing. This in turn would create employment opportunities for skilled workers, and particularly women, who tend to dominate employment in the processing industry. To the extent that fair trade certifications adopted, these benefits could be greater in the long term.

In general an EPA offers the EU the opportunity to play a crucial role in promoting more sustainable fisheries in the Pacific region, fulfilling EU market demand for tuna by sustainably exploiting the rich tuna stocks of the WCPO. At the same time, it would ensure that the PACP countries fully benefit from the sustainable exploitation of their natural resource with long-term positive economic, social and environment impacts for the region.

MATRIX OF SUSTAINABILITY IMPACTS: PACIFIC REGION		
	TRADE-RELATED (EPA)	FISHERIES SECTOR (FISHERIES AGREEMENTS)
<b>IMPACTS OF THE BASELINE SCENARIO</b>		
<b>Economic Impacts</b>	<ul style="list-style-type: none"> <li>• <b>Insignificant</b> economic impacts on PACP countries because of very low levels of trade in fishery products between the EU and the PACP countries.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Very small positive</b> impact on GDP and investment of PACP for country with BFA that includes compulsory landing provisions.</li> <li>• <b>Very small positive</b> impact to government revenue through access fees for countries with BFAs.</li> <li>• <b>Small negative</b> impact on investment to the extent that compulsory landing provisions do not exist in the last BFA.</li> </ul>
<b>Social Impacts</b>	<ul style="list-style-type: none"> <li>• <b>Insignificant</b> social impacts on PACP countries because of very low levels of trade in fishery products between the EU and the PACP countries.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Very small positive</b> impact in terms of employment (very limited off-shore opportunities), including for women (little landing and on-shore processing)</li> <li>• <b>Small positive impact</b> of compulsory landing provisions for food security.</li> </ul>
<b>Environmental Impacts</b>	<ul style="list-style-type: none"> <li>• <b>Insignificant</b> environmental impacts on PACP countries because of very low levels of trade in fishery products between the EU and the PACP countries.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Small negative</b> impacts on fisheries stocks to the extent that over-fishing could occur as a result of structure of access fees and lack of monitoring.</li> </ul>
<b>Impacts of the EPA Scenario: Liberalisation and cooperation on sustainable fisheries</b>		
<b>Regional Integration</b>	<ul style="list-style-type: none"> <li>• <b>Positive</b> to the extent that an EPA encourage further development of free trade area among PACP countries.</li> <li>• <b>Positive</b> to the extent that it encourages a regional approach to standards.</li> <li>• <b>Positive</b> to the extents that in encourages FDI and development of the private sector in the region.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Positive</b> to the extent that it encourages a regional policy towards sustainable fisheries.</li> <li>• <b>Positive</b> to the extent that is allows PACP countries to pool resources dedicated to the sustainable development of the sector and support comprehensive implementation of FFA CMS in all PACP countries.</li> </ul>
<b>Economic Impacts</b>	<ul style="list-style-type: none"> <li>• <b>Insignificant</b> impacts on levels of trade or government revenue.</li> <li>• <b>Positive impacts</b> on investment to the extent that rules are in place and there are opportunities for processing increasing volumes of landed fish.</li> <li>• <b>Positive impacts</b> on GDP through lowering tariffs in PACP countries for imports of machinery and inputs into the processing sector to the extent that this increases value-added production.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Insignificant</b> direct impact on GDP.</li> <li>• <b>Negative impact</b> on government revenues for countries with existing BFAs, but <b>positive impact</b> for countries with no pre-existing agreements with the EU.</li> <li>• <b>Positive impact</b> on local processing capacity to the extent that compulsory landing provisions increase the number of fish available for processing, and the appropriate investment occurs in the sector. This could have a <b>positive, indirect</b>, impact on GDP.</li> </ul>
<b>Social Impacts</b>	<ul style="list-style-type: none"> <li>• <b>Insignificant</b> direct impacts</li> <li>• <b>Indirect positive impacts</b> of improving processing capacity and capacity building could lead to increased opportunities for skilled employment and more employment opportunities for women.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Small positive</b> impact in terms of off-shore employment to the extent that provided by mandatory local workers on EU ships.</li> <li>• <b>Positive impact</b> on local processing capacity to the extent that compulsory landing provisions increase the number of fish available for processing, and the appropriate investment occurs in the sector. This could have a positive, albeit indirect, impact on GDP.</li> <li>• <b>Positive impact</b> on food security to the extent that a FPA puts in place a system to monitor and conserve fish stocks and compulsory landing requirements exist.</li> </ul>
<b>Environmental Impacts</b>	<ul style="list-style-type: none"> <li>• <b>Insignificant</b> direct impacts</li> <li>• <b>Small indirect positive impacts</b> could include by upgrading local fleets (through the capacity building and development co-operation)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Positive</b> impacts through: <ul style="list-style-type: none"> <li>Conservation of fish stocks through more sustainable fisheries</li> <li>Improved monitoring and enforcement.</li> <li>Direction of fees to promoting environmental sustainability (de-linked from access to the resource)</li> </ul> </li> </ul>

## Summary of Policy Recommendations

### POLICIES RELATED TO REGIONAL INTEGRATION

- *Continue to work towards establishing a free trade area.*
- *Working with, or building on, existing institutions, countries should engage in a cooperative regulatory dialogue* to achieve the following:
  - **Develop a regional approach to SPS measures and food safety issues.** The development of standards should, *inter alia*, contribute to improving production methods and preventing the export (or domestic consumption) of unsafe products and encouraging the development of CSR. There should be attention to basic industrial standards and testing laboratories to facilitate opportunities for the negotiation of further trade-enhancing measures such as Mutual Recognition Agreements and opportunities to obtain pre-shipment certification for products destined to the EU.
  - **Develop a regional approach to labelling and certification.**
  - **Establish a regional framework to support major investment that promotes sustainability, focusing on sustainable fisheries and fish processing**
- *To promote sustainable fisheries in the Pacific, PACP countries should cooperate* in participating effectively in ongoing regional initiatives to implement a modern CMS and ensure its extension to the EEZs of all PACP countries. Regional integration could help ‘pool resources’ to develop a CSM necessary to combat illegal fishing and dangerous practices with the objective of preserving the fish stocks and their habitat. This might include:
  - **Accurately evaluating catches and by-catch and trends over time;**
  - **Generating accurate and regular information on the status of fish stocks;**
  - **Encouraging the sustainable management of the resource;**
  - **Limiting practices such as on-shore transboarding, illicit, undeclared and unregulated fishing;**
  - **Banning unsustainable and damaging fisheries practices.**
- *PACP countries should 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.

### TRADE POLICY: RECOMMENDATIONS FOR NEGOTIATORS

#### *Market Access.*

- *Maintain the continuation to duty and quota free access for fisheries products (including processed products)* from the Pacific ACP countries into the EU market.
- *Inclusion of “sensitive” products.* Processed fish products should be included in the EPA as “sensitive”.
- *Accelerated tariff reduction.* Provisions should be built into the EPAs to allow for accelerated tariff reduction for specific goods and services that support sustainable fisheries and fisheries processing in the Pacific. This might include, for example, machinery for industry and packaging.

*Foreign Direct Investment.* To promote a stable and transparent climate for investment, negotiators should consider including provisions in the EPAs to provide such protection to investors while respecting environmental protection and conservation and safeguarding public welfare.

- **Focus on SPS and TBT standards.** This can best be achieved through cooperative regulatory dialogue through a **Working Group on Cooperation and Capacity Building on Trade Measures.** In particular, the working group could develop a work programme that includes the following main elements:
  - Encourage the development of a WTO-compatible labelling regime that targets “high value” niche markets in the EU
  - Facilitate the development of food safety and improvement of SPS conditions in the Pacific, share information, pursue technical cooperation in the development, application and enforcement of SPS measures, conduct consultations on specific matters related to SPS measures and food safety issues and develop and implement a work programme based on the above recommendations.
  - For TBT it could exchange information on labelling and packaging requirements.
  - Identify SPS and TBT measures that are most prohibitive for PACP producers.
  - Monitor ongoing development on SPS standards and TBT measures in the EU.
  - Cooperate to ensure that new standards are designed and implemented in ways which minimise obstacles to exports from PACP countries.
  - Help PACP countries develop strategies (including those related to capacity) to meet these standards.
  - Promote compatibility between the EU the PACP countries and international food safety, SPS measures and TBTs. All Parties should, to the greatest extent possible, participate in relevant international and regional agreements including the *Codex Alimentarius Commission, the International Office of Epizootics,* and the *International Plant Protection Convention.* .

#### **POLICIES TO PROMOTE SUSTAINABILITY: RECOMMENDATIONS FOR ACP AND EU POLICY-MAKERS**

- **Encourage investment for development.** Help to upgrade the local vessels in order to allow them to conduct more selective and sustainable fisheries, especially by reducing by catches of juvenile fish, already over-fished tuna species and other endangered species (sea turtles, shark, etc.); Develop on-shore processing activities: the region is not really lacking of canneries capacity (it seems to be only a few real opportunities) and others processing activities (smoked, prepared fish, etc.) with higher added value should mainly be considered; Develop of the infrastructure (specific harbour facilities for fishing vessels, air freight facilities, cold chain, etc.) and of the testing and certification facilities.
- **Develop domestic regulations to support sustainable fisheries and processing activities.** Ensure that adequate legislation is in place to support high levels of environmental protection; Put in place a policy to mandate social and environmental impact assessments prior to the development or upgrading of major infrastructure including production facilities, which should include a strong component of public participation; adopt best practices for good governance and fight corruption at national and regional level; put in place marketing campaigns to encourage industrial fleets to sell by-catch locally to contribute to food security; enforce a strict ban on industrial fishing within the coastal zones of the PACP countries to help ensure a viable small-scale, subsistence fishery to contribute to food security and prevent poverty.
- **Capacity Building.** Provide policy assistance to national and regional officials in charge of the development, implementation and enforcement of the fisheries policy. Develop EU/CDE programs; Implement activities to transfer technical knowledge and develop local capacity of modern fishing techniques, industrial fish processing and support for infrastructure and the legal and institutional environment; Provide technical assistance in terms of drafting and implementing environmental friendly fisheries, industrial and development policies; Provide technical assistance and capacity support in the fight against IUU by the surveillance of PACP EEZs, the identification and prosecution of unsustainable-fishing and polluting vessels; Develop technical and capacity support for the monitoring of all vessels fishing in the PACP EEZs (PACP, EU and other LDWFNs) and also on the nearby high-seas. Encourage Capacity Building for the Private Sector.
- **Countries should consider using economic instruments (positive and/or negative incentives).** Specifically, the findings of this study indicate that these could usefully be directed towards: generating a sustained market for environmental goods and services; encouraging good governance and CSR; and, encouraging the pursuit of “fair trade” and “organic” certifications;

#### **Cooperation in the Fisheries sector**

**Finalise negotiations of a Regional Fisheries Partnership Agreement (FPA) between the EU and the PACP countries.** The main elements of a FPA that supports sustainable fisheries should include: Access to the fishery resources; Availability of fishery resources; Compensation fees; Focus on local economic development; and monitoring and enforcement