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**NOTE**

**on the**

**Situation in the Pacific region**

**Abstract:**

The present note gives an overview of the Pacific region, and most specifically of the 15 ACP Pacific States in the region: progress in regional integration, political outlook, economic performance and EU development assistance. Last but not least, the note provides information on the negotiations of an EU-Pacific Economic Partnership Agreement.

Any opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

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***Sources:***

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- The Pacific Magazine (<http://www.pacificmagazine.net>)
- The Interim Pacific Economic Partnership Agreement, Dr. Stephen J.H. Dearden, Department of Economics, Manchester Metropolitan University

## **CONTENTS**

### **I. OVERVIEW**

### **II. REGIONAL ORGANISATIONS**

### **III. POLITICAL OUTLOOK**

### **IV. ECONOMIC PERFORMANCE AND MDG INDICATORS**

### **V. EU-PACIFIC REGION RELATIONS**

#### **ANNEXES:**

*Annex I: Map of the Pacific Region*

*Annex II: Selected Pacific Regional Organisations*

*Annex III: EP resolution of 1 February 2007 on EU relations with the Pacific Islands*

## I. General Overview

### Key Statistics<sup>1</sup>

	Population  2004	Area (km <sup>2</sup> )	HDI (UNDP 2003)	EEZ  (1000 km <sup>2</sup> )	GDP/ Capita (purchasing power standards \$)  World Bank  2004
Cook Island	20300	240		1830	4896**
Fiji	848000	18272	0.752	1260	2690
Kiribati*	98000	690		3600	970
Marshall Islands	60000	170		2131	2370
Micronesia	127000	700		2978	1990
Nauru	10100	24		320	1917**
Niue	1800	259		390	2970**
Palau	20000	487		601	6870
Papua New Guinea	5700000	462840	0,523	3120	580
Samoa*	179000	2857	0,776	120	1860
Solomon Islands*	471000	28446	0,594	1630	550
Timor- Leste*	925000	14874	0,513	322	550
Tonga	102000	699	0,81	700	1830
Tuvalu*	11190	26		757	989**
Vanuatu*	215000	12189	0,659	680	1340
<b>Total</b>	<b>8788390</b>	<b>542773</b>		<b>20439</b>	

\* Least-developed countries

\*\* figures from 2002, source University of the South Pacific.

Sources: NZaid: Annual Report 2004-2005; Pacific Development Report (2002); Secretariat of the Pacific Community; World Development Report 2006; UNDP: Human Development Report (2004)

<sup>1</sup> Source: European Commission, 2006. More recent data are not available for a significant number of countries. Therefore it has been preferred to keep the 2004-2005 data in order to preserve the comparative value of the table. HDI ranking has not significantly shifted in any of the countries.

### *The Pacific region: general overview*

The Pacific ACP region (PACP) consists of **fifteen ACP States**: the Cook Islands, Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia (FSM), Nauru, Niue, Palau, Papua New Guinea (PNG), Samoa, the Solomon Islands, Tonga, Tuvalu, Vanuatu and Timor-Leste.<sup>2</sup> In addition, **four OCTs** (Overseas Countries and Territories) are associated with the EU: New Caledonia, French Polynesia and Wallis and Futuna –associated to France- and Pitcairn – associated to the UK.

The PACP countries are small and very small islands with a total land area of just 527,900 km<sup>2</sup> spread over a large ocean area of more than twice the size of Europe (the combined Exclusive Economic Zone (EEZ) is over 20 million km<sup>2</sup>). Even within countries distances can be extreme: from the Eastern islands of Kiribati to the Line Islands in the West the distance is more than 3,000 Km. Total population in the PACP countries is less than 10 million, of which more than half living in Papua New Guinea.

The main **ethnic groups** of the Pacific region are Melanesian, Polynesian and Micronesians. The western islands, including PNG, Solomon Islands and Vanuatu, are **Melanesian**. Timor-Leste and Fiji are predominantly Melanesian, while Fiji has also a substantial population of Indian origin, and some Polynesians. The more eastern islands, including Tonga, Samoa, Niue, Cook Islands and Tuvalu, are **Polynesian**. The more northerly islands, including Palau, the Federated States of Micronesia (FSM), the Marshall islands, Nauru and Kiribati, are **Micronesian**. Several of the islands are former colonies of European countries, or had similar links. As a consequence of historic contacts with the West, Christianity plays a major role in the social life of many Pacific communities.

The region has a structure of **ten regional organisations** providing technical assistance and policy advice, with leadership provided by the Pacific Islands Forum and its Secretary General. In terms of statehood the Pacific ACP are relatively young, and it has only been since 1995 that regional linkages and cooperation among these States has been revitalised. Instances of socio-economic and political instability have been of concern.

**Economically**, the Pacific ACP are diverse in their resource endowment and stages of development, though they share the common characteristics of remoteness and insularity, vulnerability to natural disasters, small population size, limited diversification and openness. Thus at the regional level the focus is on shared or common resources, such as the people and the oceans. The PACP region constitutes the world's largest tuna fishery.

## **II. Regional Integration in the Pacific region<sup>3</sup>**

The Pacific region faces important challenges towards regional integration. First and foremost, it is challenged by the physical geography, being the largest geographical entity in the world. Small countries are scattered on a huge ocean area and transport connections are extremely expensive. The region is also diverse in terms of the size of the countries, their resource and economic base. Pacific countries are still relatively young as independent states and therefore particularly sensitive about issues pertaining to sovereignty.

<sup>2</sup> In December 2005 Timor-Leste ratified the Cotonou Agreement and became the second biggest Pacific ACP country in terms of population

<sup>3</sup> *Main sources*: Regional Integration for Development in ACP Countries, SEC(2008)2538, 1.10.2008; EU relations with the Pacific Islands- A strategy for a strengthened partnership, COM(2006)248, 29.5.06

As regards the partners of the Pacific regional institution, there are **asymmetries** between the Pacific islands on one hand and Australia and New Zealand on the other. These two blocs are quite different from the economic, historical and cultural point of view and different objectives may also have to be reconciled in the regional forums.

In terms of regional organisations, the **Pacific Islands Forum** (the “Forum” or the PIF) is the premier regional policy-making body of the self-governing states in the Pacific. Established in 1971, its membership includes 14 of the Pacific ACP countries together with Australia and New Zealand.<sup>4</sup> Forum Heads of State and Government meet annually, as do Forum Economic and Education Ministers. *Ad hoc* meetings of other Ministers are held regularly. The Chairmanship of the Forum rotates on an annual basis amongst the Member States, and the current (2008) Chair is Tonga’s Prime Minister Dr. Feleti Vakauta Sevele.

The Forum is served by its **Secretary-General**, whose work is supported by the Forum Secretariat, based in Suva (Fiji). The Secretariat’s overall objective is to promote Pacific regional cooperation, particularly on economic and trade matters. It also acts as the Forum’s administrative arm, implementing its decisions, including delivering development assistance to Member States. In case of trade-related assistance, it can also act as implementing agency. The current Forum Secretary-General is **Tuiloma Neroni Slade**, from Samoa, appointed in August 2008 for a three-year mandate.<sup>5</sup>

The Forum Secretary-General is also permanent Chair of the **Council of Regional Organisations in the Pacific (CROP)**, which coordinates the Forum Secretariat and **nine** other Pacific regional organisations with technical mandates ranging from higher education to fisheries, tourism and energy (see Annex II for a list of selected Pacific regional organisations). As regards peace and security, the **Biketawa Declaration** of 2000 establishes a framework for Forum intra-state security cooperation, which calls for Forum Foreign Affairs Ministers to meet as part of an *ad hoc* crisis management mechanism for the region.

At the October 2005 meeting of Forum Heads of State and Government two important decisions aimed at strengthening regional cooperation were taken: an Agreement giving the Pacific Islands Forum **legal personality** under international law was approved, and the Pacific Plan for Regional Cooperation and Integration (the “**Pacific Plan**” **2005-2010**) was adopted<sup>6</sup>. The Pacific Plan’s strategic objectives are focused around four pillars: (i) enhance and stimulate economic growth, (ii) sustainable development, (iii) good governance and (iv) security. Full implementation of this ambitious plan will depend on continued political commitment and mobilisation of the required financial resources.

In terms of trade and economic integration, **intra-regional trade** between the Pacific ACP countries is still very limited, representing around 3 % of their total trade.<sup>7</sup> Nonetheless significant efforts have been made towards the establishment of a number of free trade agreements:

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<sup>4</sup> Timor-Leste has observer status in the Forum and at present is not considering full membership.

<sup>5</sup> Tuiloma Neroni Slade was Samoa’s ambassador to the United Nations and, since 2002, Judge of the International Criminal Court. For the nomination as Secretary-General of the Forum Secretariat he ran against two other candidates: Wilkie Olaf Patua Rasmussen of the Cook Islands and Feleti Penitala Teo of Tuvalu. *Source*: Pacific Magazine, 14 May, 2008; 6 August 2008.

<sup>6</sup> The decisions taken at the October 2005 Forum meeting represented the culmination of a process started in 2003 by initiative of New Zealand Forum Chair.

<sup>7</sup> COM(2006) 248

- the **Pacific Island Countries Trade Agreement (PICTA)** aims to establish a free trade area between the 14 ACP Pacific Islands Forum countries by 2017. So far 11 states have ratified the agreement and six countries<sup>8</sup> have commenced trading under PICTA. The agreement currently covers trade in goods, and in 2007 it was agreed to extend its provisions to services.
- The **Melanesian Spearhead Group (MSG) Preferential Trade Agreement** concerns the four Melanesian states of Vanuatu, PNG, the Solomon Islands and Fiji. It provides for full liberalisation of both goods and services by 2013, including a customs union. The MSG, formally recognised as a sub-regional organisation, opened its Secretariat in Port Vila (Vanuatu) in May 2008.
- The **Pacific Agreement on Closer Economic Relations (PACER)**<sup>9</sup> is a Forum-wide framework agreement including Australia and New Zealand, the PACP's major trading partners. PACER intends to promote regional economic integration and the progressive integration of the Forum region into the world economy. A key feature of the PACER is the creation of a Regional Trade Facilitation Programme, and the start of negotiations towards an FTA agreement under certain conditions. Pacific trade officials have recently denounced Australian pressure to rush them into fast-track FTA negotiations.

### III. Political outlook and Human rights record

With the exception of Tonga<sup>10</sup>, which is an almost absolute monarchy, all Pacific ACP countries are fully fledged democracies. However, modern institutions have not yet taken root everywhere and do not easily combine with traditional power structures. In recent years political developments have proven that a number of Pacific countries are **potentially unstable**.

#### Political tensions in the Pacific Region

- **Papua New Guinea:** Secessionist war on the island of Bougainville (1988-1998), causes thousands of victims.
- **Solomon Islands:** Civil conflict (1998-2000) brings the country to the brink of collapse and triggers military intervention by Australia and New Zealand.
- **Fiji:** since 1987 racial and political tensions been an intermittent source of instability, with repeated coups, and international isolation.
- **Nauru:** severe economic and financial crisis since 2004.
- **Tonga:** State of emergency was declared in November 2006 after eight people were killed in rioting in protest at the lack of democratic reforms.
- **Timor-Leste:** its road to the independence (20 May 2002) was long and traumatic and the country is far from being stable.

<sup>8</sup> Cook Islands, Fiji, Niue, Samoa, Solomon Islands and Vanuatu.

<sup>9</sup> The PACER entered into force in 2002 and 11 countries have ratified so far, (COM(2006)248)

<sup>10</sup> In April 2008 elections pro-democracy candidates won all nine of the elected seats in the nation's parliament. The government has proposed reforms for 2010, when the majority of representatives in parliament will be popularly elected, and the King Tupou V confirmed that he will relinquish the near-absolute power held by the monarchy, fulfilling a longstanding pledge to introduce democratic reforms.

A number of Pacific countries face important problems of **governance** and **corruption**. These problems are often linked to the issue of nation building in countries that are very heterogeneous, as identification with a clan or similar group may be stronger than with the State. The worst performers in terms of CPI (Corruption Perception Index)<sup>11</sup> are: Papua New Guinea (ranked 151 out of 180 countries), Timor-Leste (145<sup>th</sup>), Vanuatu (138) and Solomon Islands (109). Weak institutions and governance failures combined with low economic growth, high rate of unemployment and poverty contribute to state fragility in the Pacific region.

In terms of **human rights**, there are serious concerns related to **gender issues**. While the situation differs from country to country, violence against women and polygamy constitute important problems and women still have far to go in terms of empowerment. In PNG violence against women is seen as the main cause for spreading HIV/AIDS epidemic, which in turn has fuelled abuses against women.<sup>12</sup> The Pacific region has very low representation of women in national parliaments<sup>13</sup>, with the extreme case of Solomon Islands, which as late as early 2006 did not have a single female member of Parliament.<sup>14</sup>

#### IV. Economic performance, progress towards MDGs

The economic profile of the region is heavily determined by the **geographical features** shared by all 15 PACP: small islands remarkably vulnerable to economic and natural impacts – all factors that hinder economic diversification. The small size of domestic markets and high transportation costs restrict the scope for economic enterprise in the island.

The region is still noticeably rural: **subsistence agriculture**, including fishing, is the main source of employment of over 43% of the population of the region, although the sector accounts for only 21.4% of the region's GDP.<sup>15</sup> The decline in agricultural productivity has led to a deterioration of the food security situation in a region which is heavily import-dependent. **Sugar**, produced almost exclusively by Fiji, is the main exported agricultural product. Fisheries and fisheries-related activities and associated industries show the greatest potential for future development and export increase. The **services sector**, in particular tourism, has grown remarkably in the last years, and now accounts for 56.4 % of the regional GDP and 47.5 % of regional employed labour force. The development of the **industrial sector** has been moderate, accounting for 22 % of the regional GDP and 19.8 % of employed population.

On average, the economies of the Pacific ACP countries have been growing at a slow pace over recent years. In **2008 estimates** have been more optimistic<sup>16</sup>, and the region's combined GDP is projected to grow by 4.5 %, up from an average of 2.8 % between 2005 and 2007 and an average of 1.1 % in the period 200-2004.

Economic performance in the region is **uneven**: the best performing economies are PNG, Vanuatu and Solomon Islands<sup>17</sup> with an estimated growth of 6 %. Smaller Islands States<sup>18</sup> (SIS) economies have grown at less than 3 % for the last three years, while the economies of

<sup>11</sup> Source: Transparency Internacional, 2008

<sup>12</sup> Amnesty International, 2007 report

<sup>13</sup> UNDP, 2008

<sup>14</sup> COM(2006)248

<sup>15</sup> "EPA Negotiations in the Pacific region: Some issues of Concern", South Centre (Geneva), November 2007

<sup>16</sup> Estimations were made before the acceleration of the world financial crisis in September 2008

<sup>17</sup> Together comprise more than 70 % of the PACP population

<sup>18</sup> Tuvalu, Kiribati, Cook Islands, Niue, Nauru, Palau



Fiji and Tonga have been contracting in the wake of political instability. It is estimated that economies in the region will need to grow annually at about 7 % to 8 % to create employment and improve livelihoods.

There are substantial differences in **income per capita**, ranging from about USD 551 per capita in Solomon Islands to USD 9,621 per capita in the Cook Islands. Amongst the Pacific ACP countries, six are **Least Developed Countries (LDCs)**.<sup>19</sup>

Progress against poverty and towards reaching the **Millennium Development Goals** has been made overall but it is uneven. Lack of opportunity for personal development is a particularly acute problem, with rural communities, where most Pacific islanders live, facing problems such as poor access to basic social services, affordable energy services and telecommunications, and with economic activities hampered by long distances and limited access to financial services. There are sharp contrasts in the levels of literacy and educational attainment. Adult literacy rates range from about 30% in the Solomon Islands and 34% in Vanuatu up to between 95% and 99% in many of the smaller islands states, such as Tonga and Tuvalu. Primary school enrolment rates provide a similar contrast to literacy rates. In terms of gender equality promotion, the Pacific region ranks as one of the worse in terms of women's representation in national parliaments and also presents high maternal mortality levels and low access to reproductive health. It is also a sad fact that HIV-AIDS is creeping in on the Pacific ACP countries with Papua New Guinea at the centre of the crisis.

The Pacific Ocean covers a full **one third of the Earth's surface** which means that **environmental developments** there will have a significant impact on a global scale, such as the future of the world's fisheries and climate change.

The Pacific is particularly vulnerable to natural disasters and to the consequences of **climate change**. From 1990 to 2000 the region had the world's highest rates of disaster-related mortality, percentage of population affected, and damage cost per capita. With climate change and increasing sea levels many low-lying Pacific islands are at risk and the region may in future face a serious problem in terms of environmental refugees. In 2005 Forum Leaders endorsed the Pacific Islands Framework for Action on Climate Change (**PIFACC**) as a regional platform for deepening and broadening climate change cooperation. The Regional Pacific Disaster Risk Reduction and Disaster Management Framework for Action provides another coordinated "all hazards" approach. National and mitigation responses for civil protection and community risk management are assisted by the South Pacific Sea Level and Climate Monitoring Network, which uses sophisticated sea level monitoring gauges in 12 countries and territories across the Pacific.

The **sustainable management** of natural resources is the second environmental challenge for the region. The Pacific's immense **biodiversity** is not even known yet. It has been estimated that as little as 20% of the Pacific Ocean's flora and fauna has been properly researched, representing an enormous potential for human health in terms of biotechnology. The region has the only **fishery** resources in the world which are not yet heavily over-fished, including the world's largest tuna stocks. Three organisations are responsible region-wide for managing fisheries in the Western and Central Pacific Ocean through a regional approach: the Pacific Islands Forum Fisheries Agency (FFA), that runs a vessel monitoring system, the Secretariat of the Pacific Community (SPC), that carries out scientific research on the state of fish stocks, and the Western and Central Pacific Fisheries Commission (WCPFC) that determines

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<sup>19</sup> Pacific ACP LDCs: Kiribati, Samoa, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu

the total allowable catch and the level of fishing effort in the area governed by the so called “Tuna Convention”<sup>20</sup>.

The **tropical forests** of Papua New Guinea are of global significance in terms of bio-diversity and as regards climate change. Excessive **logging** there, but also in Samoa, Solomon Islands, Timor Leste, Tonga and Vanuatu therefore presents significant risks for the global community. Together with unsustainable agricultural practices, it leads in some cases to land degradation.

As existing **natural resources** in other parts of the world are gradually depleted, and as the economies of China, India and ASEAN continue to expand, demand for natural resources will increase further and the substantial resources of the Pacific will become increasingly important for the international community.

## V. EU-Pacific relations

The EU’s relations with the Pacific ACP countries are structured, and have been so for decades, first on the basis of the Lome Conventions, and now by the **Cotonou Agreement**. In political terms an important objective for the EU has been to underpin a successful stabilisation following relatively recent decolonisation process, while supporting economic development and social progress. Considering the political volatility experienced in a number of Pacific Countries, this goal has not yet been convincingly attained, although development assistance to the region has had a positive impact.

EU strong relations with the region are an inheritance of the **colonial past**, most recently with the UK, France and Portugal as the important players. Many Pacific ACP countries are members of the Commonwealth, and English is an official language in all the Pacific ACP countries, apart from Timor-Leste, which has Portuguese as an official language. French is spoken in Vanuatu.

In addition to the 15 ACP Pacific countries, **four OCTs** (Overseas Countries and Territories) are associated with the EU: New Caledonia, French Polynesia and Wallis and Futune – associated to **France**- and Pitcairn – associated to the **UK**. The OCTs are subject to a different preferential regime from the ACP countries, although they benefit also from the EDF funds.

**EC development assistance** to the region has been substantial, and total aid granted under successive Lomé Conventions and the Cotonou Agreement exceeds € 1.8 billion. Furthermore, Timor-Leste has received more than € 200 million under other instruments since 1999. In addition, the European Investment Bank and the Centre for Development of Enterprises are also active in the region. Together with ODA flows from the EU Member States, the EU is one of the major donors to the Pacific ACP countries, and in this region the EU aid per capita ratio is the highest in the world.

In 2006 the EU proposed its **EU Strategy for the Pacific Region**, an attempt to enhance the political profile and visibility of EU-Pacific relations, which was broadly welcomed by the EP in its resolution of 1 February 2007 (see Annex III). Contrary to what happened in the case of the EU Strategy for Africa, the EU strategy for the Pacific was never further negotiated and agreed with local governments.

<sup>20</sup> The Convention entered into force in June 2004 and the EC is a full member.

The strategic aims of the **EU Strategy for the Pacific region** are:

- strengthen **political dialogue**: an annual EU-Pacific Islands Forum dialogue on security, governance, economic relations and the environment was launched in 2008, enhancing the existing “Post-Forum Dialogue”, which traditionally followed immediately after the Forum Leaders annual Summit.
- focus **development cooperation** on economic growth and sustainability
- improve the **effectiveness of aid delivery** – e.g. through beneficiary-led donor coordination (eg with Australia and New Zealand).

### ***Financial support under 10<sup>th</sup> EDF***

At the regional level, the EU's two main priorities under the 10<sup>th</sup> European Development Fund (EDF 2008-2013) mirror the priorities highlighted by Pacific ACP countries in the “Pacific Plan”:

- **regional economic integration – € 45 million** available for development of human resources, key industries and trade capacity, trade arrangements and integration into the world economy. Regional integration is seen as a way of bringing stability and development to the Pacific islands.
- **sustainable management of natural resources and the environment – € 40 million** to support green measures, help low-lying atolls respond to rising sea-levels, combat illegal fishing and protect biodiversity (important also for tourism)

A further **€ 10 million** will be available to cover participation of non-state actors and technical cooperation.

### ***EU-trade relations with the Pacific region.***

The EU accounts for only 2 % of total PACP imports and is a minor source of imports for individual PACPs. By contrast Australia (33% of total PACP imports), Singapore (20%) and New Zealand (13%) account for between 50 % and 80 % of individual PACP imports, with the exception of the states which have a special relationship with the US. Similarly only Fiji (sugar) and Papua New Guinea (palm oil, coffee and tuna) have significant exports to the EU. The EU and 14 Pacific ACP states<sup>21</sup> have been negotiating an **Economic Partnership Agreement** (EPA) for a number of years. Under time pressure, when the deadline set in the Cotonou Agreement reflecting the expiration of the WTO waiver was approaching, negotiations focused on preserving ACP market access to the EU within a WTO-compatible agreement.

On 23 November 2007 Fiji and PNG initialled an Interim EPA agreement, covering mostly trade in goods. Both countries are not Least Developed Countries and would not have benefited from “Everything but Arms” trade preferences under which their goods would enter freely the EU market. They would have been submitted to a traditional GSP regime. Thanks to the signature of the interim EPA both countries have secured their exports to the EU, especially with regard to sugar and fisheries.

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<sup>21</sup> All except Timor-Leste

Seven other **non-LDCs** (Cook Islands, Federated States of Micronesia, Nauru, Niue, Palau, Marshall Islands and Tonga) did not join the interim agreement so far and export to the EU under the GSP regime since 1 January 2008. The **Pacific LDCs** (Timor-Leste, Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu) have exported since 1 January 2008 under the "Everything But Arms initiative", which provides non-reciprocal free market access for virtually all products. Rules of Origin under the GSP and EBA initiative are however less advantageous than under a full EPA agreement.

***The Pacific Interim Economic Partnership Agreement (Fiji and PNG)<sup>22</sup>***

On market access, the offer of the Republic of Fiji Islands (Fiji) foresees to liberalise 24% of value of imports from the EU corresponding to 9% of tariff lines on the date of application of this agreement which has been announced by Fiji to be the 01 January of 2008. Fiji will eliminate another 13% of value and 13% tariff lines by the end of year 5, by the end of 10 years 41% of value and 40% of tariff lines and by the end of 15 years 4% of value and 18% of tariff lines. The coverage of the offer is 81.5% as regards the value of imports from the EU and 80 % as regards tariff lines. All sectors are covered.

The agreement covers all major provisions of a trade in goods agreement such as provisions on customs duties, export taxes, a standstill clause, a non discrimination clause, trade defence instruments (anti-dumping and countervailing measures, multilateral and bilateral safeguards), special provisions on administrative cooperation in customs matters, a chapter on customs and trade facilitation, a chapter on technical barriers to trade and sanitary and phytosanitary measures as well as exception clauses. The respective offers of the parties as well as the applicable rules of origin are set out in annexes attached to the agreement. The agreement also contains an annex on mutual administrative assistance in customs matters.

The Agreement also emphasises the need to cooperate closely at the national level to maximise the synergies between development cooperation and the objectives of this Agreement.

In September 2008 the Pacific Region started negotiations on a **full EPA**. Negotiations will have to deal as well with the "lacking parts" of the interim EPA, in particular the development chapter and aid for trade. In October 2008, The Pacific ACP Trade Ministers Meeting reaffirmed their commitment to continue the negotiations of an Economic Partnership Agreement (EPA) with the European Union (EU) "*as a single region*" based on existing negotiating positions as agreed last March. Trade Ministers of the region also agreed that a comprehensive EPA might include provisions relating to intellectual property rights "*with obligations not going beyond those contained in the Cotonou Agreement*"<sup>23</sup>. The political deadline for the signature of the interim EPA is end of 2009.

ACP Pacific states have underlined that a number of significant EPA issues remained outstanding requiring some time to work through. Issues considered of particular importance by the Pacific ACP countries are:

- treatment of PACP nationals in EU territories, and especially work permits (there are four OCTs in the Pacific region, with much higher per capita levels)

<sup>22</sup> ECDPM, *EPA negotiations - Where do we stand?*, November 2008. Information provided by the European Commission

<sup>23</sup> Pacific magazine.com, October 2008

- application of most-favoured nation (MFN) clause, and its impact on other trade agreements and trade partners (i.e. Australia and New Zealand in PACER)
- additional funds necessary to meet the needs of EPA adjustments.
- use of WTO dispute settlement procedure for the EPA. Only four ACP Pacific States are WTO members<sup>24</sup> and this provision would raise potentially serious problems for the non-WTO PACPs.

Pacific ACP Trade Ministers agreed that it would also be useful to discuss the region's approach to the EPA during the November meetings of the ACP-EU Joint Parliamentary Assembly in Port Moresby, Papua New Guinea and in Vanuatu.

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<sup>24</sup> Fiji, PNG, the Solomon Islands and Tonga. Vanuatu has observer status (CIA World Factbook)

Annex I



## Annex II

**TABLE 5.4 - SELECTED REGIONAL ORGANISATIONS**

	Base	Date of creation	Membership	Competencies
<i>Pacific Islands Forum (PIF)</i>	PIF Secretariat Suva, Fiji	1971	PACP, Australia, New Zealand, New Caledonia (observer)	Regional policies annual meetings, relation with other partners.
<i>Council of Regional Organisations of the Pacific (CROP)</i>	PIF Secretariat Suva, Fiji	1988	FFA, FSchM, PIDP, PIFS, SOPAC, SPBEA, SPC, SPAEP, SPTO, USP	Coordinating activities of its members
<i>Forum Fisheries Agency (FFA)</i>	Honiara, Solomon Islands	1979	PACP, Australia, New Zealand, Tokelau	Policy advisory services on the sustainable management and development of tuna resources
<i>Secretariat of the Pacific Community (SPC)</i>	Noumea, New Caledonia	1947	Australia, France, United States, New Zealand, United Kingdom, American Samoa, French Polynesia, Guam, New Caledonia, Commonwealth of Northern Mariana Islands, Pitcairn, Tokelau, Wallis and Futuna	Develop technical, professional, scientific, research, planning and management capacities. Three Divisions: land, marine and social
<i>Pacific Islands Development Programme (PIDP)</i>	Hawaii		PACP, American Samoa, French Polynesia, Guam, Hawaii, New Caledonia, Commonwealth of Northern Mariana Islands	Research activities identified as important for the development of the region.
<i>University of South Pacific (USP)</i>	3 main campus Fiji, Samoa, Vanuatu	1968	PACP (except Micronesia, Palau, PNG) Tokelau	To meet the training and the development needs of the region and strengthen institutional capacity.
<i>Pacific Regional Environment Programme (PREP)</i>	Apia, Samoa	1982	PACP, American Samoa, Australia, Commonwealth of Northern Mariana Islands, France, French Polynesia, Guam, New Caledonia, New Zealand, Tokelau, United States, Wallace and Futuna	Protection of regional environment and promotion of sustainable development.
<i>Melanesian Spearhead Group (MSG)</i>	-	1988	Fiji, Papua New Guinea, Solomon Islands, Vanuatu, New Caledonia	Accelerated progress towards free trade, moving to Customs Union.

Source: Evaluation of the Commission's support to the ACP-Pacific region, September 2007, by DRN & others

### Annex III

#### P6\_TA(2007)0022

#### Strategy for a strengthened partnership with the Pacific Islands

#### European Parliament resolution of 1 February 2007 on EU relations with the Pacific Islands - A strategy for a strengthened partnership (2006/2204(INI))

*The European Parliament,*

- having regard to the Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee of 29 May 2006 entitled 'EU Relations with the Pacific Islands – A strategy for a strengthened partnership' (COM(2006)0248),
- having regard to the Council conclusions on an EU-Strategy for the Pacific adopted by the General Affairs Council on 17 July 2006,
- having regard to the Partnership Agreement between the African, Caribbean and Pacific Group of States (ACP) and the European Community signed in Cotonou on 23 June 2000 (the 'Cotonou Agreement')<sup>25</sup>,
- having regard to Article 89(1) of the Cotonou Agreement, which provides that 'specific provisions and measures shall be established to support island ACP States in their efforts to overcome the natural and geographical difficulties and other obstacles hampering their development so as to enable them to step up their respective rates of development',
- having regard to the report by the UN Millennium Project: 'Investing in Development: A Practical Plan to Achieve the Millennium Development Goals',
- having regard to the Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy, 'The European Consensus'<sup>26</sup>,
- having regard to the Paris Declaration on Aid Effectiveness endorsed on 2 March 2005 by the Ministers of developed and developing countries responsible for promoting development and by the Heads of multilateral and bilateral development institutions,
- having regard to its resolution of 23 March 2006 on the development impact of Economic Partnership Agreements (EPAs)<sup>27</sup>,
- having regard to rule 45 of its Rules of Procedure,
- having regard to the report of the Committee on Development (A6-0325/2006),

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<sup>25</sup> Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States of the other part, signed in Cotonou on 23 June 2000 (OJ L 317, 15.12.2000, p. 3).

<sup>26</sup> OJ C 46, 24.2.2006, p. 1.

<sup>27</sup> OJ C 292 E, 1.12.2006, p.121.



- A. Having regard to the historical involvement of European countries in the Pacific region,
  - B. Whereas the majority of Pacific Island countries have only relatively recently become independent,,
  - C. Whereas the EU has a significant presence in the region by virtue of the Overseas Territories of New Caledonia, French Polynesia, Wallis and Futuna (France) and the Pitcairn Islands (UK),
  - D. Whereas the Nuclear Free and Independent Pacific Movement (NFIP) is campaigning for both the halting of all nuclear tests in the region and respect for the dignity of its indigenous peoples,
  - E. Whereas the EU is a substantial donor to the region, having granted in total, since the accession of the first Pacific Island countries to the first Lomé Convention in 1975, aid exceeding EUR 1,8 billion,
  - F. Having regard to the adoption of the Pacific Plan by the 16 member countries of the Pacific Islands Forum, which aims to strengthen regional cooperation and integration, focusing on economic growth, sustainable development, good governance and security through regionalism, and offers the opportunity to further EU-Pacific relations,
  - G. Whereas the Pacific Island countries face significant problems arising from high population growth, an insufficient supply of skilled labour, low economic growth, ethnic tensions, socio-economic disparities, governance failures and the impact of global economic trends, giving cause for concern as to further increases in poverty and instability in the region,
  - H. Whereas the Pacific region possesses substantial natural resources, yet has very complicated land tenure systems which may in some cases be obstacles to development,
  - I. Whereas the Pacific ACP states are fully fledged democracies, except for Tonga, which is a constitutional monarchy,
1. Welcomes the initiative of the Commission to develop the first EU strategy for the Pacific after 30 years of cooperation, following on from the signature of the first Lomé Convention in 1975 and the Cotonou Agreement in June 2000;
  2. Emphasises that, as a major donor to the region, the EU has an opportunity to create a strategy that will support the island countries of the Pacific in achieving the Millennium Development Goals (MDGs);
  3. Emphasises the heterogeneity of the region and therefore calls for flexibility in the Commission strategy to ensure that development assistance is channelled according to national and regional priorities, thereby achieving maximum benefit for both the more developed and the less developed countries of the Pacific;
  4. Endorses the Commission's view that enhanced political dialogue is needed with the Pacific Islands Forum, whose leaders have adopted a new agreement establishing the Forum as an intergovernmental organisation under international law; at the same time, emphasises that any increase in dialogue at regional level must also address the needs of the region's poorest countries;
  5. Stresses that any strategy must adequately address the development needs of all the Pacific Island countries, especially the poorest, in order to support their efforts to achieve the MDGs;

6. Recognises that the Pacific region is endowed with an abundance of natural resources, especially fisheries, minerals and forests and that in many countries of the region, agriculture and tourism are the mainstays of the economy; stresses, therefore, that ecologically and economically sustainable development must be at the heart of any strategy relating to these key sectors; stresses that the exploitation of natural resources must contribute to income generation for the entire population of the Pacific Island countries and support poverty alleviation in particular;
7. Recognises the importance of EU financial assistance to encourage the development of local fisheries in the region, which are a major source of revenue for Pacific Island countries, and especially states with lower gross national incomes, such as Kiribati, the Marshall Islands, Micronesia and Tuvalu;
8. Stresses the importance of good management in the fisheries sector so as to discourage over-fishing and destructive fishing techniques and to prevent environmental hazards from destroying marine life, particularly in the case of tuna fisheries, in which the Pacific has one of the richest fishing grounds in the world;
9. Applauds the regional approach that the Pacific Island countries have taken to managing tuna fisheries in their region, and encourages the EU to negotiate any future tuna agreements with the entire region, rather than with individual States;
10. Recognises the importance of imposing licence fees for the long-range fishing of tuna in the Exclusive Economic Zones (EEZs) of countries in the region, as these are a major source of revenue for Pacific Island countries, especially the lower income countries such as Kiribati, the Marshall Islands, Micronesia, and Tuvalu; is concerned, however, about the low number of catches actually processed within the EEZs and the consequent loss of earnings;
11. Welcomes the Commission's proposal to increase efforts to promote sustainable fisheries management by supporting the monitoring, control and surveillance systems of the region, and to strengthen the capacity to fight illegal, unreported and unregulated fishing;
12. Calls on the EU and the Pacific Island countries to support the Food and Agriculture Organization (FAO) international action plan for combating illegal, unregulated and unreported (IUU) fishing; considers that this must be a priority when fisheries agreements are concluded with third countries;
13. Calls on the EU and the Pacific Island countries to collaborate closely in order to eliminate IUU fishing in the region, making every effort to comply with their obligations as port and/or flag states;
14. Recommends that more developed Pacific Island countries continue to develop local processing operations, thereby creating more employment, and that they explore the possibility of European Investment Bank soft loan lending to small and medium-sized enterprises owned by Pacific Island interests so as to increase processing capacity and to bring increased revenues to the region; welcomes the evaluation of fish resources and fishing capacities undertaken by the Pacific Forum Fisheries Agency, and calls, where there is scope for increases in capacity, for local fleets to be expanded;
15. Calls on the Commission to conduct an ecological and social impact assessment of illegal and large scale industrial logging activities and related trade in the Pacific countries;
16. Calls on the Commission to focus on the rapid implementation of the Convention on Biological Diversity and related agreements, especially the programme of work on protected areas, which is an effective instrument for preventing further destruction or degradation of forest and marine

ecosystems in the Pacific region;

17. Calls on the Commission to increase support for ecologically and socially responsible forest management and for the implementation of reliable systems which can provide credible guarantees to European consumers that wood products sold on the EU market are made out of timber from sustainable sources; stresses the importance of shifting the paradigm from excessive large scale industrial logging to eco-forestry projects to generate income for local communities and support poverty alleviation;
18. Endorses the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean signed in September 2000 with the aim of achieving the long-term sustainable harvest of tuna fisheries, as a sign of cooperation between Pacific Island countries and distant-water fishing nations;
19. Emphasises that substantially greater investment is needed in the management of mineral deposits, a vital source of foreign exchange to both more developed and less developed Pacific Island countries, in order to prevent the premature depletion of resources, as was witnessed in Nauru during 50 years of continuous phosphate mining;
20. Calls on the Commission to ensure, in collaboration with the Pacific Island countries, that full disclosure of all taxes and duties paid by oil, mining and gas companies in the region to the various governments is given in their published annual financial reports;
21. Draws attention to the economic importance that tourism has for the region, given that one of the main assets of the Pacific islands is their idyllic setting; stresses that any encouragement of tourism in the region must go hand in hand with increased local ownership of tourist services, to ensure the sustainability of the tourist sector and to maximise the benefits to the local economy;
22. Calls for all nuclear tests to be banned, and regards it as essential that the entire region be made nuclear-free and that the damage to the environment, ecosystems and public health caused by nuclear test be repaired;
23. Recognises the benefits that the setting up of low-cost airlines servicing the region has brought to the Pacific Island economies, and calls for impediments to 'open skies' policies to be eliminated while air transport is developed rationally so as to minimise emissions and other environmental impacts of increased air travel;
24. Stresses that, in the majority of cases, only the richer countries with more developed infrastructure and more frequent air connections attract significant numbers of tourists each year; emphasises that, in these cases, development assistance must continue to be used to finance infrastructure and to encourage sustainable tourism;
25. Calls on the Commission to place the emphasis, in projects implemented under the 10th European Development Fund, on support for the education and technical training systems of the States in the region whose development is being hampered by shortcomings in this area;
26. Recognises the importance of agriculture as a primary source of income, including export earnings, and as a means of subsistence and of employment in the region;
27. Emphasises that globalisation, together with the loss of preferential access to the EU market, has already had a profound economic impact on the region, especially on Fiji;
28. Stresses that in less developed countries which survive mainly on subsistence agriculture, a gradual transition should be made from the production of staple crops to the production of cash

crops so as to provide more agricultural products for export, and that the viability of setting up food processing and packaging services should be examined;

29. Emphasises that skilled labour is an important prerequisite for economic growth in Pacific Island countries and therefore calls on the Commission to support national policy frameworks aimed at providing vocational training facilities and other training to support local industries in Pacific Island countries;
30. Emphasises the importance of intra-regional trade and trade between the Pacific Region and the EU, including under regional trading arrangements such as the Pacific Island Countries Trade Agreements (PICTA), the proposed Pacific Agreement on Closer Economic Relations (PACER), and the Economic Partnership Agreement (EPA), as a means of increasing economic prosperity in the region;
31. Bearing in mind the costs of the management and administration of such trading agreements, including the implementation of the Pacific Strategy by the Pacific Island countries and regional organisations such as the Pacific Forum Secretariat, calls on the Commission to provide appropriate financial and technical assistance for the timely and effective implementation of such agreements;
32. Endorses the Commission's assessment of the significance of key regional actors such as Australia, New Zealand, the USA and Japan, given that they are important donors to and trading partners with the Pacific region, and that bilateral relations between the EU and these countries will improve through increased involvement in the Pacific;
33. Endorses the Commission's assessment that closer coordination of aid delivery with other partners in the region such as Australia and New Zealand would increase the effectiveness of aid delivery;
34. Emphasises that the Pacific region is one of geo-political significance, and expresses concern that inter-state rivalry can foster low quality, politically-linked aid, to the detriment of longer-term development, resource sustainability and good governance;
35. Calls on the Commission to recognise that land tenure systems, especially in Papua New Guinea, the Solomon Islands, Vanuatu and New Caledonia (a French Overseas Territory) are very complicated and are real obstacles to development; therefore urges the Commission to support the national land reform initiatives undertaken by those countries and that territory;
36. Calls on the Commission to initiate policies to tackle the rapid spread of HIV/Aids in the region, which is becoming increasingly prevalent in countries such as Papua New Guinea;
37. Draws attention to the four countries affected by malaria in the region, Papua New Guinea, the Solomon Islands, Vanuatu and Timor-Leste; urges the Commission to develop programmes to tackle this problem, ensuring that there is adequate protection from malaria, for example, through the supply to affected countries of anti-malarial bed nets;
38. Stresses that, in order to ensure the efficient delivery of aid, the promotion of good governance throughout the Pacific region is vital in order to prevent corruption, one of the key obstacles to meeting the MDGs, as well as to achieve sustainable development; emphasises that national institutions and transparent and robust procedures must be put in place so that development aid reaches the intended recipients in the region;
39. Shares the Commission's views that political instability and conflict can be devastating for the region's economic development, especially in terms of lost revenues from tourism and the destruction of economic infrastructure;

40. Emphasises that the strengthened partnership between the EU and the Pacific Island countries must be reflected in increased support for the parliaments of the states concerned with a view to strengthening their capabilities and their role in fostering regional political stability;
41. Draws attention to the vulnerability of Pacific Island countries to natural disasters and the devastating effects they have on their economies; therefore endorses the Commission's call for the establishment of a regional disaster preparedness programme;
42. Endorses the Commission's view that the Pacific Island countries have a major stake in tackling climate change, given the potential effect on the region of rising sea levels; takes note of the Pacific Islands Framework for Action on Climate Change 2006-2015 as a regional mechanism to support responses to climate change and calls for an increase in dialogue between the EU and the Pacific region with a view to tackling climate change and related concerns;
43. Draws attention to the situation in Timor-Leste which was torn by violence in May and June 2006 and expresses the hope that the Commission, working closely with the international community, will assist Timor-Leste's leaders in addressing the underlying problems contributing to the crisis, including the need for political stability, poverty alleviation, social development and reconciliation among various sections of society;
44. Welcomes the Council conclusions on an EU-Strategy for the Pacific of 17 July 2006 and their emphasis on poverty eradication, achievement of the MDGs, human resources development and health issues; deplores, however, that the Council has adopted its conclusions without waiting for Parliament to express its position;
45. Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the EU Member States and the governments and parliaments of the Pacific Island countries.