Impact of LDC Graduation on Solomon Islands’ Fisheries: Analysis & Options

Pacific Subregional Workshop on Preparing for a Smooth Graduation from the LDC Category
23 November 2018

The Commonwealth

Context

- 2018 UN CDP Triennial Review recommended that Solomon Islands graduate from the LDC list
  - Endorsed by ECOSOC and awaiting GA resolution
- Commonwealth LDC Kickstarter project aims to help Commonwealth LDCs with a smooth graduation
  - Trade impact assessments
  - Effective debt management
- Initial analysis focussed on the impact of graduation on Commonwealth LDCs against trade with the EU
  - Everything but arms (EBA), exclusively for LDCs
  - Standard Generalised Scheme of Preferences (GSP)
  - Generalised Scheme of Preference Plus (GSP+)
Impact of LDC Graduation

- Tuna accounts for 60% of exports to EU
- Solomon Islands have 11% of EU tuna market share
- Major competitors: Ecuador (28% FTA), Mauritius (11%, EPA) and Philippines (9%, GSP+)
- Triggered in-depth study on the impact of LDC graduation on Solomon Islands’ tuna fisheries based on a global value chain framework

### Implicit duty payable on imports for which duty can be calculated (£000)

<table>
<thead>
<tr>
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<th>Current (EBA)</th>
<th>GSP+</th>
<th>GSP</th>
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</thead>
<tbody>
<tr>
<td>Solomon Islands</td>
<td>-</td>
<td>15,120</td>
<td></td>
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<tr>
<td>Vanuatu</td>
<td>-</td>
<td>7</td>
<td></td>
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<tr>
<td>Tuvalu</td>
<td>-</td>
<td>3</td>
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<tr>
<td>Kiribati</td>
<td>0.002</td>
<td>-</td>
<td>1</td>
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- Initial assessment spotlighted the cost to Solomon Islands

Importance of Tuna Industry to Solomon Islands

- Fisheries sector accounts for 5% of GDP
- 2015 - total catch worth US$318 million and fishing license revenue around US$41 million
- One processing and canning plant, employing around 2,000 workers, 67% are women
Global Value Chain Approach

• Globalisation process has implications in the way global production is organised
• Analysis takes a vertical approach, tracing the relationships between producers and buyers
• The approach considers market structures and dynamics, focusing on inter-firm relations and international organisations

Players in the Tuna Global Value Chain

• Tuna trading companies - two major companies dominate the Western & Central Pacific Ocean
  • FCF Fishery Co Ltd
  • Tri Marine International
    • Canned tuna brand partners in the US and Europe
• Tuna processors located mainly in South East Asia and Latin America
  • Thailand, Philippines, Indonesia, Vietnam
  • Ecuador, Mexico
• Principal canned tuna markets in the EU and US
  • Supermarkets compete with canneries
Overview of Tuna Industry

- Local companies, vertically integrated in the chain
  - National Fisheries Development, 100% owned by TMI
  - Soltuna, TMI major shareholder
- Major export markets
  - EU (majority): pre-cooked, frozen loins to be canned (EBA, High MFN)
  - Japan: whole tuna for sashimi (DFQF, Lower MFN)
  - US: processed albacore loins and canned tuna (DF, High MFN)
- High production costs
  - Fuel and energy
  - Testing and compliance with standards
  - Employee retention and attendance
- Major advantage - preferential market access

Solomon Islands in the Global Tuna Network

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Options for a Smooth Transition

- Extension of transition period
  - Better prepare for graduation
  - Negotiate with donors and providers of trade preferences
- Enter into an Interim EPA with the EU
  - PACER Plus MFN clause
- Transition from EU’s EBA to GSP+
  - Requires a number of conventions to be adopted; takes time
- More targeted Aid for Trade support
  - Engage the EIF and development partners to prepare for graduation

Support from the Commonwealth Secretariat

- Solomon Islands Government requested that the Secretariat conduct a further assessment of the impact of LDC graduation on the agriculture, forestry and social sectors, and related impact of RAMSI
  - Assessment planned to commence in January 2019 and conclude within 6-9 months
- Secretariat also focused on building consensus on the definition and measurement of economic vulnerability
Vulnerability Metrics

• Need a single standard to ensure that international support measures are reaching the most vulnerable countries
• But there is lack of consistency in existing economic vulnerability indices
  • Motivated by different country groups: small states, least developed countries, Caribbean small states
• Proposal: Universal Economic Vulnerability Index (UEVI)
  • Universal motivation – an index that captures the economic vulnerability of any country

Universal Economic Vulnerability Index

• Builds on the work of the three major economic vulnerability indices
  • United Nations Committee for Development Policy’s Economic Vulnerability Index (EVI)
  • Commonwealth Secretariat-commissioned work by Lino Briguglio: Economic Vulnerability Index (EcVI)
  • Caribbean Development Bank’s Inherent Economic Vulnerability Index (IEVI)
• Consensus between EVI, EcVI and IEVI that
  a) Focus should be on economic vulnerability
  b) Distinguish between inherent characteristics and policy-led factors
Proposed Framework for a UEVI

- Universal Motivation
- Conceptual Framework

**Economic Factors**
- Export Concentration
- Trade Openness
- Dependence on Energy

**Environmental Factors**
- Geographical Location
- Susceptibility to natural disasters/climate change

**Socio-Political Factors**
- ?

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