

Small Island Developing States  
Agricultural Production and Trade, Preferences and Policy



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## PREFACE

This report is meant to contribute to the continuing debate related to small states and their agriculture sectors in the multilateral trade framework.<sup>1</sup> It looks at the specific challenges faced by small states and the importance of non-reciprocal preferences. It is felt that a clearer understanding of Small Island Developing States' (SIDS') agricultural economies and trade and the often obscure effects of trade preferences on SIDS' economic development is vital to identifying policies that will promote their sustainable development. This report seeks to contribute to this understanding by analysing the agricultural export performance of SIDS and evaluating the importance of their existing agricultural preferences.

Four specific dimensions related to SIDS and their agricultural trade patterns, policy and performance are addressed. First, the report looks at what characterizes and differentiates SIDS and explores the possibility of categorizing SIDS as a group for special treatment in international agricultural trade relations. Second, it evaluates SIDS agricultural production, trade patterns and performance. Third, it appraises the agricultural preference regimes affecting SIDS and fourth, the policy issues related to SIDS countries in the context of the WTO and EU/ACP are addressed. The report presents conclusions and options related to promoting the agricultural trade and economic development in SIDS.

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<sup>1</sup> It was undertaken as a substantive FAO contribution to the International Meeting on the Review of the Programme of Action for the Sustainable Development of Small Island Developing States, Mauritius, 10-14 January, 2005. A draft of this report was presented as part of a panel discussion at a preparatory meeting before the UN Economic and Social Council (ECOSOC) meeting on SIDS held 6 October 2004 in New York. The programme and issues that emerged from the panel discussions are presented in Annex I.



## EXECUTIVE SUMMARY

### Introduction

Small Island Developing States (SIDS) face significant development challenges associated with their size and location. This study has been designed to improve understanding of how agricultural trade and trade policies affect their development. It focuses specifically on SIDS' main exports and trading partners while looking at their current preferential trade status within the changing global trading situation, and the competitiveness foreseen for their future trading activities.

1. The 40 SIDS referred to in this study are all Member Nations of the Food and Agriculture Organization of the United Nations (FAO). All are on the list of the 41 states recognized as SIDS by the UN and 38 are members of the Alliance of Small Island States (AOSIS). It should be noted that these states are not all islands and, as suggested in the study, they may be referred to more accurately as small vulnerable states (SVSs).
2. The study includes a comparative assessment of SIDS with other developing countries, an evaluation of trends and performance of SIDS' agriculture, fisheries and forestry sectors, an analysis of competitiveness, and a review and evaluation of preference regimes. It also looks at trade policy options for the future of SIDS' agricultural trade, concentrating on the two major trading regimes that affect SIDS – the World Trade Organization (WTO) and the European Union/African, Caribbean and Pacific (EU/ACP) agreements.
3. SIDS depend upon trade for their food security at many levels, but perhaps the most striking is their dependence on imports for food supply. According to self-sufficiency ratio calculations, at least 28 SIDS in the study import more than 50 percent of their cereal consumption and, when the analysis also includes dairy imports, it shows that SIDS import more than 50 percent of their daily calories. In addition, the food import capacity indicator shows that the ability of several SIDS to cover their food import bill has been declining since the 1990s.
4. The definition and status of SIDS as a qualifying group is not clear in the economic development and trade context in which special assistance and treatment are granted. In terms of sustainable development capacity, SIDS fit more aptly in the least developed country (LDC) category than in the developing country category. As noted, not all countries now classified as SIDS are islands and, in addition, not all SIDS are poor and vulnerable. The common characteristics that cause non-LDC SIDS and LDC SIDS to claim special and differential treatment needs greater recognition. This points to the need for more specific criteria for countries to be classified as SIDS.
5. Most countries now classified as SIDS are small, participate minimally in world trade and are vulnerable to both economic and natural shocks mainly because of their sizes, remote locations and resource limitations. Focusing on their small and vulnerable characteristics and defining them as small and vulnerable states (SVSs) could assist in ensuring that these countries receive the policy and programme attention they deserve.

### Agriculture production and trade

6. During the 1990s, as agricultural exports underwent a consistent decline, SIDS as a group moved from being net agricultural exporters to net importers. The annual average production growth rate was a negative 7 percent with evidence of productivity declining for the major crops in all but one of the major producing countries. These results reflect both an overall reduction in agricultural investment and the decline of the sugar industry.
7. Agricultural exports remain dominated by primary and primary processed products. The value of total SIDS exports has declined considerably, both absolutely and by percentage of exports in world agricultural exports. Sugar and banana exports have declined in both

volume and value. In the Organization of Eastern Caribbean States (OECS), where bananas are the backbone of the agriculture sector, banana production and exports declined sharply. The export trends for non-traditional exports have been mixed at best.

8. Fisheries exports have expanded consistently across all SIDS subregions. In both the Caribbean and Pacific, exports have increased by approximately 40 percent since 1990. However, these exports are characterized by high variability and the industries are often foreign controlled with the benefits to the country coming through international agreements permitting access to their fishery resources.
9. Forest product exports from the SIDS come mainly from the Pacific SIDS – Papua New Guinea and Solomon Islands. Exports from these countries expanded in the post-Uruguay Round (UR) period. For the SIDS where traditional agricultural commodity exports are depressed, the production of wood and non-wood forest products may become increasingly important as lands become available for plantation establishment.

### **Agricultural trade preferences**

10. SIDS receive preferential agricultural market access under a number of bilateral, non-reciprocal agreements. The most important is the EU/ACP Lomé Agreement, but SIDS also receive preferences under regional agreements, such as the Caribbean Basin Economic Recovery Act (CBERA). All SIDS, as well as all other developing countries, benefit from the Generalized System of Preferences (GSP). Some SIDS also benefit from preferences under the recently introduced EU/Everything But Arms (EBA) scheme and the United States/African Growth and Opportunity Act (AGOA) framework. The EU and the United States preferential schemes which directly affect SIDS are reviewed and evaluated in this document.
11. Agricultural trade preferences have various benefits for the SIDS. One calculation of preference margins indicates that SIDS received an estimated US\$600 million annually in preference value in the context of the EU/ACP framework, of which about 40 percent goes to one major beneficiary, Mauritius. The main preference margin beneficiaries in the Caribbean on average receive (annually): Guyana (US\$72 million) and Jamaica (US\$52 million). In the Pacific, Fiji is the main beneficiary (US\$59 million). When broken down by commodity, sugar, fish and bananas account for about 90 percent of the preference value.
12. The total annual preference value for agricultural products of the CBERA is estimated at US\$26 million with preferences mainly for the Dominican Republic, Belize and Jamaica. The value of the SIDS preferential trade for agriculture under the GSP of the United States is, on average, less than US\$1 million and goes mainly to Fiji and the Dominican Republic.
13. When multiplier effects are taken into consideration, the benefits of agricultural trade preferences amount to much more than the value of the difference between the preference price and the world price. These multiplier effects include backward and forward linkages, employment opportunities and the value of foreign exchange. The value of sugar preference margins alone, when taken as a percentage of GDP, amount to as much as 9 percent for Guyana and 5 percent for Mauritius. Total value of agricultural preferences as a percentage of GDP is 14 percent for Guyana and 7 percent and 6 percent for Seychelles and Mauritius respectively.
14. Agricultural preferences are important to food security for the SIDS and have contributed significantly to rural employment, rural area diversification, rural infrastructure development, provision of basic services and general development. Thus, it is felt that the social cost of increased liberalization and loss of preferences means a crisis for these countries, especially for local rural economies. In fact, one estimate predicts that with full liberalization, the banana sector employment in the four OECS banana-producing countries could fall by 84 percent.

15. Preference erosion is a reality and continues to be a major worry for SIDS. This erosion is due to both reduction in most favoured nation (MFN) tariffs as a result of the UR framework and the preferences extended under bilateral agreements. A comparison of the difference between MFN and ACP tariff rates at the HS-2 level shows preference erosion between 1996 and 2002 for 20 of the 24 tariff lines. Further, the recent proposal from the EU to modify its internal agricultural policy related to sugar is an example of how preference erosion can occur without directly changing the preference regime itself.

### **Agricultural reform and trade negotiations**

16. Food security options and outcomes for some SIDS have been negatively affected by the changing international environment, partly as a result of multilateral and bilateral trade and development agency reforms. The notable factors in this regard include: uncertainty of export markets for some countries, increasing food imports for many countries, increased production and trade concentration, the growing importance of supermarket trade and fast food chain expansion, and increasingly demanding food policy standards and food policy regulations.
17. The 23 SIDS in this study that are also WTO members will be granted special and differential treatment by virtue of being classified as developing countries. The 1 August 2004 WTO Framework Agreement (FA) states that LDCs will be the only sub-category of developing countries differentiated by the WTO. This means SIDS will face two related challenges: (i) determining how to maintain their preferential market access and (ii) establishing their case as appropriate for special treatment based on their smallness and vulnerability.
18. WTO legislation allows preferences under two conditions – free trade areas and satisfaction of the GATT's Enabling Clause criteria. Neither of these permit preferences such as those granted in the EU/ACP Lomé Agreement. Thus, the EU preferences to ACP countries are currently sanctioned by a time-limited waiver anticipating the conclusion of EU/ACP Economic Partnership Agreements (EPAs). The SIDS need to analyse their options and decide how to proceed in both the WTO and EU/ACP framework to ensure their food security and sustained development.
19. Emphasizing the small and vulnerable characteristics of SIDS and the permanence of these disadvantages could provide a basis for negotiations to maintain some level of the current trade preferences. On the one hand, a robust demonstration of the social and economic benefits of trade preferences would have to complement the more general demonstration of the monetary value of preferences. On the other hand, it would be necessary to establish the case of SIDS' difficulties and limited opportunities, both in terms of physical production and market competitiveness.
20. SIDS sustainable development capacity is more similar to the LDC category than to the developing country category, particularly in industrial capacity and potential to exploit economies of scale. A third of developing countries generate more than 30 percent of their GDP from the industrial sector, as opposed to 20 percent for LDCs and 17 percent for SIDS. Similarly, only 22 percent of non-LDC SIDS generate more than 30 percent of their GDP from the industrial sector. The SIDS' constraints related to their smallness, remoteness and vulnerability and the permanent dimensions of these constraints are thus significant deterrents to their sustainable development. These limitations apply as much to non-LDC SIDS as to LDC SIDS.
21. A much higher proportion of SIDS countries, 66 percent, depend on the agriculture sector for more than 15 percent of their total merchandise export earnings, than do LDCs or developing countries. Further, a greater proportion of non-LDC SIDS than LDC SIDS depend on more than 15 percent of their merchandise exports coming from the agricultural sector. This result very likely points to the important contribution of agriculture exports to the higher levels of development achieved in non-LDC SIDS.

22. Within the WTO framework, SVSs appear to have at least three options to obtain special treatment status: (i) agreeing on more precise criteria for demonstrating the limitations of their smallness and vulnerability characteristics and then negotiating special terms for SVSs; ii) emphasizing the relative permanence of their limitations (smallness, vulnerability and remoteness) and then negotiating to expand the LDC category to include “small and vulnerable” developing countries and benefit from LDC measures; and (iii) arguing for a further extension of the waiver permitting EU preferences to the ACP countries. This final option would give SIDS additional time to increase their competitiveness and possibly to define alternative calculus for measuring and establishing competitiveness. Without the realization of one of these options, the risk is that levels of development achieved in some SIDS could be reversed.

## LIST OF ACRONYMS

|          |   |
|----------|---|
| ACP      | African, Caribbean and Pacific Group of States                    |
| AGOA     | African Growth and Opportunity Act                                |
| AOSIS    | Alliance of Small Island States                                   |
| APQLI    | Augmented Physical Quality of Life Index                          |
| ASCM     | Agreement on Subsidies and Countervailing Duties                  |
| BISD     | Basic Instruments and Selected Documents                          |
| BPOA     | Barbados Plan of Action   |
| CARIBCAN | Caribbean and Canada Trade Agreement                              |
| CARICOM  | Caribbean Community   |
| CBERA    | Caribbean Basin Economic Recovery Act                             |
| CBI      | Caribbean Basin Initiative  |
| CBTPA    | Caribbean Basin Trade Partnership Act                             |
| CIDSE    | Coopération Internationale pour le Développement et la Solidarité |
| CMO      | Common Market Organization  |
| CN       | custom nomenclature   |
| CSA      | Commonwealth Sugar Agreement                                      |
| CVI      | Composite Vulnerability Index                                     |
| EBA      | Everything But Arms   |
| ECOSOC   | Economic and Social Council (UN)                                  |
| EEZ      | Exclusive Economic Zones  |
| EPA      | Economic Partnership Agreements                                   |
| EU       | European Union  |
| EVI      | Economic Vulnerability Index                                      |
| FA       | Framework Agreement   |
| FAO      | Food and Agriculture Organization of the United Nations           |
| FAOSTAT  | Food and Agriculture Organization Statistical Database            |
| GATT     | General Agreement on Tariffs and Trade                            |
| GATS     | General Agreement on Trade and Service                            |
| GDP      | Gross Domestic Product  |
| GSP      | Generalized System of Preferences                                 |
| Ha       | hectare   |
| HACCP    | Hazard Analysis Critical Control Point                            |
| HS       | Harmonized System   |
| IFPRI    | International Food Policy Research Institute                      |
| IFS      | International Finance Statistics                                  |
| IIED     | International Institute for Environment and Development           |
| ILO      | International Labour Organization                                 |
| IMF      | International Monetary Fund                                       |
| LDC      | Least Developed Countries   |
| LIFDC    | Low-Income Food-Deficit Countries                                 |
| MFN      | Most Favoured Nation  |

|          |   |
|----------|---|
| NAFTA    | North American Free Trade Agreement                             |
| NAMA     | Non-Agricultural Market Access                                  |
| NFIDC    | Net Food-Importing Developing Country                           |
| NIC      | Newly Industrializing Developing Countries                      |
| ODI      | Overseas Development Institute                                  |
| OECS     | Organization of Eastern Caribbean States                        |
| SDT      | Special and Differential Treatment                              |
| SIDS     | Small Island Developing States                                  |
| SPARTECA | South Pacific Regional Trade and Economic Cooperation Agreement |
| SPS      | Special Preference Sugar  |
| SSM      | special safeguard mechanism                                     |
| SVS      | Small Vulnerable States   |
| TDA      | Trade and Development Act                                       |
| TRQ      | tariff-rate quota   |
| UN       | United Nations  |
| UNCLOS   | United Nations Convention on the Law of the Sea                 |
| UNCTAD   | United Nations Conference on Trade and Development              |
| UR       | Uruguay Round   |
| WFS      | World Food Summit   |
| WITS     | World Integrated Trade Solution                                 |
| WTO      | World Trade Organization  |



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## Chapter one

### TRADE AND FOOD SECURITY CHALLENGES IN SIDS

Agricultural trade is essential for the growth of Small Island Developing States (SIDS) and, given their dependence on imported food products and preferential export markets, it is also crucial for their food security and development. The first section of this chapter describes the countries classified as SIDS in this report and then briefly introduces the challenges they face in the context of agricultural trade, food security and the multilateral trading framework.

#### 1.1 Classification of SIDS

In this study, SIDS refers to 40 Member Nations of FAO. There is considerable overlap between this group and the 41 countries recognized as SIDS by the United Nations Department of Economic and Social Affairs (UN ECOSOC).<sup>1</sup> Thirty eight of the SIDS that are FAO Member Nations also belong to the Alliance of Small Island States (AOSIS), an ad hoc lobby and negotiating voice for SIDS within the UN system<sup>2</sup> that was established at the 1990 Second World Climate Conference. Its initial purpose was to demand action on climate change and its impacts, mainly sea level rise. It represents not only small islands but also small states that share common objectives on environment and sustainable development issues<sup>3</sup> and also includes a category for non-self-governing territories, four of which, American Samoa and Guam in the Pacific, and the Netherlands Antilles and United States Virgin Islands in the Caribbean, are AOSIS observers. There are many other SIDS that are non-self governing, some that are members of UN regional commissions such as Puerto Rico and British Virgin Islands, and others that are not members of UN regional commissions such as Cayman Islands and Martinique.

The 40 SIDS (AOSIS + two) included in this document are listed in Table 1.1. This table shows the classifications or groupings to which the countries belong or in which they are placed, generally for purposes of development assistance and trade relations. Thirty five of the countries, with the exceptions being Cuba, the Dominican Republic, Haiti, Jamaica, and Papua New Guinea, satisfy the generally accepted definition of a small state, i.e. having a population of less than 1.5 million.<sup>4</sup>

These SIDS are members of the G77 which is the widest and most recognized grouping of developing countries. It was founded in 1964 by the first session of the United Nations Conference on Trade and Development (UNCTAD) in Geneva when 77 developing countries signed the “Joint Declaration of the Seventy-Seven Countries”. It now has 132 members.

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<sup>1</sup> [Http://www.un.org/esa/sustdev/sids/sidslits.htm](http://www.un.org/esa/sustdev/sids/sidslits.htm)

<sup>2</sup> The only FAO member countries not AOSIS members are Bahrain and the Dominican Republic. The only AOSIS member country not a member of FAO is Singapore. Both the FAO and AOSIS lists include three countries with a population of more than 5 million – Cuba, Haiti, and Papua New Guinea. The FAO list has an additional country, the Dominican Republic (not an AOSIS member country) with more than 5 million population.

<sup>3</sup> See Bass, S. & Dalal-Clayton, B. 1995. *Small island states and sustainable development: strategic issues and experience*. IIED.

<sup>4</sup> Commonwealth Secretariat. 1998. *Small states economic review & basic statistics*, Annual Series: Fourth Volume, December 1998.

**Table 1.1 SIDS countries - classification and membership**

|                                     | NFIDC<br>(23) | LIFDC<br>(83) | LDC<br>(50) | G77<br>(132) | ACP<br>(79) | WTO<br>(147) |
|-------------------------------------|---------------|---------------|-------------|--------------|-------------|--------------|
| <b>CARIBBEAN</b>                    |               |               |             |              |             |              |
| Antigua & Barbuda                   |               |               |             | X            | X           | X            |
| Bahamas                             |               |               |             | X            | X           |              |
| Barbados                            | X             |               |             | X            | X           | X            |
| Belize                              |               |               |             | X            | X           | X            |
| Cuba                                | X             | X             |             | X            |             | X            |
| Dominica                            | X             |               |             | X            | X           | X            |
| Dominican Republic                  | X             |               |             |              | X           | X            |
| Grenada                             |               |               |             | X            | X           | X            |
| Guyana                              |               |               |             | X            | X           | X            |
| Haiti                               |               | X             | X           | X            | X           | X            |
| Jamaica                             | X             |               |             | X            | X           | X            |
| Saint Kitts and Nevis               | X             |               |             | X            | X           |              |
| Saint Lucia                         | X             |               |             | X            | X           | X            |
| Saint Vincent &<br>the Grenadines   | X             |               |             | X            | X           | X            |
| Suriname                            |               |               |             | X            | X           | X            |
| Trinidad & Tobago                   | X             |               |             | X            | X           | X            |
| <b>PACIFIC</b>                      |               |               |             |              |             |              |
| Cook Islands                        |               |               |             |              | X           |              |
| Fiji                                |               |               |             | X            | X           | X            |
| Kiribati                            |               | X             | X           |              | X           | X            |
| Marshall Islands                    |               |               |             | X            | X           | X            |
| Micronesia (Federated<br>States of) |               |               |             | X            | X           |              |
| Nauru                               |               |               |             |              | X           |              |
| Niue                                |               |               |             |              | X           |              |
| Palau                               |               |               |             | X            | X           |              |
| Papua New Guinea                    |               | X             |             | X            | X           | X            |
| Samoa                               |               | X             | X           | X            | X           |              |
| Solomon Islands                     |               | X             | X           | X            | X           |              |
| Tonga                               |               |               |             | X            | X           |              |
| Tuvalu                              |               | X             | X           |              | X           |              |
| Vanuatu                             |               | X             | X           | X            | X           |              |
| <b>INDIAN OCEAN</b>                 |               |               |             |              |             |              |
| Comoros                             |               | X             | X           | X            | X           |              |
| Maldives                            |               | X             | X           | X            |             | X            |
| Mauritius                           | X             |               |             | X            | X           | X            |
| Seychelles                          |               |               |             | X            | X           |              |
| <b>ATLANTIC</b>                     |               |               |             |              |             |              |
| Cape Verde                          |               | X             | X           | X            | X           |              |
| Guinea-Bissau                       |               | X             | X           | X            | X           | X            |
| Sao Tome and Principe               |               | X             | X           | X            | X           |              |
| <b>OTHER</b>                        |               |               |             |              |             |              |
| Bahrain                             |               |               |             | X            |             |              |
| Cyprus                              |               |               |             |              |             | X            |
| Malta                               |               |               |             |              |             | X            |
| <b>TOTAL</b>                        | <b>10</b>     | <b>13</b>     | <b>11</b>   | <b>32</b>    | <b>35</b>   | <b>23</b>    |

Notes: Membership as of August 2004. Parenthesis indicates number of members and column headings indicate: NFIDC – Net Food-Importing Developing Countries, LIFDC – Low-Income Food-Deficit Countries, LDC – Least Developed Countries, G77 – UNCTAD definition, and ACP – African/Caribbean and Pacific. Belize, Guyana and Suriname are mainland countries, they are considered as SIDS.

More than half of SIDS countries are classified either as Low-Income Food-Deficit Countries (LIFDCs) according to FAO or as Net Food-Importing Developing Countries (NFIDCs) according to the WTO. A LIFDC generally meets three criteria – low per capita income, negative net food

(calories) trade and wishes to be listed as a LIFDC. A NFIDC can be a developing country recognized by ECOSOC as a LDC or it can be a developing country that has been a net importer of basic foodstuffs in any three years of the most recent five-year period and wishes to be listed as an NFIDC.

In 2003, UN ECOSOC recognized 50 countries as LDCs including 25 percent of the SIDS. The LDC classification, as determined by UN ECOSOC on the proposal of the Committee for Development Policy, is based on the following:

- low income – based on a three-year average estimate of the GDP per capita (less than US\$750 for inclusion, more than US\$900 for graduation to a non-LDC developing country);
- human resources weakness – indicated by a composite Augmented Physical Quality of Life Index (APQLI) and based on indicators of nutrition, health, education and adult literacy;
- economic vulnerability – indicated by a composite Economic Vulnerability Index (EVI) and based on indicators of instability of agricultural production, instability of exports of goods and services, economic importance of non-traditional activities (share of manufacturing and modern services in GDP), merchandise export concentration and the handicap of economic smallness (as measured through population); and
- percentage of population displaced by natural disasters.

## 1.2 Agricultural trade challenges

Policies associated with structural adjustment programmes in the 1980s and with the results of the Uruguay Round (UR) in the 1990s have promoted changes in SIDS agriculture sectors, especially in terms of agricultural diversification efforts. More recently, the preferential arrangements under which SIDS market the majority of their agricultural exports have come into question by the WTO. Further, pressure on the EU to reduce its own agricultural subsidies threatens to lower the prices received by SIDS for their main exports to the EU market.

This uncertainty about the main market for its traditional crops has had an affect on SIDS agricultural trade. Of the 40 SIDS in the study, 36 qualify for technical and financial assistance under the June 2000 EU/ACP Partnership Agreement known also as the Cotonou Agreement. The Cotonou Agreement also includes 41 other countries, mainly classified as LDCs, and is the successor to four successive Lomé Conventions which means these countries have benefited from 25 years of non-reciprocal trade preferences. Under the Cotonou Agreement, the negotiation of WTO-compatible trading arrangements between the EU and the ACP countries should be concluded by the end of 2008. The resulting regional reciprocal free-trade arrangements, in the form of Economic Partnership Agreements (EPAs), should replace the current EU/ACP non-reciprocal preferences. These negotiations are underway and are central to the concerns of this document.

The small states have made great efforts to diversify their agriculture and increase their competitiveness. The challenge remains to identify markets, technologies and products that could effectively supplant traditional commodity exports that continue to have such major roles in rural areas, especially in terms of employment and foreign exchange earnings. This need for diversification, increased productivity and competitiveness is linked directly to the changes in the international trading environment that are shaped by both the international private sector and the international institutions affecting trade and development. The WTO is perhaps most important in this latter regard.

The WTO recognizes the importance and limitations of small islands. In 2001, it defined a group of SIDS, the Caribbean Community (CARICOM), as “small, dependent, vulnerable, open, and primarily single sectored”. The WTO Doha Framework Agreement also states that trade-related issues of small vulnerable economies should be addressed. The WTO is where the rules are being agreed, standards are being set and exceptions are being allowed for international trade. Several rule changes are currently eroding opportunities that SIDS have enjoyed and a WTO Committee on Small Economies has been meeting on trade issues facing small states. The Doha Framework Agreement of 1 August 2004 commits to addressing the trade-related issues of small vulnerable

economies and preferences erosion. The critical challenge now is for small states to increase awareness and understanding of: (a) their particular needs related to agricultural trade and (b) the importance of special treatment to the maintenance and improvement of their current levels of food security.

### 1.3 SIDS and food security challenges

SIDS depend upon trade for their food security. More than half of SIDS countries are either NFIDCs or LDCs, indicating their dependence and vulnerability in terms of their food supply. Perhaps the most striking aspect is their dependence on imports for food supply including both high dependence on imported cereals as a percentage of total cereals consumed and the high and increasing proportion of the food import bill as a proportion of total export earnings.

**Table 1.2** shows that several SIDS depend on imported cereals for more than 95 percent of domestic cereal consumption. These countries generally import their consumption of wheat, rice and coarse grains and when dairy imports are included, that means more than half of their daily calories are derived from imported products. While it is still true that developing countries generally produce the food they consume, this is much less the case for the sub-group of developing countries referred to as SIDS.

**Table 1.2 Cereal self-sufficiency ratio for SIDS**

| Countries/Country Groupings  | Cereal Production/<br>Consumption Ratio (%) |
|--|---|
| Antigua and Barbuda, Barbados, Bahamas, Dominica, Grenada, Jamaica, Maldives, Mauritius, Saint Lucia, Trinidad and Tobago, Vanuatu | < 5   |
| Fiji, Malta, Saint Vincent & the Grenadines, Solomon Islands   | < 10  |
| Sao Tome and Principe  | < 15  |
| Cape Verde, Comoros, Cuba, Cyprus, Dominican Republic  | < 30  |
| Haiti  | < 45  |
| Guinea-Bissau  | > 50  |
| Belize   | > 70  |
| Guyana, Suriname   | > 100                                       |
| <b>TOTAL SIDS</b>  | <b>29.8</b>                                 |
| <b>LDC SIDS</b>  | <b>22.4</b>                                 |
| <b>NON-LDC SIDS</b>  | <b>39.4</b>                                 |
| <b>LDCs</b>  | <b>87.7</b>                                 |
| <b>DEVELOPING COUNTRIES</b>  | <b>91.2</b>                                 |

Source: FAOSTAT

The food import capacity indicator, the ratio of food import value to the total export product value, also identifies the vulnerability of SIDS.<sup>5</sup> **Table 1.3** shows that the food import bill for several SIDS accounts for a substantial proportion of the total value of the earnings from the exports of goods. In countries such as Tuvalu, Samoa, Comoros, Maldives, the Republic of Kiribati, Haiti, Saint Lucia, Saint Kitts and Nevis and the Cook Islands, the value of food imports is greater than the exports of goods. In almost half of the countries shown, the food import bill represents almost 50 percent of their export product earnings and in many of those countries, this capacity has been declining as a result of the increasing cost of food imports. However, in several SIDS, the services sector, especially tourism, has been providing increasing foreign exchange, leading to food imports declining as a proportion of total exports of goods and services minus debt service (**Table 1.4**). The role of the tourism sector is complex, and at times affects the rural and agricultural sectors in

<sup>5</sup> Valdés, A. and McCalla, A. 1999. Issues, interests and options of developing countries. *Conference on agriculture and the new trade agenda from a development perspective: interests and options in the WTO 2000 negotiations*. Geneva, Switzerland.

conflicting ways – creating demand for rural labour and for agricultural produce while providing a source of foreign exchange to import food.

**Table 1.3 Food import capacity of selected SIDS**

| Country                        | 1990/92 | 1993/95 | 1996/98 | 1999/01 |
|--------------------------------|---------|---------|---------|---------|
| <b>CARIBBEAN</b>               |         |         |         |         |
| Antigua & Barbuda              | 0.92    | 0.71    | 0.97    | 0.37    |
| Bahamas                        | 0.12    | 0.13    | 0.10    | 0.11    |
| Barbados                       | 0.44    | 0.48    | 0.37    | 0.47    |
| Belize                         | 0.22    | 0.23    | 0.23    | 0.27    |
| Cuba                           | 0.17    | 0.32    | 0.3     | 0.33    |
| Dominica                       | 0.34    | 0.43    | 0.54    | 0.5     |
| Dominican Republic             | 0.46    | 0.65    | 0.51    | 0.64    |
| Grenada                        | 0.74    | 1.04    | 1.11    | 0.42    |
| Guyana                         | 0.22    | 0.10    | 0.12    | 0.15    |
| Haiti                          | 1.68    | 2.60    | 2.13    | 1.18    |
| Jamaica                        | 0.37    | 0.33    | 0.29    | 0.35    |
| Saint Kitts and Nevis          | 0.48    | 0.56    | 0.64    | 1.06    |
| Saint Lucia                    | 0.33    | 0.46    | 0.83    | 1.45    |
| Saint Vincent & the Grenadines | 0.23    | 0.35    | 0.52    | 0.48    |
| Suriname                       | 0.14    | 0.15    | 0.27    | 0.17    |
| Trinidad & Tobago              | 0.16    | 0.15    | 0.14    | 0.09    |
| <b>PACIFIC</b>                 |         |         |         |         |
| Cook Islands                   | 1.85    | 2.36    | 2.22    | 0.93    |
| Fiji                           | 0.17    | 0.18    | 0.18    | 0.16    |
| Kiribati                       | 1.73    | 1.53    | 1.76    | 1.22    |
| Niue                           | 1.69    | 1.40    | 1.22    | 0.92    |
| Papua New Guinea               | 0.19    | 0.10    | 0.11    | 0.09    |
| Samoa                          | 2.47    | 4.91    | 1.42    | 1.57    |
| Solomon Islands                | 0.18    | 0.11    | 0.12    | 0.18    |
| Tonga                          | 0.79    | 0.89    | 1.74    | 0.97    |
| Tuvalu                         | 5.01    | 6.90    | 4.97    | 5.03    |
| Vanuatu                        | 0.50    | 0.44    | 0.40    | 0.49    |
| <b>INDIAN OCEAN</b>            |         |         |         |         |
| Comoros                        | 0.63    | 1.15    | 2.61    | 1.23    |
| Maldives                       | 0.91    | 1.52    | 1.52    | 1.45    |
| Mauritius                      | 0.15    | 0.17    | 0.17    | 0.18    |
| Seychelles                     | 1.10    | 1.21    | 0.49    | 0.30    |
| <b>ATLANTIC OCEAN</b>          |         |         |         |         |
| Guinea-Bissau                  | 0.99    | 0.85    | 0.56    | 0.33    |
| Sao Tome and Principe          | 1.20    | 1.06    | 1.04    | 0.81    |
| <b>OTHERS</b>                  |         |         |         |         |
| Bahrain                        | 0.08    | 0.09    | 0.08    | 0.07    |
| Cyprus                         | 0.21    | 0.37    | 0.46    | 0.48    |

Source: Computation based on FAOSTAT data

With many SIDS dependent on their agriculture sectors for export earnings, it is also useful to compare agricultural export earnings to food imports. Of 34 countries considered, only eight have an agricultural export earning capacity that covers their food imports. Further, a comparison found 27 of the countries were worse off in 2000-2002 than in 1990-1992 when their agricultural exports covered a greater proportion of their food imports. This also indicates that agricultural production is on the decline in many of these countries, leaving them not only more dependent from an earning standpoint but also reducing their capacities to produce and earn. This situation is even more worrying in a global economy where terrorism and its capacity to disrupt trade flows, as happened in the immediate aftermath of September 11, is on the increase.

**Table 1.4 Food import bill to total exports of goods and services\***

| Country                           | 1990/92<br>% | 1993/95<br>% | 1996/98<br>% | 1999/2002<br>% |
|-----------------------------------|--------------|--------------|--------------|----------------|
| Belize                            | 19           | 19           | 20           | 21             |
| Cape Verde                        | 125          | 121          | 74           | 57             |
| Comoros                           | 51           | 53           | na           | na             |
| Dominica                          | 33           | 30           | 30           | 23             |
| Dominican Republic                | 20           | 9            | 9            | 8              |
| Fiji                              | 13           | 13           | 13           | 23             |
| Grenada                           | 30           | 31           | 30           | 19             |
| Guyana                            | na           | 11           | 14           | 16             |
| Haiti                             | 134          | 302          | 148          | na             |
| Jamaica                           | 16           | 13           | 15           | 15             |
| Maldives                          | 19           | 21           | 20           | 19             |
| Mauritius                         | 13           | 14           | 14           | 12             |
| Papua New Guinea                  | 19           | 11           | 11           | na             |
| Samoa                             | 53           | 54           | 30           | na             |
| Sao Tome and Principe             | 168          | na           | 140          | 95             |
| Seychelles                        | 16           | 14           | 16           | 12             |
| Solomon Islands                   | 16           | 10           | 11           | na             |
| Saint Kitts and Nevis             | 20           | 19           | 20           | 22             |
| Saint Lucia                       | 22           | 22           | 23           | 26             |
| Saint Vincent &<br>the Grenadines | 24           | 28           | 27           | 21             |
| Trinidad and Tobago               | 15           | 14           | 12           | 8              |
| Vanuatu                           | 19           | 18           | 17           | na             |

\*minus debt service

Preferential trade arrangements have given SIDS market access and contributed to food security by increasing both agricultural incomes and rural sector diversification. In addition, incomes derived from preference-receiving industries have been the source of funds for investments in the non-agriculture sector which, in turn, has led to expanded rural employment. In countries where preferences are most threatened and preference erosion has taken place, the decline of these industries and the potential food security impacts have been considerable. Considering this directly, not including the linkages and multiplier effects within the economy, **Table 1.5** shows the potential employment impact on Windward Islands banana producing countries in the event of trade liberalization.

**Table 1.5 Banana-related employment in the Windward Islands**

| Indicator   | Year | Dominica | Grenada | Saint<br>Lucia | Saint Vincent &<br>the Grenadines | Total   |
|---|------|----------|---------|----------------|-----------------------------------|---------|
| Population  | 1998 | 71 000   | 93 000  | 150 000        | 112 000                           | 426 000 |
| Numbers of active growers                                     | 1990 | 6 555    | 600     | 9 500          | 8 000                             | 24 655  |
|   | 1998 | 3 533    | 118     | 6 061          | 7 048                             | 16,670  |
| Numbers in direct banana<br>employment                        | 1992 | 10 225   | 2 550   | 20 000         | 23 053                            | 55 828  |
|   | 1998 | 5 552    | 510     | 14 800         | 21 051                            | 41 913  |
| Banana employment after<br>full liberalization<br>(estimated) |      | 2 260    | 54      | 3 459          | 3 176                             | 8 949   |

Source: WIBDECO, FAO, Gov't Stats Depts, Banana associations.

This example underlines the importance of understanding SIDS economies in general and their agricultural trade in particular. This is even more urgent given the current trade liberalization policies under the WTO and the globalization policies promoted by the World Bank and the International Monetary Fund (IMF).

Although undernourishment has declined in the last decade, SIDS face these challenges in a situation where the proportion of the undernourished population often remains high. Looking at the numbers regionally, undernourishment in the Caribbean countries was 16 percent in 1991 and 13 percent in 2002; for the Pacific Islands, it was slightly more with 19 percent in 1991 and 14 percent in 2002; and for the Atlantic SIDS, the numbers were 19 percent in 1991 and 13 percent in 2002. One of the fundamental development goals of SIDS is to ensure that the current trade liberalization policies affect their food security situations positively.





## Chapter two

### DEVELOPMENT AND DIFFERENTIATION

The sustainable development of SIDS continues to be a major challenge engaging the global community. Given the importance of agriculture in the economic, social and environmental development of SIDS, any evaluation must consider the agriculture sector development and the multilateral agricultural trade policies facing the SIDS.

In the ongoing WTO multilateral negotiations, the issue of non-reciprocal preferences and special and differential treatment related to SIDS has triggered debates that have contributed to stalling the process. Developing states, including SIDS, continue to call for policy flexibility to meet their development goals. Recognizing the importance of preferential trade, especially non-reciprocal trade, SIDS countries have increasingly voiced their concerns during the current round of negotiations at both bilateral and multilateral level. The submissions and declarations they have made to the WTO in this regard have increased (WT/MINN(01)/ST/87, /66, /116, G/AG/NG/W/97). The WTO Framework Agreement of 1 August 2004 set the stage for further negotiations, stating: “The trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, should also be addressed, without creating a sub-category of Members, as part of a work programme, as mandated in paragraph 35 of the Doha Ministerial Declaration”.

This chapter compares SIDS to least developed and developing countries based on their economic, natural, physical and other pertinent characteristics. Further, it explores SIDS’ attributes of smallness and vulnerability in the context of their claim for special and differential treatment.

#### 2.1 Development

This sub-section investigates the level of development of the SIDS. It also compares SIDS to two other widely accepted groupings of countries described in the previous section, namely developing countries and LDCs, both of which are recognized by the WTO for special and differential treatment (SDT).

It can be said at the outset that SIDS are very heterogeneous in terms of development, just as in the total group of developing countries. For example, Bahamas and Seychelles are relatively rich countries while Haiti and Sao Tome and Principe are very poor.

**Table 2.1** shows that the SIDS as a group have higher incomes than the total group of developing countries – a larger proportion of SIDS have average per capita incomes greater than US\$5 000 and a smaller proportion have average per capita incomes less than US\$1000. Given that the LDCs are by definition very low income countries, it is not useful to compare them to SIDS from the standpoint of income. Of the 26 developing countries with per capita income greater than US\$5 000, ten are SIDS. **Figure 2.1** presents these results graphically.

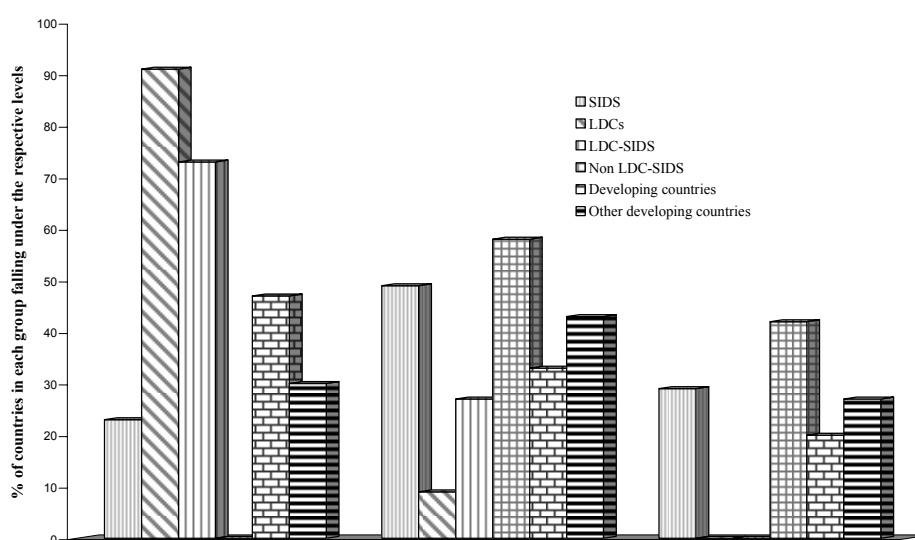
A slightly greater proportion of SIDS economies are characterized as having greater industrial value-added than LDCs, but less than developing countries as a whole. However, **Table 2.2** shows that while 66 percent of developing countries have less than 30 percent of their gross domestic product (GDP) accounted for by industrial value-added, this is the case in 80 percent of LDCs and SIDS. In LDC SIDS, it is even more pronounced with no country having more than 20 percent of value-added coming from the industrialized sector. Given the linkages between industry and economies of scale, it can be argued that this limited industrial production condition has greater permanence in SIDS because of their small size and related scarce resources. Industry value-added accounted for less than 10 percent of GDP in 17 percent of SIDS, as compared to 2 percent and 1 percent in LDCs and developing countries respectively. **Figure 2.2** presents these results graphically. (Geographic, population, income and export data for each SIDS are included in Annex II.)

**Table 2.1 IDS classification by income level**

| Per capita income<br>US\$<br>average<br>(1999-<br>2002) | No of<br>SIDS <sup>a</sup> | SIDS<br>Countries   | % of countries in each group falling<br>under the respective levels |                          |                     |                             |   |   |
|---|----------------------------|---|---|--------------------------|---------------------|-----------------------------|---|---|
|   |                            |   | SIDS<br>(35)  | LDC <sup>c</sup><br>(44) | LDC<br>SIDS<br>(11) | Non-<br>LDC<br>SIDS<br>(24) | Developing<br>Countries <sup>d</sup><br>(129) | Other<br>Developing<br>Countries <sup>e</sup><br>(61) |
| ≥ 5 000   | 10                         | Antigua & Barbuda,<br>Bahamas, Barbados,<br>Trinidad & Tobago,<br>Saint Kitts and Nevis,<br>Palau, Seychelles,<br>Cyprus, Bahrain,<br>Malta   | 29  | 0                        | 0                   | 42                          | 20  | 27  |
| 1000≤...<br>< 5 000                                     | 17                         | Belize, Grenada,<br>Jamaica, Saint Lucia,<br>Saint Vincent & the<br>Grenadines, Dominica,<br>Dominican Rep.,<br>Suriname, Maldives,<br>Fiji, Marshall Islands,<br>Micronesia (Federated<br>States of), Tonga,<br>Samoa, Vanuatu, Cape<br>Verde, Mauritius | 49  | 9 <sup>b</sup>           | 27                  | 58                          | 33  | 43  |
| < 1 000   | 8                          | Guyana, Solomon<br>Islands, Haiti, Papua<br>New Guinea, Kiribati,<br>Comoros, Sao Tome<br>and Principe, Guinea-<br>Bissau   | 23  | 91                       | 73                  | 0                           | 47  | 30  |

Source: World Development Indicators CD-Rom, 2003, World Bank.

Note: Figures in parentheses denote number of countries for which data was available. <sup>a</sup> Excludes Cook Islands, Cuba, Tuvalu and Nauru, Niue; <sup>b</sup> includes Equatorial Guinea, Maldives, Samoa and Vanuatu; <sup>c</sup> LDC includes SIDS-LDC; <sup>d</sup> developing countries includes SIDS and LDCs; and <sup>e</sup> other developing countries excludes SIDS and LDCs.

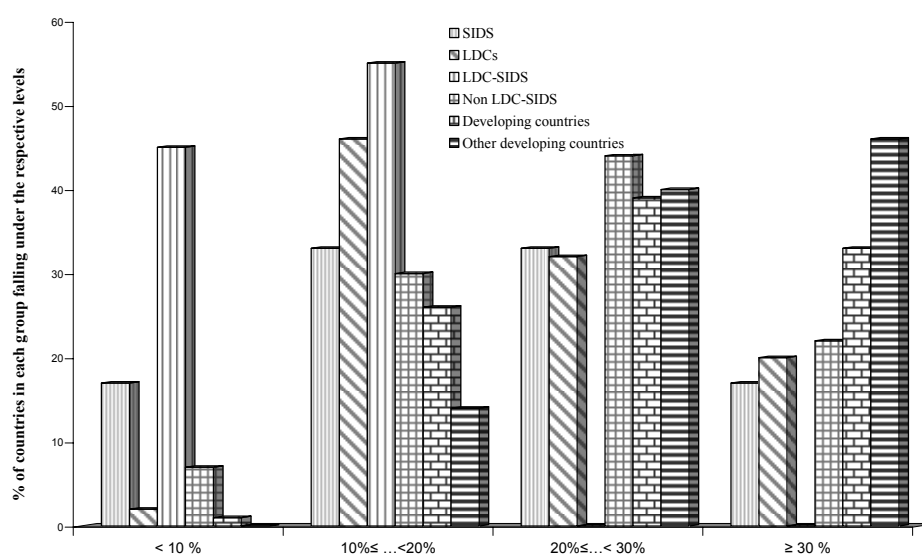
**Figure 2.1. SIDS classification by income per capita US\$ Average (1999-2002)**

**Table 2.2 SIDS economic capacity indicators: industry value-added as percentage of GDP**

| Industry value-added as % of GDP (average 1999-2001) | No of SIDS <sup>a</sup> | SIDS Countries   | % of countries in each group falling under the respective levels |                       |              |                   |   |  |
|--|-------------------------|--|--|-----------------------|--------------|-------------------|---|--|
|  |                         |  | SIDS (36)  | LDC <sup>b</sup> (41) | LDC SIDS (9) | Non-LDC SIDS (27) | Developing Countries <sup>c</sup> (117) | Other Developing Countries <sup>d</sup> (49) |
| ≥ 30 %   | 6                       | Jamaica, Trinidad and Tobago, Dominican Rep., Papua New Guinea, Cuba   | 17   | 20                    | 0            | 22                | 33                                      | 46   |
| 20% ≤ ... < 30%                                      | 12                      | Mauritius, Antigua & Barbuda, Guyana, Saint Kitts and Nevis, Belize, Saint Vincent & the Grenadines, Dominica, Grenada, Barbados, Suriname, Fiji, Seychelles | 33   | 32                    | 0            | 44                | 39                                      | 40   |
| 10% ≤ ... < 20%                                      | 12                      | Malta, Saint Lucia, Cape Verde, Sao Tome and Principe, Marshall Islands, Tonga, Guinea-Bissau, Palau, Comoros, Cyprus, Haiti, Bahrain                        | 33   | 46                    | 55           | 30                | 26                                      | 14   |
| < 10 %   | 6                       | Solomon Islands, Vanuatu, Kiribati, Maldives, Cook Islands, Micronesia (Federated States of), Bahamas  | 17   | 2                     | 45           | 7                 | 1                                       | 0  |

Sources: World Development Indicators CD-Rom, 2003, World Bank; United States Department of State Web site ([www.state.gov/country/](http://www.state.gov/country/)); Cook Islands Government Web site ([www.cook-islands.gov.ck](http://www.cook-islands.gov.ck)).

Note: Figures in parenthesis denote number of countries for which data was available; <sup>a</sup> excludes Nauru, Niue, Samoa and Tuvalu; <sup>b</sup> LDC includes SIDS-LDC; <sup>c</sup> developing countries includes SIDS and LDCs; and <sup>d</sup> other developing countries excludes SIDS and LDCs.

**Figure 2.2. Industry value-added as percentage of total GDP**

The contribution of agricultural production to GDP in SIDS countries is less important than in LDC and developing countries as a group. **Table 2.3** shows that in a much greater proportion of SIDS, fewer than 10 percent of economic activities are generated in the agriculture sector. However, when focusing specifically on LDC SIDS, the importance of agricultural production in GDP is greater than in LDCs in general. **Figure 2.3** presents these results graphically. The situation is different in terms of agricultural exports and employment as a contribution to total exports and employment.

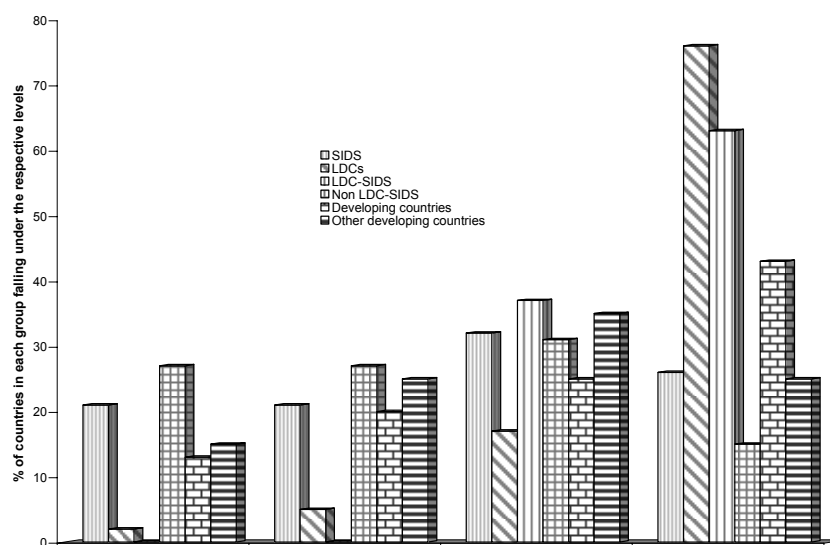
**Table 2.3 Importance of SIDS agriculture sectors**

| Agricultural GDP as a % of total GDP (average 2000-02) | No of SIDS <sup>a</sup> | SIDS Countries   | % of countries in each group falling under the respective levels |                       |              |                   |   |  |
|--|-------------------------|--|--|-----------------------|--------------|-------------------|---|--|
|  |                         |  | SIDS (34)  | LDC <sup>b</sup> (41) | LDC SIDS (8) | Non-LDC SIDS (26) | Developing Countries <sup>c</sup> (117) | Other Developing Countries <sup>d</sup> (51) |
| ≥20 %  | 9                       | Guyana, Belize, Haiti, Tonga, Papua New Guinea, Sao Tome and Principe, Guinea-Bissau, Comoros, Solomon Islands   | 26   | 76                    | 63           | 15                | 43                                      | 25   |
| 10% ≤...<20%   | 11                      | Dominica, Dominican Republic, Suriname, Saint Vincent & the Grenadines, Fiji, Marshall Islands, Cape Verde, Micronesia (Federated States of), Kiribati, Maldives, Cook Islands | 32   | 17                    | 37           | 31                | 25                                      | 35   |
| 5% ≤...<10%  | 7                       | Barbados, Jamaica, Grenada, Saint Lucia, Cuba, Mauritius, Cyprus   | 21   | 5                     | 0            | 27                | 20                                      | 25   |
| < 5 %  | 7                       | Antigua and Barbuda, Saint Kitts and Nevis, Trinidad and Tobago, Palau, Seychelles, Malta, Bahrain   | 21   | 2 <sup>b</sup>        | 0            | 27                | 13                                      | 15   |

Sources: World Development Indicators CD-Rom, 2003, World Bank; US Department of State Web site ([www.state.gov/country](http://www.state.gov/country)); Cook Island Government Web site ([www.cook-islands.gov.ck](http://www.cook-islands.gov.ck)).

Note: Figures in parenthesis denote number of countries for which data was available; <sup>a</sup> excluding Bahamas, Nauru, Niue, Samoa, Tuvalu, Vanuatu; <sup>b</sup> comprising Djibouti; <sup>c</sup> LDC includes SIDS-LDC; and <sup>d</sup> developing countries includes SIDS and LDCs.

**Figure 2.3. Agriculture GDP as percentage of total GDP**



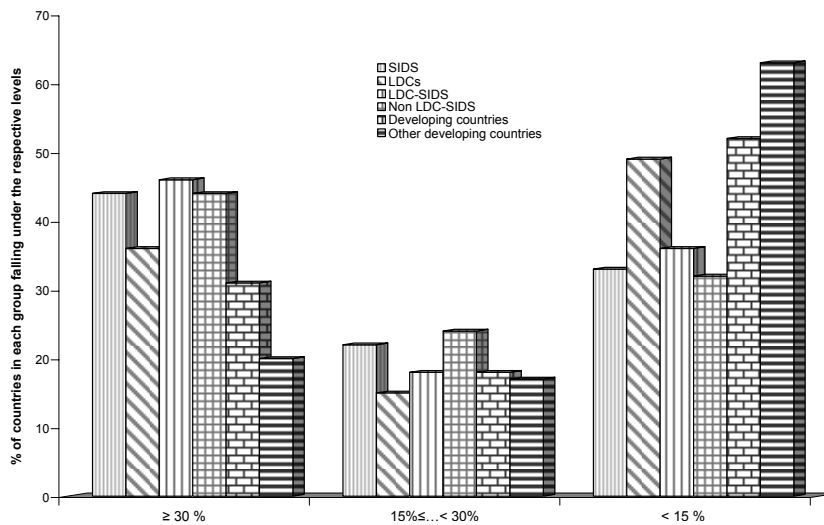
**Table 2.4** shows that 66 percent of SIDS countries depend on the agriculture sector for more than 15 percent of their total exports, much greater than the proportion of LDCs or developing countries. This is partly a reflection of their food import dependence and is very similar for both LDC and non-LDC SIDS. However, a greater proportion of non-LDC SIDS than LDC SIDS depend on more than 15 percent of their merchandise exports coming from the agricultural sector. This result illustrates the important role that agriculture exports have played in contributing to the higher levels of development achieved in non-LDC SIDS. A graphical representation is presented in **Figure 2.4**.

**Table 2.4 Importance of SIDS agricultural exports**

| Agricultural exports as a % of total merchandise exports (average 2000-02) | No of SIDS <sup>a</sup> | SIDS Countries   | % of countries in each group falling under the respective levels |                       |               |                   |   |  |
|--|-------------------------|--|--|-----------------------|---------------|-------------------|---|--|
|  |                         |  | SIDS (36)  | LDC <sup>b</sup> (47) | LDC SIDS (11) | Non-LDC SIDS (25) | Developing Countries <sup>c</sup> (147) | Other Developing Countries <sup>d</sup> (75) |
| ≥ 30 %   | 16                      | Grenada, Guyana, Dominica, Saint Vincent & the Grenadines, Saint Lucia, Belize, Dominican Rep., Tonga, Vanuatu, Solomon Islands, Cuba, Cyprus, Comoros, Sao Tome and Principe, Niue, Guinea-Bissau | 44   | 36                    | 46            | 44                | 31                                      | 20   |
| 15 % ≤ ... < 30 %  | 8                       | Barbados, Jamaica, Saint Kitts and Nevis, Papua New Guinea, Samoa, Fiji, Kiribati, Mauritius   | 22   | 15                    | 18            | 24                | 18                                      | 17   |
| < 15 %   | 12                      | Antigua and Barbuda, Trinidad and Tobago, Suriname, Haiti, Bahamas, Cook Islands, Tuvalu, Seychelles, Malta, Cape Verde, Bahrain, Maldives   | 33   | 49                    | 36            | 32                | 52                                      | 63   |
| < 5 %  | 7                       | Antigua and Barbuda, Saint Kitts and Nevis, Trinidad and Tobago, Palau, Seychelles, Malta, Bahrain   | 21   | 2 <sup>b</sup>        | 0             | 27                | 13                                      | 15   |

Source: FAOSTAT, 2003.

Note: Figures in parenthesis denote number of countries for which data was available; <sup>a</sup> excluding Marshall Islands, Federated States of Micronesia, Nauru, Palau; <sup>b</sup> LDC includes SIDS-LDC; <sup>c</sup> developing countries includes SIDS and LDCs; and <sup>d</sup> other developing countries excludes SIDS and LDCs.

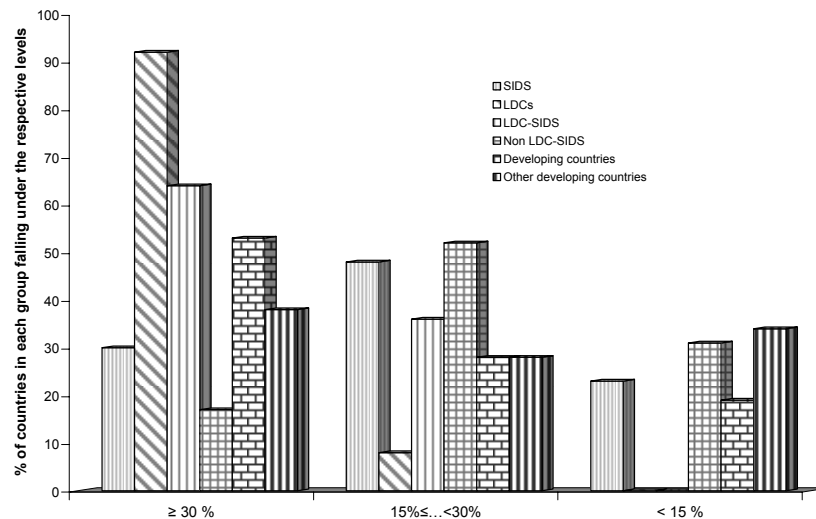
**Figure 2.4. Agricultural exports as a percentage of total merchandise exports**

**Table 2.5** shows that the agriculture sector is critical to employment in all three country categories, accounting for more than 15 percent of employment in almost 80 percent of the countries in each category. **Figure 2.5** presents these results graphically.

**Table 2.5 Importance of SIDS agriculture sector employment**

| Agricultural employment as a % of total employment (average 2000-02) | No of SIDS <sup>a</sup> | SIDS Countries   | % of countries in each group falling under the respective levels |                       |               |                   |   |  |
|--|-------------------------|--|--|-----------------------|---------------|-------------------|---|--|
|  |                         |  | SIDS (40)  | LDC <sup>b</sup> (49) | LDC SIDS (11) | Non-LDC SIDS (29) | Developing Countries <sup>c</sup> (159) | Other Developing Countries <sup>d</sup> (81) |
| ≥ 30 %   | 12                      | Belize, Haiti, Papua New Guinea, Solomon Islands, Fiji, Vanuatu, Samoa, Tonga, Guinea-Bissau, Sao Tome and Principe, Seychelles, Comoros   | 30   | 92                    | 64            | 17                | 53                                      | 38   |
| 15 % ≤ ... < 30 %  | 19                      | Antigua & Barbuda, Saint Vincent & the Grenadines, Saint Lucia, Dominica, Grenada, Suriname, Guyana, Dominican Rep, Saint Kitts and Nevis, Jamaica, Marshall Islands, Cook Islands, Micronesia (Federated States of), Kiribati, Palau, Tuvalu, Cape Verde, Maldives, Nauru | 48   | 8 <sup>a</sup>        | 36            | 52                | 28                                      | 28   |
| < 15 %   | 9                       | Trinidad & Tobago, Barbados, Bahamas, Malta, Bahrain, Niue, Cuba, Mauritius, Cyprus  | 23   | 0                     | 0             | 31                | 19                                      | 34   |

Source: FAOSTAT, 2003. Note: Figures in parenthesis denote number of countries for which data was available; <sup>a</sup> comprises Kiribati, Tuvalu, Cape Verde, Maldives; <sup>b</sup> LDC includes LDC SIDS; <sup>c</sup> developing countries includes SIDS and LDCs; and <sup>d</sup> other developing countries excludes SIDS and LDCs.

**Figure 2.5. Agricultural employment as a percentage of total employment**

## 2.2 Differentiation

In an effort to promote and sustain the human and economic development of SIDS, there have been several calls for SIDS to have special classification in order to receive development assistance. The UN General Assembly, the World Bank, the Commonwealth Secretariat, FAO and other institutions have contributed to this effort through their resolutions and documents.

The arguments presented in this section support the considerable work done by the Commonwealth Secretariat<sup>1</sup> related to classifying small states in terms of vulnerability by measuring their economic exposure, their remoteness and insularity, and their propensity to natural disasters and environmental hazards. Of the 25 states classified as most vulnerable by the Commonwealth Secretariat (out of 110 developing countries), 19 are among the 40 states considered in this study.

Yet, in an economic development and trade context in which special assistance and treatment are granted, the definition and status of SIDS as a qualifying group is still unclear. For instance, not all SIDS are islands and not all SIDS are poor. Thus, there remains a need for a more specific definition and clarification of the status of SIDS, especially in the economic context.

By definition, the SIDS are small (either in population or land mass or both) and are either surrounded by or exposed to seas and oceans which is seen as contributing to their vulnerability. Vulnerability here refers to potential detrimental effects of limitations and shocks, economic and natural, that derive from the smallness and islandness of the state. The term “islandness” here refers to countries surrounded by water or with large, low-lying coastal areas.

Thus, the differentiation of SIDS in this section is made on the basis of the combined economic effects of two shared characteristics that, perhaps more than any others, define and differentiate them and result in their vulnerability – their smallness and islandness. From an economic standpoint, both of these characteristics point to overriding questions: How does being small inhibit a country from moving forward or beyond a certain point economically? How does being exposed to seas and oceans contribute to countries moving backwards economically, often necessitating their rebuilding just to reach a previously attained position of economic development? This issue of differentiation continues to be explored in this section. In other sections of this document, the implications for policy regarding SIDS classification within the international trading context are more fully developed.

<sup>1</sup> Commonwealth Secretariat. 1998. *Small states economic review & basic statistics*, Annual Series: Fourth Volume, December 1998.

### 2.2.1 Smallness and vulnerability

The literature on how small size can limit a state's economic development is vast, although not all of it accepts that smallness is an impediment to development. However, strong small economies are an exception. This study looks at small states and vulnerability and to the implications of smallness on trade in reference to one or more of the following: small population, small land area, small capacity and small market. Small population is the clearest and main criteria – small states are classified as having a population of less than 1.5 million.<sup>2</sup> Population characteristics relating to SIDS, LDCs and developing countries are shown in **Table 2.6**.

**Table 2.6 Population characteristics and SIDS**

| Population characteristics (average 2000-02)   | No of SIDS | SIDS Countries   | % of countries in each group falling under the respective levels |          |                            |
|--|------------|--|--|----------|----------------------------|
|  |            |  | SIDS (40)  | LDC (49) | Developing Countries (166) |
| Total pop. < 2 million                         | 35         | Trinidad & Tobago, Guyana, Suriname, Bahamas, Barbados, Belize, Saint Lucia, Saint Vincent & the Grenadines, Dominica, Antigua and Barbuda, Saint Kitts and Nevis, Grenada, Fiji, Solomon Islands, Vanuatu, Samoa, Micronesia (Federated States of), Tonga, Guinea-Bissau, Kiribati, Marshall Islands, Palau, Cook Islands, Nauru, Tuvalu, Niue, Sao Tome and Principe, Seychelles, Mauritius, Cyprus, Comoros, Bahrain, Cape Verde, Malta, Maldives | 88   | 24       | 39                         |
| Rural pop. > 50 %                              | 23         | Saint Kitts and Nevis, Haiti, Guyana, Antigua and Barbuda, Saint Lucia, Grenada, Belize, Barbados, Papua New Guinea, Kiribati, Solomon Islands, Samoa, Vanuatu, Tonga, Micronesia (Federated States of), Niue, Tuvalu, Fiji, Guinea-Bissau, Comoros, Mauritius, Sao Tome and Principe, Maldives  | 58   | 94       | 49                         |
| Pop. density > 10 people per ha of arable land | 21         | Grenada, Bahamas, Saint Lucia, Haiti, Dominica, Saint Vincent & the Grenadines, Jamaica, Trinidad & Tobago, Barbados, Kiribati, Micronesia (Federated States of), Papua New Guinea, Marshall Islands, Solomon Islands, Bahrain, Malta, Maldives, Seychelles, Sao Tome and Principe, Mauritius, Cape Verde  | 56   | 21       | 40                         |

Source: FAOSTAT, 2003.

Note: Figures in parenthesis denote number of countries for which data was available.

The available arable land of SIDS countries ranges from 1000 ha in Grenada and Seychelles to 3.6 million ha in Cuba. Excluding Cuba, the average available arable land area for agriculture is 46 000 ha for the Caribbean SIDS as well as for the Pacific SIDS. The average arable land area in the Indian Ocean is 115 000 ha and in the Atlantic is 400 000 ha. This is much smaller than the available arable land in the non-SIDS LDCs (see Annex II Table 1 for complete listing).

<sup>2</sup> Commonwealth Secretariat. 1998. *Small states economic review & basic statistics*, Annual Series: Fourth Volume, December 1998.



On average, the LDCs have 2.7 million ha and developing countries have 4.9 million ha of available arable land. In addition, most SIDS are further limited by the physical structure of their lands. Most are ecologically fragile, located on steep slopes which are susceptible to soil erosion. In some instances, the limited land restricts agriculture to small plots that yield very little and contribute to food supply constraints. In some cases, due to inland mountainous terrain, the population is spread along the narrow coastal plains, thus increasing vulnerability.

Smallness reduces development and trade options in a variety of ways. The most common are the following.

- Small domestic market – Limited ability to exploit economies of scale and diversification opportunities, lack of competition and resulting higher prices, and a high degree of openness means dependence on a few foreign exchange earning sectors. Attracting investors is difficult and often requires incentives that could result in the creation of monopolies.
- Small resource base – Limitations in natural resources, skilled labour pools and domestic capital stock constrain production. As a result, achieving and maintaining competitiveness is often difficult.
- Narrow development base – Dependence on very few productive sectors increases the impact of economic shocks resulting from, for example, changes in prices or changes in technology, and restricts options for addressing development needs related to poverty and unemployment.
- Weak institutions – Lack of a critical mass for specialized institutions reduces the capacity for effective responses and financial sustainability.

### 2.2.2 Islandness and vulnerability

The drawback of islandness is closely associated with environmental, spatial and temporal issues. The fact that these countries tend to be isolated and exposed to natural disasters undermines their sustainable development efforts in several ways, including the following.

- Frequency of natural disasters and the persistence of natural hazards – Each year brings the potential of a shock during the hurricane or typhoon season, with larger damage per unit of area and per capita cost due to their small size. Further, the constancy of winds and waves is higher than in other countries because of larger exposure of coasts in relation to land mass. These natural disasters and hazards not only cause national disruptions, they exacerbate economic vulnerability by creating expenses that divert resources from directly productive activities. This situation is applicable to both small islands and low-lying states. Being small limits both the resilience and the capacity to recover readily from shocks.
- Distance from markets and dependence on sea and air transport – Transport costs for SIDS international trade tend to be higher per unit of export than in other developing countries. This high cost is increased further by the small size and fragmented nature of their cargo shipments.
- Timeliness and reliability as a supplier – Given the greater dependence on imported inputs and the time delays associated with limited transport service options, small countries are generally unable to meet the demands of sudden market changes. Keeping large stocks to offset this impediment implies a higher cost of production associated with non-liquid capital.

Smallness and remoteness result in vulnerability that limits the development of SIDS. They are said to be caught in a dilemma and a schizophrenic situation (Faini,1988) because these two natural characteristics keep SIDS from using either export-led growth (due to remoteness) or import substitution (due to smallness). In several instances, countries have switched between these two models of development without clear success in either. Where there has been success, a mixture of policies and a favourable international trading environment have been among the critical determinant factors.

### **2.3 Conclusion**

Sustainable development capacity for SIDS is more similar to LDCs than the developing country category as a whole, particularly in the case of limited industrial capacity and potential to exploit economies of scale. In addition, in a majority of SIDS, these weaknesses have a dimension of permanence.

The importance of the agriculture sector for foreign exchange earnings is much greater for SIDS than for LDCs and developing countries as a whole. Thus, addressing the continuous viability of this sector in SIDS economies is essential to sustainable development over the foreseeable future. Both LDC SIDS and non-LDC SIDS are more dependent than LDCs or developing countries on the agricultural sector for foreign exchange earnings from merchandise exports.

The small domestic market and small resource base of the SIDS severely limits the achievement and maintenance of competitive conditions. Thus, promoting investment often means offering incentives that potentially can create monopolies, exacerbating the weaknesses of these economies.

The location of the SIDS is a significant deterrent to their development given the economic costs associated with constant exposure to natural hazards, distances from major markets and the forms of transportation open to them. These limiting conditions apply to both LDC SIDS and non-LDC SIDS.

## Chapter three

### PRODUCTION AND TRADE PATTERNS IN SIDS

This chapter discusses the production and trade patterns of the agriculture, fisheries and forestry sectors of SIDS. The aim is to evaluate the performance of these sectors during the last decade, their roles in the economies of SIDS and the competitiveness of SIDS commodity groups which can form the basis for a forward-looking prospect for these countries, as currently these countries still qualify for non-reciprocal preferential trade.

#### 3.1 Agricultural production and trade

This sub-section presents the agricultural production and trade situations in SIDS. It pays particular attention to the changes in volume and value of production and trade of the main commodities that define the agriculture sectors of SIDS countries. The Caribbean and the Pacific regions account for 30 of the 40 countries considered in this report. When considering these two regions, the effect of the larger economies on the outcomes is recognized, i.e. Cuba and the Dominican Republic on the 16 Caribbean SIDS, and Fiji and Papua New Guinea on the 14 Pacific Island SIDS. Thus, the discussion also looks at the performance of some individual countries highlighting where there have been major changes in production and trade trends and patterns.

##### 3.1.1 Agricultural production and productivity

The agriculture sector is a critical contributor in SIDS economies, especially from the standpoint of foreign exchange earnings and employment. It contributes to food security and is an important source of the domestic food supply for larger SIDS, especially their rural populations.

During the 1990s, total agricultural production in SIDS declined by 33 percent. **Table 3.1** gives total agricultural production by region and shows that the Caribbean and Indian Ocean SIDS suffered serious production declines. The decline in the total production is mainly accounted for by Cuba (excluding Cuba, the decline would be about 1 percent). Given that at the aggregated level of the regional groupings, the reality of the performance of individual countries and products is masked, this chapter analyses production patterns at the country level and for the major products of importance to SIDS.

**Table 3.1 SIDS total agricultural production by region**

|                   | Average production<br>(million tonnes) |           | Percentage<br>change | Annual average growth<br>rate (%) |           |
|-------------------|--|-----------|----------------------|-----------------------------------|-----------|
|                   | 1990-1992                              | 2000-2001 |                      | 1991-1995                         | 1996-2001 |
| Caribbean (16)    | 169                                    | 103       | -39                  | -8                                | -1        |
| Pacific (14)      | 13                                     | 14        | 10                   | 2                                 | 0         |
| Atlantic (3)      | 1                                      | 1         | 25                   | 2                                 | 2         |
| Indian Ocean (4)  | 9                                      | 8         | -8                   | -1                                | 0         |
| Others (3)        | 2                                      | 3         | 5                    | 1                                 | 0         |
| <b>Total SIDS</b> | 194                                    | 129       | -33                  | -7                                | -1        |

*Source:* FAOSTAT, 2003

**Table 3.2a** shows that in addition to the large decline in Cuba and the Dominican Republic, the other largest agricultural producing countries among the SIDS (Mauritius, Papua New Guinea and Haiti) also had declines in agricultural production within one of the two periods analysed.

**Table 3.2a SIDS agricultural production – volume and growth**

|                     | Average production<br>(million tonnes) |            | Percentage<br>change | Annual average growth<br>rate (%) |           |
|---------------------|--|------------|----------------------|-----------------------------------|-----------|
|                     | 1990-1992                              | 2000-2001  |                      | 1991-1995                         | 1996-2001 |
| Dominican Republic  | 18.0                                   | 14.9       | -17                  | -2                                | -2        |
| Cuba                | 127.2                                  | 62.7       | -51                  | -12                               | -1        |
| Mauritius           | 8.7                                    | 7.9        | -10                  | -1                                | 0         |
| Haiti               | 5.5                                    | 6.3        | 15                   | -2                                | 4         |
| Fiji                | 6.3                                    | 5.7        | -10                  | 2                                 | -2        |
| Guyana              | 4.4                                    | 5.7        | 31                   | 5                                 | 1         |
| Jamaica             | 5.7                                    | 5.5        | -4                   | 1                                 | -1        |
| Papua New Guinea    | 5.4                                    | 7.0        | 29                   | 3                                 | 2         |
| Trinidad and Tobago | 2.8                                    | 2.6        | -7                   | 0                                 | -1        |
| Belize              | 1.8                                    | 2.3        | 27                   | 5                                 | 2         |
| Cyprus              | 2.0                                    | 2.1        | 2                    | 1                                 | -1        |
| Barbados            | 1.1                                    | 0.9        | -14                  | -6                                | 2         |
| Suriname            | 0.8                                    | 0.7        | -10                  | 1                                 | -3        |
| Guinea-Bissau       | 0.8                                    | 0.9        | 16                   | 2                                 | 1         |
| Rest of SIDS        | 3.3                                    | 3.7        | 14                   | 0                                 | 2         |
| <b>Total</b>        | <b>193.8</b>                           | <b>129</b> | <b>-33</b>           | <b>-7</b>                         | <b>-1</b> |

Source: FAOSTAT, 2003

Note: Data for the following countries was unavailable: Bahrain, Cook Islands, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Samoa, Tonga and Tuvalu

**Table 3.2b** shows indices of agricultural production in comparison with the 1999-2001 base period. The table indicates that, despite the declining volume, the real value of agricultural production has increased marginally. This is accounted for by the increase in production of non-traditional, high-value crops in selected SIDS: in Mauritius, the value index increased by 4 percent as the decline in sugar production was offset by an increase in production of high value horticultural products; in Belize, pepper, papaya and citrus exports increased; and in Guyana, there was a recovery in the rice sector.

**Table 3.2b SIDS agricultural indices of production**

| Country                        | Indices of production<br>million US\$<br>(1999-2001) |              | Percentage<br>change |
|--------------------------------|--|--------------|----------------------|
|                                | 1990-92  | 2000-02      |                      |
|                                | Barbados   | 38           |                      |
| Belize                         | 69   | 117          | 41                   |
| Cuba                           | 2 981  | 2 694        | -11                  |
| Dominican Republic             | 1 356  | 1 406        | 4                    |
| Fiji                           | 165  | 158          | -5                   |
| Guinea-Bissau                  | 116  | 161          | 28                   |
| Guyana                         | 145  | 234          | 38                   |
| Haiti                          | 649  | 661          | 2                    |
| Jamaica                        | 349  | 412          | 15                   |
| Mauritius                      | 166  | 174          | 4                    |
| Papua New Guinea               | 1 119  | 1 431        | 22                   |
| Saint Vincent & the Grenadines | 22   | 15           | -49                  |
| Saint Lucia                    | 37   | 30           | -25                  |
| Samoa                          | 26   | 31           | 16                   |
| Solomon Islands                | 51   | 72           | 29                   |
| Suriname                       | 97   | 71           | -37                  |
| Trinidad and Tobago            | 94   | 115          | 18                   |
| Vanuatu                        | 48   | 42           | -14                  |
| Rest of SIDS                   | 543  | 641          | 15                   |
| <b>Total</b>                   | <b>8 071</b>   | <b>8 500</b> | <b>5</b>             |

Source: FAOSTAT, 2003

Note: Indices may differ from those produced by the countries themselves because of differences in concepts of production, coverage, weights, time reference of data and methods of calculation.

In general, SIDS experienced significant declines in the traditional crop sector. Several reasons might be offered to explain these results, including:

- occurrence of natural disasters such as hurricanes and cyclones;<sup>1</sup>
- decline in area planted due to fall in world prices of products of interest to SIDS;
- loss of market opportunities for SIDS due to market liberalization;
- shrinking preference margins for products of export interest to SIDS;
- expanding tourism and service sector attracting labour and investment away from the agriculture sector;
- disincentive of labour-intensive small farming systems;
- increase in cheaper import substitutes;
- higher levels of non-tariff barriers; and
- inability to compete in world markets due to smallness and remoteness.

Given the interest of this study, it is essential to look at the economic performance of the agriculture sector through the individual commodities that characterize the sectors production. The remainder of this section focuses on the principal agricultural products.

### Bananas

*SIDS banana production takes place mainly in tropical areas that are exposed to climatic disasters such as hurricanes, heavy rains and flooding. The land area is mostly steep terrain, mountainous and marginal (FAO, 2004).*

Bananas rank as one of the most widely grown and consumed crops in almost all the SIDS. Banana production increased steadily between 1990 and 2002. Papua New Guinea in the Pacific and the Dominican Republic, Haiti, Cuba, Jamaica and Saint Lucia in the Caribbean are the major producers of bananas, accounting for more than 80 percent of the total SIDS production. The SIDS total

banana output for the period 1990-2002 increased by 18 percent (from 1.9 million tonnes to 2.2 million tonnes), mostly due to increased production in Papua New Guinea (28 percent), Haiti (23 percent), Cuba (26 percent) and Belize (51 percent). This expansion is due to a steady growth in area planted and, to a lesser extent, to increase in yield (Table 3.3). Not all Caribbean SIDS performed similarly. Production as well as exports fell in the Windward Islands and Jamaica in mid-1990s. On the other hand, the Dominican Republic has increased exports and has been the largest exporter among the Caribbean SIDS since the late 1990s.

*The small-scale production system in the Windward Islands, relative to the “dollar” banana countries, gives the sector a key role in the socio-economic fabric of these island nations. Banana production serves as the engine for rural development, providing opportunities for employment, resources for small business development and enabling investment in education, health care and shelter (FAO, 2004).*

Though the total SIDS banana production accounts for barely 3 percent of the total world production, it is still the major agricultural crop for domestic consumption, rural income and export in many of the SIDS. For example, bananas in Saint Lucia accounted for 50 percent of agricultural output and 60 percent of the country's total merchandise exports in 2000-2002. Similarly in Saint Vincent and the Grenadines and Dominica, bananas accounted for 38 percent and 26 percent respectively of total merchandise exports for the same period.

In the Caribbean, banana production takes place in mostly small-scale operations and depends heavily on family labour in contrast with Latin American “dollar” banana producers where banana production is concentrated on well integrated and large commercial plantations (FAO, 2003).<sup>2</sup> In the Caribbean SIDS, the banana sector plays a key

<sup>1</sup> Between 1979 and 2002, 29 tropical storms hit the Windward Islands (UNCTAD, 2003). In 1990 and 1991, two cyclones resulted in a 12 percent GDP decline in Samoa. According to NIWA, on average 2.4 cyclones occur annually within 100 kms in Fiji, Tonga 2.0, Vanuatu 3.2, Samoa 1.4 Solomon Islands 1.4. Two cyclones hit Mauritius between 1997 and 2000.

<sup>2</sup> FAO. 2003. *The world banana economy 1985-2002*.

development role, providing income and employment throughout the year. According to FAO, the average holding in these SIDS is 1 ha (FAO, 2003). It is estimated that 25 000 Windward Islands farmers produce bananas (Smith, 2000).<sup>3</sup>

Among the Caribbean SIDS most dependent on bananas, namely Saint Lucia, Saint Vincent and the Grenadines, Dominica and Grenada, the decline in production was by far the highest in 2000-2002. This was due to a fall in the world banana price in the first half of the 1990s that led to a 6 percent decline in area planted (FAO 2003).

**Table 3.3** shows the banana production trends and growth rates for SIDS. In the case of Belize, there was a significant expansion during three of the four periods represented and the decline in the last period was partly associated with the combined effects of Hurricane Keith and Tropical Storm Chantal between October 2000 and 2001. Further, in the three countries of the Caribbean where the production declines were the greatest, Grenada, Dominica and Saint Lucia, there was also a loss in productivity. This is in striking contrast to Belize which is the only SIDS to show a consistent increase in productivity.

Caribbean SIDS have higher production costs than the Latin American producers and are dependent on the higher export prices through preferential access to the EU market. The fact that these economies have maintained their dependence on bananas and have not diversified has contributed to the benefits of preferential access for bananas becoming a highly debatable issue. However, it is well recognized that the Dominican Republic, a high-cost banana producer based mostly on small-scale production, became a major exporter among the Caribbean SIDS only after its accession as an ACP member country in 1993.

**Table 3.3 Banana production and productivity in selected SIDS**

| Country                           | Average production<br>(000 tonnes) |               | %<br>Change | Annual average growth<br>rate (%) |               |               | Average yields (tonnes<br>/ha) |               |               |
|-----------------------------------|------------------------------------|---------------|-------------|-----------------------------------|---------------|---------------|--------------------------------|---------------|---------------|
|                                   | 1990-<br>1992                      | 2000-<br>2002 |             | 1991-<br>1995                     | 1996-<br>2000 | 2001-<br>2002 | 1990-<br>1992                  | 1996-<br>1998 | 1999-<br>2002 |
| Papua New<br>Guinea               | 510                                | 708           | 28          | 2                                 | 1             | 2             | 14                             | 14            | 14            |
| Dominican<br>Republic             | 379                                | 404           | 6           | 0                                 | -1            | 6             | 13                             | 13            | 12            |
| Haiti                             | 233                                | 301           | 23          | 1                                 | 5             | 0             | 7                              | 7             | 7             |
| Cuba                              | 182                                | 244           | 26          | -1                                | 2             | 10            | 15                             | 9             | 8             |
| Jamaica                           | 140                                | 130           | -8          | -1                                | 1             | 0             | 8                              | 8             | 8             |
| Saint Lucia                       | 134                                | 92            | -46         | -3                                | -10           | 8             | 11                             | 10            | 10            |
| Suriname                          | 46                                 | 47            | 2           | 0                                 | -1            | -2            | 23                             | 20            | 23            |
| Comoros                           | 44                                 | 59            | 25          | 2                                 | 1             | 1             | 6                              | 6             | 6             |
| Saint Vincent &<br>the Grenadines | 51                                 | 45            | -13         | -6                                | -5            | 2             | 12                             | 11            | 10            |
| Samoa                             | 21                                 | 20            | -4          | -12                               | 10            | 1             |                                |               |               |
| Belize                            | 25                                 | 60            | 58          | 8                                 | 5             | -3            | 16                             | 27            | 32            |
| Grenada                           | 13                                 | 4             | -226        | -8                                | -19           | 4             | 4                              | 4             | 3             |
| Dominica                          | 62                                 | 31            | -100        | -5                                | -11           | -2            | 13                             | 14            | 11            |
| Others (18 SIDS)                  | 80                                 | 116           | 31          | 3                                 | 4             | 2             |                                |               |               |
| <b>Total</b>                      | 1 920                              | 2 261         | 18          |                                   |               |               |                                |               |               |

Source: FAOSTAT, 2004

<sup>3</sup> Smith, A. 2000. Macro-economic situation facing small scale banana producers active in the world market. In INIBAP. *Organic Banana 2000: Towards an organic banana initiative in the Caribbean*.

## Sugar

*The success story of Mauritius owes much to the trade preferences of the EU Sugar Protocol. This success includes both its economic take off and its socio-economic development (UNCTAD, 2003).*

Some 17 SIDS produced an average total of 10 million tonnes of sugar per year during the period 1990-1992. Thereafter, sugar production declined consistently to a level of 6 million tonnes in 2003. Cuba is largely responsible for the decline of some 40 percent as it produces more sugar than the combined output of all of the Caribbean countries.

However, this does not hide the fact that sugar production declined in seven of the ten main SIDS producers and that in almost all SIDS, the area under sugar cane for commercial purposes decreased. However production in the two Caribbean SIDS, Guyana and Belize, increased.

In Guyana, special policy attention was paid to the sector after 1992 when a pro-sugar industry government came to power. As **Table 3.4** shows, there was a substantial production increase in the 1990s and, in fact, productivity increased to the levels achieved by Mauritius, the most efficient SIDS producer. In Belize, the sugar industry is located in the north of the country close to its border with Mexico. Considerable attention was paid to promoting agricultural production in this area during the latter half of the 1990s. The decline in the growth rate of sugar production in Belize, shown in Table 3.4, is partly a reflection of the impact of Hurricane Keith.

In Papua New Guinea, sugar production has expanded consistently since 1995, reaching 54 000 tonnes in 2003. In Mauritius, sugar production declined due to the reduced land under sugar cane. It should be noted that producers in these islands receive much higher prices than world prices for a certain quantity under the EU Sugar Protocol. The Dominican Republic is one of the SIDS which does not have an export quota to the EU market and is thus most exposed to the world price. In 1990-1992, with a production of 710 000 tonnes, the Dominican Republic was the second largest producer among the SIDS, but a decade later production declined to 469 000 tonnes (world price was US\$148 per tonne) and it dropped to third, after Mauritius. Sugar production and area under sugar production in the Dominican Republic followed the world price trend. The consequence of the crash of the world price in 1998 was a major decline in production in the Dominican Republic in 1999. Though Mauritius has a guaranteed export quota to the EU, production declined to 545 000 tonnes in 2000-2002. This decline was due to two droughts and cyclones which hit Mauritius in the late 1990s and early 2000. In the case of Fiji, production was reduced because of both climatic conditions and political instability.

**Table 3.4 Sugar production and productivity in selected SIDS**

| Country               | Average production<br>(000 tonnes) |               | %          | Annual average<br>growth rate (%) |               |               | Sugarcane yields<br>(tonnes/ha) |               |               |
|-----------------------|------------------------------------|---------------|------------|-----------------------------------|---------------|---------------|---------------------------------|---------------|---------------|
|                       | 1990-1992                          | 2000-<br>2002 |            | Change                            | 1991-<br>1995 | 1996-<br>2000 | 2001-<br>2002                   | 1990-<br>1992 | 1996-<br>1998 |
| Cuba                  | 7 740                              | 3 818         | -51        | -15                               | 0             | 0             | 50                              | 32            | 33            |
| Dominican<br>Republic | 710                                | 469           | -34        | -1                                | -10           | 0             | 37                              | 28            | 33            |
| Mauritius             | 612                                | 544           | -11        | -2                                | -1            | 2             | 73                              | 73            | 71            |
| Fiji                  | 413                                | 325           | -21        | 2                                 | -7            | 0             | 55                              | 53            | 50            |
| Guyana                | 164                                | 291           | 78         | 10                                | 2             | 4             | 69                              | 71            | 62            |
| Jamaica               | 217                                | 201           | -8         | 2                                 | -3            | 1             | 63                              | 61            | 59            |
| Belize                | 98                                 | 116           | 18         | 2                                 | 1             | -3            | 46                              | 49            | 48            |
| Barbados              | 67                                 | 53            | -21        | -7                                | 2             | -7            | 57                              | 59            | 57            |
| Trinidad &<br>Tobago  | 106                                | 97            | -9         | 2                                 | -4            | 4             | 58                              | 51            | 44            |
| Papua New<br>Guinea   | 34                                 | 46            | 35         | 9                                 | 5             | -3            | 60                              | 52            | 49            |
| Rest of SIDS          | 89                                 | 85            | -4         | -2                                | 1             | 2             |                                 |               |               |
| <b>Total</b>          | <b>10 215</b>                      | <b>5 998</b>  | <b>-41</b> | <b>-9</b>                         | <b>-1</b>     | <b>0</b>      |                                 |               |               |

Source: FAOSTAT, 2003

## Rice

*Rice production has been a major instrument of rural development in Guyana. Profits earned through rice exports have resulted in the establishment of several commercial entities. In the 1990s, increased market opportunities and favourable government policy led to the expansion. (FAO, 2000)*

Rice is consumed in all SIDS although commercial production occurs only in a limited number. In some SIDS such as Mauritius, rice is the main staple food. Rice production has been expanding among SIDS countries in the 1990s, especially among the largest producers. Cuba, the Dominican Republic and Guyana all expanded their production during the last decade. In Cuba, the demise of the sugar industry and the need for even greater self-reliance for cereals after 1989 led to an expansion of the rice production

sector. **Table 3.5** shows the production trend of rice for SIDS. For Guyana and Suriname, rice is also an important export crop. Guyana exports a limited quantity of rice to the EU under the EU/ACP trade preferences. It is important to note that in four SIDS, Fiji, Suriname, Haiti and Guinea Bissau, the production levels of this important food crop actually declined during the period reviewed. Further, in the case of Guyana, although there was a significant expansion for most of the 1990s, the most recent period for which data is available indicates that production has been declining. Production declined in Guinea Bissau due to a fall in yield, whereas in Fiji the production decline can be attributed to both weather and political instability of late 1990s.

In countries where production increased, it was mostly due to expansion in the area planted and to a lesser extent on yield. The increase in Guyana's rice production in the mid-1990s was due to an increase in exports to the EU resulting from a loophole in the rules of origin that allowed the diversion of exports through overseas French territories. The policy environment governing rice production in the Caribbean varies – in some islands, supply and demand determine the price behaviour while in others, governments provide various types of support.

**Table 3.5 Rice production and productivity in selected SIDS**

| Country               | Average production<br>(000 tonnes) |               | %   | Annual average growth<br>rate (%) |               |               | Rice yields (Paddy)<br>tonne/Ha |               |               |
|-----------------------|------------------------------------|---------------|-----|-----------------------------------|---------------|---------------|---------------------------------|---------------|---------------|
|                       | 1990-<br>2002                      | 2000-<br>2002 |     | Change                            | 1991-<br>1995 | 1996-<br>2000 | 2001-<br>2002                   | 1990-<br>1992 | 1996-<br>1998 |
| Cuba                  | 468                                | 568           | 21  | -7.9                              | 11            | 9             | 3                               | 3             | 3             |
| Dominican<br>Republic | 461                                | 614           | 33  | -0.1                              | 4.5           | 12            | 5                               | 5             | 5             |
| Guyana                | 215                                | 492           | 129 | 15.7                              | 4.3           | -4.8          | 3                               | 4             | 4             |
| Suriname              | 233                                | 176           | -25 | -1.2                              | -4.6          | -1.9          | 4                               | 4             | 4             |
| Haiti                 | 125                                | 117           | -6  | -3.3                              | 2.8           | -2.7          | 2                               | 2             | 2             |
| Guinea-Bissau         | 118                                | 91            | -23 | 3.3                               | -6.7          | -0.5          | 2                               | 2             | 1             |
| Fiji                  | 28                                 | 13            | -53 | -8.2                              | -9.1          | 8.5           | 2                               | 2             | 3             |
| Rest of SIDS          | 35                                 | 39            | 9   | 5.5                               | -1.3          | -0.2          |                                 |               |               |
| <b>Total</b>          | 1 684                              | 2109          | 25  | 0.2                               | 3.6           | 4.3           |                                 |               |               |

Source: FAOSTAT, 2003

## Coconuts and Copra

*Coconut is a basic food item for Samoa where it is used for both human and animal consumption. Copra and coconut oil, processed products of coconut, are regarded as major sources of income for farmers and rural communities (UNCTAD, 2003).*

All SIDS are tropical countries and grow coconuts for commercial, aesthetic and ecological purposes. The smaller islands of the Caribbean and the Pacific, including Seychelles, have a history of growing and exporting coconuts and copra. Currently, Papua New Guinea, Fiji and Jamaica are the largest SIDS producers. However, as **Table 3.6** shows, several other countries continue to produce these products mostly for domestic consumption and as a source of



income for small farmers. The slump in world prices of copra and coconut oil in recent years has led some Pacific island countries to introduce price stabilization subsidies as incentives to producers to maintain this activity as a source of income for rural communities.

In the Pacific, a main drawback to the development of the copra industry has been the weak internal transportation system, especially where this has meant moving produce between islands within the country as in Marshall Islands and the Republic of Kiribati. In the Caribbean, the competition with the domestic market, which uses coconut water as a beverage, has contributed to a shortage of raw materials for the copra industry.

**Table 3.6 Coconut and copra production in selected SIDS**

| Country               | Average production (000 tonnes) |              |              |            |            |            |
|-----------------------|---------------------------------|--------------|--------------|------------|------------|------------|
|                       | Coconut                         |              |              | Copra      |            |            |
|                       | 1990-1992                       | 1996-1998    | 1999-2001    | 1990-1992  | 1996-1998  | 1999-2001  |
| Dominica              | 13                              | 12           | 11           | 2          | 2          | 2          |
| Fiji                  | 233                             | 214          | 176          | 17         | 12         | 15         |
| Grenada               | 8                               | 7            | 7            | 1          | 1          | 1          |
| Guinea Bissau         | 38                              | 44           | 46           | 7          | 8          | 9          |
| Jamaica               | 103                             | 175          | 170          | 8          | 8          | 8          |
| Maldives              | 13                              | 13           | 16           | 2          | 2          | 3          |
| Papua New Guinea      | 685                             | 908          | 937          | 105        | 151        | 123        |
| Sao Tome and Principe | 26                              | 24           | 26           | 1          | 0          | 0          |
| Seychelles            | 5                               | 4            | 3            | 1          | 0          | 0          |
| Kiribati              | 73                              | 102          | 99           | 8          | 12         | 12         |
| Rest of SIDS          | 936                             | 1108         | 991          | 111        | 99         | 81         |
| <b>Total</b>          | <b>2 132</b>                    | <b>2 612</b> | <b>2 482</b> | <b>262</b> | <b>295</b> | <b>252</b> |

Source: FAOSTAT, 2003

### Coffee and Cocoa

*Coffee production in Jamaica has expanded due to both its brand name identification (Blue Mountain Coffee) and a more liberal trading regime. The sector has benefited from increased private sector investment, responding to incentives in the early 1990s (FAO, 1996).*

The two tropical beverage crops, coffee and cocoa, are important components in the crop mix of SIDS. Cocoa is produced in a limited number of SIDS on a commercial basis. Total annual production averages approximately 100 000 tonnes. As **Table 3.7a** shows, production has been on the decline, the exceptions being Papua New Guinea and Haiti. Though not shown in the table, Belize has also seen its production increase over the past decade due to its special

marketing arrangements for organic cocoa but production has declined in the last two years. Grenada, also seen as a source of quality cocoa on the world market, has made efforts to differentiate its product to enhance its competitiveness. In Samoa, cocoa has a high domestic demand as a beverage and competes with tea and coffee. Production declined in some of the Pacific SIDS due to cyclones in the early 1990s and has not recovered to the late-1980s level. The decline in production is also the result of declining world cocoa prices.

**Table 3.7a Cocoa production in selected SIDS**

| Country                  | Average production<br>(000 tonnes) |               | %<br>Change | Annual average growth rate (%) |               |               |
|--------------------------|------------------------------------|---------------|-------------|--------------------------------|---------------|---------------|
|                          | 1990-<br>1992                      | 2000-<br>2002 |             | 1991-<br>1995                  | 1996-<br>2000 | 2001-<br>2002 |
| Papua New Guinea         | 36                                 | 42            | 18          | -5                             | 12            | -4            |
| Dominican Republic       | 47                                 | 44            | -8          | 9                              | -2            | 16            |
| Haiti                    | 4                                  | 4             | 19          | 11                             | -6            | -1            |
| Cuba                     | 2                                  | 2             | -17         | 6                              | 11            | -33           |
| Jamaica                  | 2                                  | 1             | -46         | 5                              | -11           | 2             |
| Sao Tome and<br>Principe | 3                                  | 3             | -4          | 8                              | 0             | -6            |
| Solomon Islands          | 4                                  | 3             | -41         | -7                             | 4             | 15            |
| Trinidad & Tobago        | 2                                  | 1             | -27         | 2                              | 2             | 54            |
| Vanuatu                  | 2                                  | 1             | -34         | 5                              | 12            | 14            |
| Grenada                  | 2                                  | 1             | -47         | -3                             | -4            | -18           |
| Rest of SIDS             | 1                                  | 2             | 9           | 1                              | 5             | 1             |
| <b>Total</b>             | 106                                | 104           | -2          | 2                              | 0             | 3             |

Source: FAOSTAT

Coffee is produced on fewer islands than cocoa. Production in Papua New Guinea and Jamaica increased during the last decade, but declined in all other coffee-producing SIDS. Total production in the SIDS declined from 165 000 tonnes to 161 000 tonnes. **Table 3.7b** shows coffee production trends for SIDS during the past decade. Both world prices and weather have been blamed for the decline in production. In Jamaica, the expansion in the coffee sector has benefited directly from deregulation and a more liberal definition of “approved grower” by the Coffee Industry Board. Deregulation is said to have provided an opening for more growers, investors and marketing agents to enter the industry.

**Table 3.7b Coffee production in selected SIDS**

| Country             | Average production<br>(000 tonnes) |               | %<br>Change | Annual average growth rate (%) |               |               |
|---------------------|------------------------------------|---------------|-------------|--------------------------------|---------------|---------------|
|                     | 1990-<br>1992                      | 2000-<br>2002 |             | 1991-<br>1995                  | 1996-<br>2000 | 2001-<br>2002 |
| Papua New Guinea    | 53                                 | 69            | 32          | 1                              | 7             | -12           |
| Dominican Republic  | 52                                 | 43            | -17         | -4                             | 4             | 8             |
| Haiti               | 34                                 | 29            | -15         | -4                             | 1             | -2            |
| Cuba                | 22                                 | 16            | -29         | -7                             | 5             | -6            |
| Jamaica             | 2                                  | 3             | 41          | 15                             | 5             |               |
| Trinidad and Tobago | 1                                  | 0             | -66         | -11                            | 29            | -33           |
| Rest of SIDS        | 1                                  | 1             | -10         | -7                             | -3            | 11            |
| <b>Total</b>        | 165                                | 161           | -2          | -3                             | 3             | -5            |

Source: FAOSTAT, 2003

## Citrus

*Citrus production and processing in the Stan Creek district of Belize has been a major source of employment, especially for an influx of Central America refugees. It has contributed to the growth and prosperity of several of their communities.*

With the exception of Cyprus, the main citrus producing SIDS are in the Caribbean. In all countries where the citrus sector has expanded, most importantly Belize, there also has been an expansion of the large-scale private sector that has been encouraged under the deregulation and liberalization of trading policies. In Belize, the expansion has been due mainly to the increased land brought into production.

As **Table 3.8** shows, yields have generally been stable. The situation of the Bahamas with regard to citrus is interesting as it represents a conscious government policy to promote agriculture sector activity. The expansion of the citrus sector started in the mid-1990s and has increased tenfold from its initial low base.

**Table 3.8 Total citrus production in selected SIDS**

| Country               | Average production<br>(000 tonnes) |               | %       | Annual average growth<br>rate (%) |               |               | Yields (oranges)<br>tonne/Ha |               |               |
|-----------------------|------------------------------------|---------------|---------|-----------------------------------|---------------|---------------|------------------------------|---------------|---------------|
|                       | 1990-<br>1992                      | 2000-<br>2002 |         | Change                            | 1991-<br>1995 | 1996-<br>2000 | 2001-<br>2002                | 1990-<br>1992 | 1996-<br>1998 |
| Cuba                  | 906                                | 796           | -12.2   | -9                                | 11            | -17           | 8                            | 6             | 10            |
| Belize                | 99                                 | 247           | 149.2   | 19                                | 9             | -6            | 8                            | 9             | 8             |
| Jamaica               | 128                                | 221           | 72.9    | 13                                | 0             | 0             | 10                           | 10            | 10            |
| Dominican<br>Republic | 72                                 | 105           | 46.2    | 4                                 | 14            | -7            | 13                           | 14            | 17            |
| Cyprus                | 178                                | 130           | -26.6   | -2                                | -6            | -1            | 25                           | 24            | 23            |
| Haiti                 | 72                                 | 62            | -14.1   | -3                                | 3             | -5            | 5                            | 4             | 4             |
| Dominica              | 24                                 | 26            | 10.9    | -4                                | 14            | -2            | 7                            | 7             | 6             |
| Bahamas               | 2                                  | 21            | 1 044.3 | 63                                | 5             | 2             |                              |               |               |
| Guyana                | 6                                  | 11            | 66      | -6                                | 70            | -6            | 7                            | 5             | 6             |
| Suriname              | 16                                 | 15            | -5.6    | 4                                 | -6            | 1             | 7                            | 8             | 8             |
| Rest of SIDS          | 40                                 | 38            | -3.8    | 6                                 | -5            | 1             |                              |               |               |
| <b>Total</b>          | 1 542                              | 1 672         | 8.4     | -3                                | 6             | -11           |                              |               |               |

Source: FAOSTAT, 2003

## Non-traditional crops and food products

*Squash pumpkin in Tonga is a good example of product diversification. Only recently introduced, squash pumpkin production has replaced bananas and copra as the major agricultural export. On average, export of squash pumpkin generates 30 to 50 percent of the total export product earnings for Tonga (UNCTAD, 2003).*

SIDS countries have promoted diversification of their agriculture sectors through the expansion of non-traditional products, targeting both the domestic and export markets. **Tables 3.9 and 3.10** show how agricultural products in specific countries have been important in terms of their increased growth. Pineapple, papaya and mango production have increased for both the domestic and export markets. The expanding tourism market in the 1990s and the increased interest in tropical fruits and fruit juices as health products have been important factors in increasing market opportunity. In the case of papaya and mango, there has been a tendency

for the production structure to favour larger farmers, as they are more able to accept the risk and raise the large capital investment needed. In some countries, there have been a few major non-traditional crop successes such as hot peppers in Belize and squash pumpkin in Tonga.

**Table 3.9 Agricultural product diversification – non-traditional crops**

| Commodity /<br>Country | Average production<br>(000 tonnes) |               | %<br>change | Annual average growth rate (%) |               |               |
|------------------------|------------------------------------|---------------|-------------|--------------------------------|---------------|---------------|
|                        | 1990-<br>1992                      | 2000-<br>2002 |             | 1991-<br>1995                  | 1996-<br>2000 | 2001-<br>2003 |
| <b>a) Pineapple</b>    |                                    |               |             |                                |               |               |
| Dominican Republic     | 66                                 | 99            | 50.2        | 15                             | -6            | 13            |
| Jamaica                | 10                                 | 20            | 106.2       | 14                             | 2             | 2             |
| Haiti                  | 2                                  | 3             | 49.5        | -1                             | 10            | -3            |
| <b>b) Papaya</b>       |                                    |               |             |                                |               |               |
| Cuba                   | 33                                 | 100           | 202.9       | -17                            | 43            | 16            |
| Fiji                   | 4                                  | 9             | 109.8       | 41                             | -9            | -5            |
| Dominican Republic     | 14                                 | 22            | 58.1        | 1                              | 5             | 8             |
| <b>c) Mangoes</b>      |                                    |               |             |                                |               |               |
| Cuba                   | 87                                 | 205           | 135.5       | 44                             | 33            | -1            |
| Guyana                 | 3                                  | 9             | 190         | 1                              | 37            | 10            |
| Cook Islands           | 2                                  | 3             | 19.1        | -15                            | 72            | 0             |
| Saint Lucia            | 25                                 | 28            | 13.8        | 2                              | 1             | 0             |

Source: FAOSTAT, 2004

Root crops, an important component in the domestic food supply of SIDS, have increased in production. Cassava has been an outstanding example of this expansion and efforts have been made to increase its use through, for example, the promotion of cassava flour as a substitute for wheat flour and cassava chips as a snack food. Root crops also are being exported and are viewed as an area for export expansion. However, this may well be determined by factors other than the production cost competitiveness of the individual crops. Key variables in expanding exports of these commodities will include productivity factors related to targeting of markets, development of linkages between producers and processors, and management of the commodity system to address phyto-sanitary and other regulations.

**Table 3.10 Agricultural product diversification – food products**

| Commodity / Country | Average production<br>(000 tonnes) |               | %<br>Change | Annual average growth rate (%) |               |               |
|---------------------|------------------------------------|---------------|-------------|--------------------------------|---------------|---------------|
|                     | 1990-<br>1992                      | 2000-<br>2002 |             | 1991-1995                      | 1996-<br>2000 | 2001-<br>2003 |
| <b>a) Cassava</b>   |                                    |               |             |                                |               |               |
| Cuba                | 205                                | 455           | 123         | 8                              | 12            | 8             |
| Fiji                | 18                                 | 31            | 79          | 13                             | 8             | 1             |
| Guyana              | 26                                 | 33            | 25          | 11                             | 9             | -12           |
| Guinea Bissau       | 18                                 | 33            | 85          | -2                             | 19            | 2             |
| Jamaica             | 12                                 | 15            | 27.1        | 10                             | 0             | 5             |
| <b>b) Poultry</b>   |                                    |               |             |                                |               |               |
| Belize              | 7                                  | 9             | 41          | 3                              | 5             | 11            |
| Cyprus              | 22                                 | 34            | 54          | 7                              | 4             | 1             |
| Dominican Republic  | 115                                | 207           | 81          | 5                              | 8             | 6             |
| Guyana              | 2                                  | 12            | 433         | 36                             | 16            | -2            |
| Mauritius           | 14                                 | 22            | 56          | 9                              | 2             | 3             |

Source: FAOSTAT, 2004

The livestock sector is small and generally considered non-competitive in almost all SIDS. However, it is able to supply a significant part of domestic fresh and processed meat, mainly poultry. This reflects both the low level of meat consumption, except poultry, and the underdevelopment of the meat processing sector. There was a tremendous expansion in poultry meat production during the

1990s in the Caribbean. However, it is generally felt that the livestock sector of SIDS is very vulnerable to competition – if its border protection were removed, cheap imports of chicken wings and leg quarters could flood the domestic markets. In addition, development of the livestock sector often depends on imported production inputs, such as day-old chicks, feed, veterinary inputs and packaging materials, which would make output very expensive as compared to imports. To realize its potential, the productivity of the sector will need to increase and, equally important, systems of production and processing that meet the increasingly high standards of animal health, food safety and food quality will need to be developed.

### 3.1.2 SIDS agricultural trade

This section provides an overview of the trade trends and patterns in SIDS. It draws on a variety of data bases (FAO, World Integrated Trade Solution [WITS], CARIBTRADE and EUROSTAT) to ensure adequate coverage of the major commodities and to present results by country and by SIDS subregion. The period of analysis covers mainly the last decade.

Despite the importance of the agriculture sector in SIDS countries, they are very minor players in global agricultural markets. As a group, SIDS accounted for about 5 percent of global agricultural exports in the early 1970s, but since then, its share has declined substantially – to 2 percent in 1990 and to 1 percent in 2000. Table 3.11 shows that developing countries (other than SIDS and LDCs) accounted for 26 percent of total world agricultural exports in 1990/92 and their share increased to 29 percent in 2002.

**Table 3.11 SIDS share in total world agricultural exports**

| Country groups       | 1990-<br>1992 | 1992-<br>1993 | 1994-<br>1995 | 1996-<br>1997 | 1998-<br>1999 | 2000 | 2001 | 2002 |
|----------------------|---------------|---------------|---------------|---------------|---------------|------|------|------|
| SIDS                 | 2             | 1             | 1             | 1             | 1             | 1    | 1    | 1    |
| LDCs                 | 1             | 1             | 1             | 1             | 1             | 1    | 1    | 1    |
| Developing countries | 26            | 26            | 28            | 29            | 29            | 28   | 29   | 29   |
| Developed countries  | 73            | 73            | 71            | 70            | 70            | 71   | 70   | 70   |

Source: FAOSTAT, 2004

Between 1990 and 2002, the total value of agricultural exports of the SIDS countries declined by 53 percent, from about US\$6.2 billion to about US\$4.8 billion. At the same time, the value of SIDS agricultural imports increased by 35 percent, from US\$4.2 billion in 1990-1992 to US\$5.7 billion in 2000-2002. Excluding Cuba, total agricultural exports increased by 26 percent but imports increased faster, a 46 percent increase over the previous decade. Thus, there is a net trade deficit of close to US\$1 billion. The net trade deficit of the Caribbean SIDS has increased by 163 percent in the last ten years, while for the Pacific SIDS, the net trade balance has been positive in both periods, increasing by 14 percent. In the case of the Indian Ocean SIDS, the net trade balance was positive in both periods. However, it decreased from US\$169 million in 1990-1992 to US\$80 million in 2000-2002, mainly due to the decline of exports from Mauritius and Seychelles.

**Tables 3.12 and 3.12a** show the subregional changes and highlight the fact that the net trade position has been changing quite sharply among the Caribbean SIDS. This contributed to moving the SIDS as a whole to a negative net agricultural trade position.

**Table 3.12a SIDS agricultural trade by region (in US\$ million)**

| SIDS Region       | Total agricultural exports (1) |              | Total agricultural imports (2) |              | Net trade (1-2) |             |
|-------------------|--------------------------------|--------------|--------------------------------|--------------|-----------------|-------------|
|                   | 1990-1992                      | 2000-2002    | 1990-1992                      | 2000-2002    | 1990-1992       | 2000-2002   |
| Caribbean         | 4 503                          | 2 831        | 2 604                          | 3 568        | 1 899           | -737        |
| Pacific           | 810                            | 887          | 428                            | 450          | 382             | 437         |
| Indian Ocean      | 467                            | 519          | 298                            | 439          | 169             | 80          |
| Atlantic          | 24                             | 85           | 75                             | 92           | -52             | -8          |
| Others            | 387                            | 476          | 816                            | 1 127        | -429            | -651        |
| <b>Total SIDS</b> | <b>6 191</b>                   | <b>4 798</b> | <b>4 222</b>                   | <b>5 677</b> | <b>1969</b>     | <b>-879</b> |

Source: FAOSTAT, 2004

Note: Agricultural trade includes fishery and forestry products.

**Table 3.12b SIDS agricultural trade by region excluding Cuba (in US\$ million)**

| SIDS Region       | Total agricultural exports (1) |                | Total agricultural imports (2) |              | Net trade (1-2) |               |
|-------------------|--------------------------------|----------------|--------------------------------|--------------|-----------------|---------------|
|                   | 1990-1992                      | 2000-2002      | 1990-1992                      | 2000-2002    | 1990-1992       | 2000-2002     |
| Caribbean         | 1 413.9                        | 1 971.9        | 1 722.5                        | 2 786        | -308.9          | -814.3        |
| Pacific           | 810                            | 887            | 428                            | 450          | 382             | 437           |
| Indian Ocean      | 467                            | 519            | 298                            | 439          | 169             | 80            |
| Atlantic          | 24                             | 85             | 75                             | 92           | -52             | -8            |
| Others            | 387                            | 476            | 816                            | 1127         | -429            | -651          |
| <b>Total SIDS</b> | <b>3 101.9</b>                 | <b>3 938.9</b> | <b>3 339.5</b>                 | <b>4 894</b> | <b>-238.9</b>   | <b>-956.3</b> |

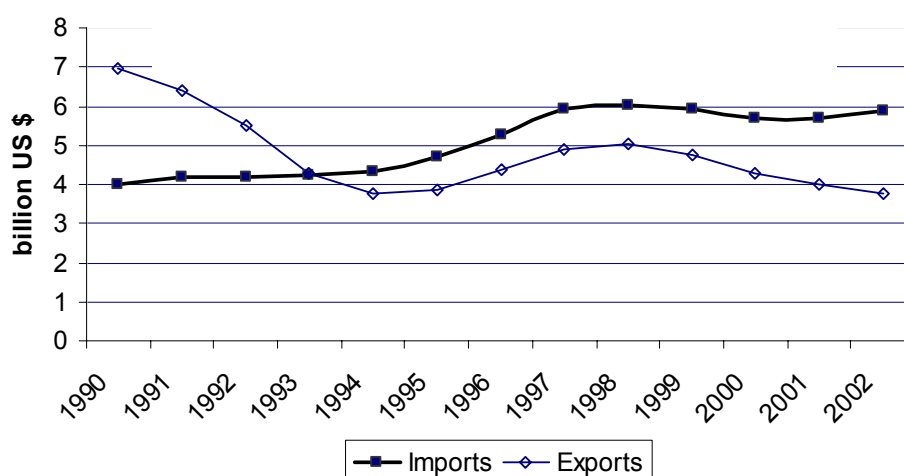
Source: FAOSTAT, 2004

Note: Trade figures for the Caribbean exclude Cuba; agricultural trade includes fishery and forestry products.

The majority of SIDS in this study are net importers of agricultural, fisheries and forestry products. During the 1990s, five additional countries became net importers, four of them in the Caribbean. In the 1990-1992 period, 14 SIDS were net agricultural exporters but by 2000-2002 there were only nine. Most of the SIDS where arable land is a major constraint to supply are net food importers. With trade liberalization, the reduction in domestic and export subsidies in developed countries may lead to an increase in import prices and a rise in their food import bill of between 4 and 8 percent (Matoo and Subramaniam, 2004).

Cuba alone accounted for more than 25 percent of all SIDS agricultural exports in 1990-2002, and Cuba along with Papua New Guinea, Mauritius, Dominican Republic, Cyprus and Fiji supplied almost 70 percent of the total SIDS exports. **Figure 3.1** reports the agricultural trade for SIDS, showing how their net trade position has changed. (Annex III, Table 1) presents the data for individual countries.)

The Caribbean SIDS group was a net agricultural commodity exporter in 1990-1992 with a surplus of US\$1.9 billion. By 2002, this region had an expanding net agricultural trade deficit (**Tables 3.12a and b**) of US\$738 million. While Cuba's changed trading situation has influenced this outcome, it is still important to note that several smaller countries that were net food exporters in 1990-1992 had become net food importers by 2000-2002.

**Figure 3.1. Trend in total agricultural exports and imports**

Source: FAO

The Pacific Island SIDS group is a net exporter, mainly due to the influence of Papua New Guinea which accounts for more than 50 percent of the subregion's trade. It also increased its agricultural exports and decreased its imports of food products during the period under review.

For the Indian Ocean group, only Mauritius has been a net exporter in both periods, whereas Seychelles moved from being a net importer in 1990-1992 to become a net exporter in 2000-2002. Overall, the Indian Ocean islands had a positive food trade balance for both periods but the size of the surplus decreased from US\$168 million to US\$72 million, due to a 57 percent decrease in the net trade position of Mauritius. Though some of the countries showed a positive trade balance (see Annex III, Table 1), many are still classified as NFIDCs and LIFDCs because they still depend on imports for most of their domestic food consumption.

The Caribbean SIDS are the main SIDS exporters of bananas. Both banana exports and banana export revenues for SIDS have declined, due mainly to the decline in exports from the Windward Islands and Jamaica. Adding to the decline in export revenue was the fall in world prices in the mid-1990s. Saint Lucia, the lead banana exporter of the Windward Islands, registered an 11 percent average annual rate of decline in export revenues for the period 1990-2002. Saint Vincent and the Grenadines followed a similar pattern while Suriname and the Dominican Republic increased exports during the 1990s. Exports from the Dominican Republic increased steadily from the mid-1990s, making it the largest exporter among the Caribbean SIDS with 47 percent of the total Caribbean exports. Acquiring the EU status as an ACP producer has been important to banana expansion in the Dominican Republic. The EU market also absorbs about 90 percent of Windward Islands banana trade under preferential access.

The other SIDS that trade in bananas are mostly in the Pacific Ocean. Samoa and Tonga export a small quantity to New Zealand and Australia. However in Samoa, exports and export revenues have followed a linear decline in last ten years – the area planted increased slightly in the late 1990s but yields decreased due to disease and nematode build up.

**Table 3.13 Agricultural commodity trade of SIDS**

|                  | Exports in US\$ million |           |           |           | Exports in '000 tonnes |           |           |           |
|------------------|-------------------------|-----------|-----------|-----------|------------------------|-----------|-----------|-----------|
|                  | 1990-1992               | 1993-1995 | 1996-1998 | 2000-2002 | 1990-1992              | 1993-1995 | 1996-1998 | 2000-2002 |
| Bananas          | 218.7                   | 186.4     | 175.2     | 148.3     | 412.8                  | 447.8     | 384.0     | 337.0     |
| Cassava          | 1.3                     | 0.6       | 0.6       | 1.3       | 10.6                   | 4.4       | 3.5       | 5.5       |
| Citrus           | 0.3                     | 0.6       | 4.3       | 5.1       | 0.3                    | 1.1       | 7.0       | 11.4      |
| Coconuts         | 5.5                     | 6.0       | 7.4       | 8.1       | 31.0                   | 31.8      | 35.4      | 29.3      |
| Coffee-cocoa-tea | 337.9                   | 424.8     | 526.4     | 315.2     | 217.5                  | 211.6     | 221.6     | 183.5     |
| Copra            | 22.4                    | 35.5      | 69.2      | 27.0      | 120.0                  | 121.9     | 154.8     | 77.9      |
| Fish products    | 63.4                    | 93.3      | 164.9     | 175.4     | 13.9                   | 26.1      | 53.3      | 52.8      |
| Mangoes          | 6.9                     | 5.7       | 10.4      | 8.4       | 12.5                   | 9.9       | 11.5      | 10.7      |
| Papayas          | 2.6                     | 6.7       | 8.9       | 12.3      | 4.3                    | 8.0       | 9.1       | 13.0      |
| Pineapples       | 8.8                     | 5.6       | 2.3       | 1.7       | 52.9                   | 32.5      | 7.9       | 3.4       |
| Poultry meat     | 0.8                     | 2.0       | 1.5       | 2.9       | 0.4                    | 1.4       | 0.9       | 2.2       |
| Rice             | 54.1                    | 91.5      | 162.2     | 85.0      | 150.4                  | 258.8     | 363.6     | 318.7     |
| Raw sugar        | 3 512.5                 | 1 677.7   | 1 865.9   | 1 246.2   | 8 379.3                | 4 996.3   | 5 306.2   | 4 802.8   |

Source: FAOSTAT

The diverging export and import trends of agricultural products are the result of increasing imports, the combined effects of production and price declines of export products, and the loss of market share in their major markets. The case of sugar and bananas is indicative – exports declined by more than 42 percent and 32 percent respectively between 1990 and 2002 in the SIDS countries. Overall, SIDS export commodity prices have experienced steep, long-term declines with the highest variability among agricultural commodities. Furthermore, the share of SIDS exports in total EU imports declined drastically from 7 percent in 1991 to 2.6 percent in 2002. **Table 3.13** shows the trade trends of the main commodities exported by SIDS.

Many SIDS have benefited from preferential market access to the EU market for some of their products, the most important beneficiary being the sugar sector. Among the 10 major exporters, Mauritius, Fiji, Saint Kitts and Nevis, Guyana, Trinidad and Tobago and Jamaica have preferential access for a certain quantity of sugar to the EU market. Under its Sugar Protocol, the EU has allocated a quota of 750 000 tonnes to these countries for which they receive prices closely related to the EU policy price – on average, three times the world price. Mauritius has the largest quota. However, despite this market access, sugar exports from SIDS have been declining.

### 3.1.3 Commodity concentration

**Table 3.14** shows the importance of the top single agricultural commodity export of each SIDS country in total merchandise export earnings and total agricultural export earnings. Twenty four of the countries depend on a single commodity for more than 50 percent of their agricultural export revenue, the majority of these countries being in the Pacific region. Although separated geographically, they have historical and climatic connections, produce similar products and compete for the same external markets. The table shows that dependence on a single commodity is more pronounced for those countries producing and exporting sugar, banana and fishery products. For the 38 countries listed in Table 3.14, sugar was the leading single export commodity in seven countries, fishery products in nine and bananas in three.



**Table 3.14 Top single agricultural commodity exports**

| Country                          | Share of top single agricultural commodity exports in |   | Export earnings of top single agricultural commodity as a % of GDP 2002 | Top single agricultural export commodity |
|----------------------------------|---|---|---|--|
|                                  | Total agricultural exports (%) 2000-2002              | Total merchandise exports (%) 2000-2002 |   |  |
| <b>CARIBBEAN</b>                 |   |   |   |  |
| Antigua & Barbuda                | 44.2  | 0.2                                     | 0.1   | Crustaceans (fresh)                      |
| Bahamas                          | 55.4  | 3.5                                     | 2.4   | Beverages (dist alcoholic)               |
| Barbados                         | 31.7  | 8.6                                     | 0.8   | Sugar (centrifugal, raw)                 |
| Belize                           | 28.3  | 24                                      | 5.6   | Orange juice (concentrate)               |
| Cuba                             | 61.8  | 29.6                                    | n.a.  | Sugar (centrifugal, raw)                 |
| Dominica                         | 63.1  | 26.1                                    | 4.7   | Bananas and Plantains                    |
| Dominican Republic               | 40.6  | 26.3                                    | 1.1   | Cigars (cheroots)                        |
| Grenada                          | 57.4  | 21.4                                    | 3.4   | Nutmeg, mace, cardamoms                  |
| Guyana                           | 41.3  | 20.1                                    | 14.1  | Sugar (centrifugal, raw)                 |
| Haiti                            | 25.7  | 2.3                                     | 0.2   | Mangoes                                  |
| Jamaica                          | 26.6  | 4.8                                     | 0.9   | Sugar (centrifugal, raw)                 |
| Saint Kitts and Nevis            | 83.8  | 14.2                                    | 2.2   | Sugar                                    |
| Saint Lucia                      | 68.2  | 65.5                                    | 4.3   | Bananas                                  |
| Saint Vincent & the Grenadines   | 49.8  | 38.6                                    | 4.6   | Bananas                                  |
| Suriname                         | 31.2  | 3.7                                     | 2.2   | Rice, husked                             |
| Trinidad and Tobago              | 30.9  | 1.8                                     | 0.8   | Beverages (non-alcoholic)                |
| <b>PACIFIC</b>                   |   |   |   |  |
| Cook Islands                     | 49.8  | 2.1                                     | n.a.  | Ind Rwd Wir                              |
| Fiji                             | 54.9  | 19.8                                    | 6.3   | Sugar (centrifugal, raw)                 |
| Kiribati                         | 47.2  | 37.9                                    | 7.5   | Pelagic (frozen whole)                   |
| Marshall Islands                 | 59  | n.a.                                    | 0.9   | Pelagic (frozen whole)                   |
| Micronesia (Federated States of) | m   | n.a.                                    | 0.2   | Pelagic (frozen whole)                   |
| Niue                             | 100   | 85                                      | n.a.  | Taro (coco yam)                          |
| Palau                            | 73  | n.a.                                    | 0.2   | Marine Fish nes                          |
| Papua New Guinea                 | 40.1  | 11                                      | 6.5   | Ind Rwd Wir, Tropical                    |
| Samoa                            | 66.6  | 63.5                                    | 4.4   | Pelagic (marine fish)                    |
| Solomon Islands                  | 54.2  | 53.6                                    | 16.5  | Ind Rwd Wir                              |
| Tonga                            | 54.9  | 39.8                                    | 6.1   | Pumpkins, Squash, Gourds                 |
| Vanuatu                          | 27.2  | 17                                      | 1.7   | Copra                                    |
| <b>INDIAN OCEAN</b>              |   |   |   |  |
| Comoros                          | 67.3  | 25.4                                    | 3.5   | Vanilla                                  |
| Maldives                         | 83.2  | 42.6                                    | 5.5   | Pelagic (fish)                           |
| Mauritius                        | 74.2  | 16                                      | 5.7   | Sugar (centrifugal, raw)                 |
| Seychelles                       | 94.7  | 54.5                                    | 18.5  | Pelagic (fish)                           |
| <b>ATLANTIC OCEAN</b>            |   |   |   |  |
| Cape Verde                       | 26.6  | 4.7                                     | 0.1   | Demersal                                 |
| Guinea-Bissau                    | 93.7  | 80.6                                    | 22.9  | Cashew Nuts                              |
| Sao Tome and Principe            | m   | 28.1                                    | 8   | Cocoa Beans                              |
| <b>OTHERS</b>                    |   |   |   |  |
| Bahrain                          | 22.6  | 0.2                                     | 0.1   | Pastry                                   |

Source: FAOSTAT, 2003

Sugar, banana and fishery products all enjoy preferential access in their main export markets, namely, the EU and the United States. **Boxes 3.1 (a), (b) and (c)** present a synopsis of world, LDC and SIDS market situations for these three products. Annex III Table 2 presents the importance of the top five agricultural commodities in agricultural and merchandise export earnings and GDP. The table further shows that these top five agricultural commodities accounted for more than 70 percent of the share of the total agricultural export earnings in all but two countries.

*Almost all SIDS are heavily dependent on agricultural trade for economic development and food security. These economies are open and many are reliant upon trade in agricultural products to earn export revenue and on food imports to satisfy domestic consumption. Their dependency on external trade makes them highly vulnerable to external shocks. In addition to high export volatility, limited ability to diversify adds to their economic instability.*

Across SIDS, dependence on a single commodity is very pronounced which leaves the countries exposed to external shocks and increases their economic vulnerability. It also means that the overall export performance of SIDS is inevitably tied to trends and fluctuations in revenues from these commodities. With the exception of sugar for which several SIDS receive at least twice the world price for a limited quantity exported to the EU, the prices of commodities of interest to SIDS have either declined or have been volatile, causing considerable instability in total export earnings. Variation in production due to adverse weather conditions is another cause of volatile export earnings. These fluctuations in exports earnings can have an adverse effect on

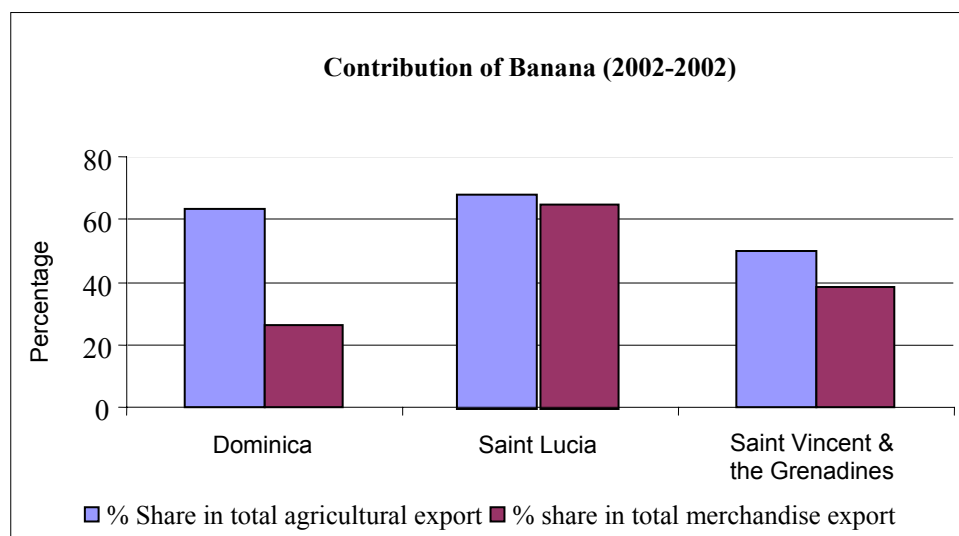
income, investment, employment and prices with an overall detrimental effect on economic growth (FAO, 2002).

Caribbean banana exports represent only 3 percent of the world banana trade, yet the banana sector is a prominent economic activity of the Windward Islands. In the case of Dominica, banana exports account for more than 60 percent of the total agricultural exports and for more than 25 percent of the total merchandise exports. Furthermore, the sector provides employment for more than 57 000 people and represents a valuable regular monthly income for a large number of rural households.

This is one of the many reasons why members of the international community, including international NGOs, have emphasized the need for maintaining preferential access to the EU market (FAO, 2003). Figure 3.2 shows the continuing importance of bananas in some SIDS. Although the dominance of banana export earnings has declined in the last decade for relevant SIDS, banana exports remain important for Dominica, Saint Lucia and Saint Vincent and the Grenadines for rural employment, rural development and foreign exchange earnings. Thus, the view exists that the planned date of 2006 for the liberalization the EU banana market is too soon.

Although the EU has provided a Framework of Assistance in the EU/ACP Cotonou partnership, it does not seem that the measures to improve productivity and competitiveness can be successfully implemented within the targeted period of time.

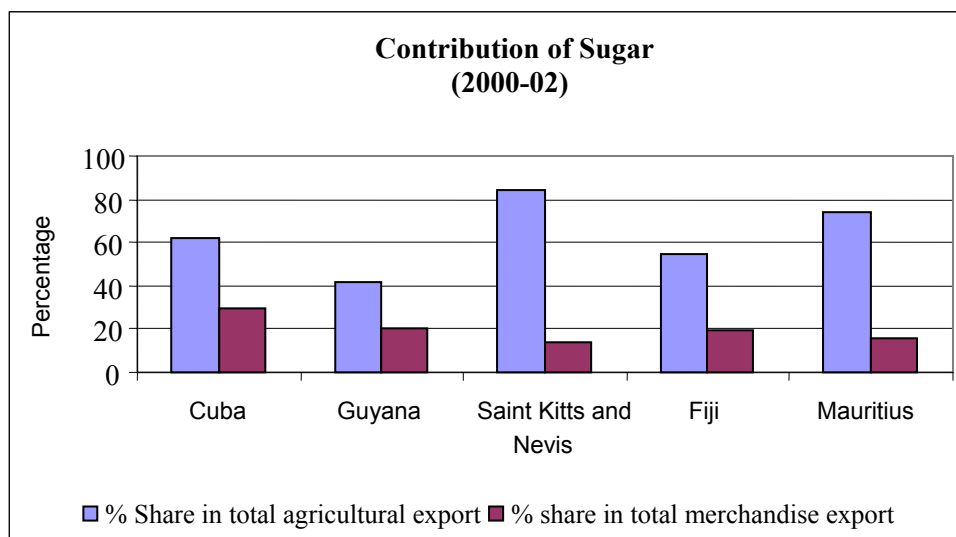
**Figure 3.2. Contribution of banana exports for selected SIDS**



Source: FAOSTAT, 2003

The dominance and concentration of exports in the sugar industry is also well known. For example, sugar accounts for more than 80 percent of total agricultural exports in Saint Kitts and Nevis in the Caribbean, and for about 18 percent of their total merchandise exports. **Figure 3.3** shows the important contribution of sugar to total exports in several SIDS countries.

**Figure 3.3. Contribution of sugar exports for selected SIDS**



Source: FAOSTAT, 2003

The fact that most SIDS depend on a single or a few export commodities for a large proportion of their export earnings makes them particularly vulnerable to changes in world markets. Increased production and trade, and entry of new low cost producers in these markets can lead to a loss of market share and a drop in prices that could quickly drain their foreign exchange reserves, stifle their ability to pay for essential imports and plunge them into debt. A description of the most important agricultural product markets for SIDS globally is presented in Boxes 3.1 (a), (b) and (c).

### Box 3.1a: Bananas – world market situation and SIDS

- India is the world's largest banana producer, accounting for almost 25 percent of global production, followed by Brazil and Ecuador, each with a 9 percent share of world banana production. Ecuador, Costa Rica and Colombia dominate the global export market with a combined share of nearly 56 percent. Almost 60 percent of the world import market is concentrated in the EU and the United States, with 36 percent of the imports coming into the EU and 25 percent into the United States. SIDS account for roughly 3.5 percent of banana exports globally.
- Nearly a third of the total production of bananas in the LDC countries is in Burundi, but Yemen is clearly the leader among the LDC exporters with an 88 percent share in total LDC banana exports. Among LDC importers, Senegal and Zambia together account for nearly 72 percent of all imports, with shares of 52 and 19 percent respectively.
- Among SIDS countries, more than half of all bananas are produced by Papua New Guinea (35 percent) and Dominican Republic (18 percent), followed by Haiti (13 percent). In terms of exports, the top five exporters, namely Dominican Republic (23 percent), Belize (17 percent), Suriname (15 percent), Jamaica (14 percent) and Saint Lucia (13 percent), dominate SIDS total exports. Bahrain (41 percent), Malta (22 percent) and the Bahamas (12 percent) account for two-thirds of all banana imports into the SIDS. Between 1998 and 2002, banana export from the SIDS to the EU averaged more than 335 000 tonnes per annum, 98 percent of bananas were exported by ACP SIDS and 2 percent were exported by non-ACP SIDS. The c.i.f. price of bananas for ACP SIDS countries exporting to the EU declined from US\$695 to US\$552 between 1998 and 2002.

### Box 3.1b: Raw sugar - world market situation and SIDS

- Brazil (15 percent), India (15 percent) and the EU (13 percent) are responsible for 43 percent of the world's sugar production. Almost a fourth of the sugar traded in world markets originates in Brazil, followed by Australia (16 percent) and Cuba (12 percent). The largest importers are the Russian Federation, the EU and the United States with 18, 16 and 14 percent shares respectively. SIDS sugar exports account for about 16 percent of global sugar exports.
- Among LDCs, sugar is produced mainly in Sudan (27 percent of LDC sugar production), Ethiopia (11 percent), Malawi (9 percent) and Zambia (9 percent). A significant share of total LDC sugar exports are from Zambia (31 percent) and Malawi (25 percent).
- SIDS sugar production is dominated by a few countries with Cuba alone accounting for 63 percent of total production, followed by Mauritius with a 10 percent share. These two countries also account for nearly two-thirds of total SIDS exports: Cuba with 44 percent and Mauritius with 21 percent. Among big importers, Haiti imports 38 percent, and Trinidad and Tobago import another 15 percent of the total SIDS sugar imports. Mauritius, which exports large volumes of processed sugar, is another big importer (13 percent). Nine SIDS countries that are also a part of the ACP group export sugar to the EU under the Sugar Protocol; exports are made at the same guaranteed prices afforded to other ACP countries in the Protocol. The total volume of sugar exported from SIDS to the EU in the last five years has averaged nearly 1.35 million tonnes annually of which nearly 94 percent was exported by the ACP SIDS countries.

### Box 3.1c: Fisheries - world market situation and SIDS

- In 2002, the total value of fishery products exported worldwide was US\$58 billion of which 50 percent originated in developing countries. It is estimated that the net export revenue from fish exports by developing countries was US\$18 billion in 2002, more than that earned from all other food commodity exports combined. As a group, SIDS are net exporters of fish and fishery products. In 2001, total SIDS fish exports reached US\$678 million of which tuna and crustaceans accounted for 75 percent. SIDS fish imports in 2001 totalled US\$367 million. Seychelles, Bahamas, Guyana, Papua New Guinea, Maldives, Cuba, Belize, Solomon Islands and Fiji are net exporters while the Dominican Republic, Cyprus, Jamaica and Barbados are net importers. A number of SIDS benefit from preferential market access to the EU through the EU/ACP and EBA agreements. However, due to changes in the multilateral trading system, erosion of preferences is a threat for SIDS fishery products, especially canned tuna exports.
- New import requirements related to food safety in major world markets can present significant obstacles to fish exports from SIDS, resulting in an increasing need for capacity building and technical assistance in the area of food quality and safety.
- Many SIDS have large Exclusive Economic Zones (EEZs) with substantial fish resources and reap benefits from fees received for granting access to other countries.

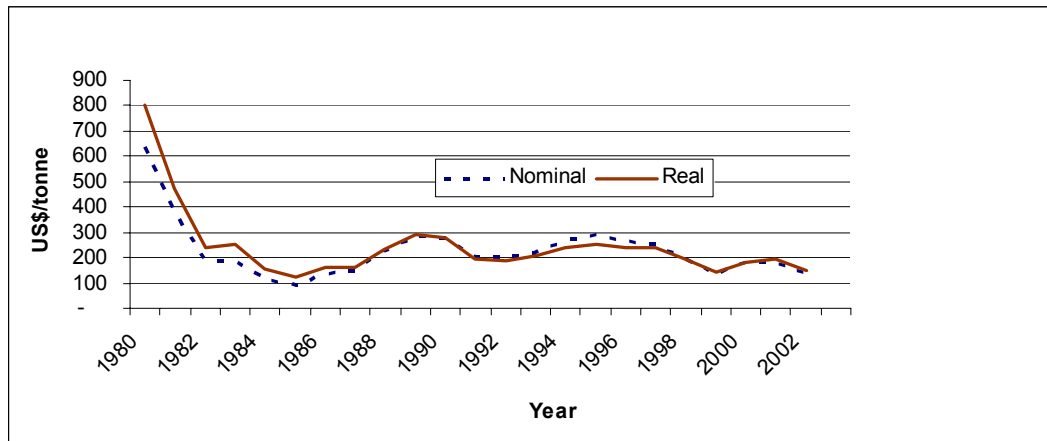
#### 3.1.4 Trends in world prices for export commodities of interest to SIDS

For most of the agricultural commodities of export interest to SIDS, world prices have been low during the last two decades relative to other economic sectors. In fact, prices of commodities have declined an average of 2 percent per year (FAO, 2003a).<sup>4</sup> With the low volume of production, the SIDS are, in general, price takers and therefore world prices have a major influence in the production and exports of their commodities.

From a high of US\$800 per tonne in 1980, the real price of sugar declined to US\$148 per tonne in 2002. This represents a decline on average of 3.4 percent per year. However, between 1988 and 1997, sugar prices were generally stable. During the high price periods, sugar production expanded worldwide. For example, between 1994/95 and 2000/02, world production increased by 16 percent<sup>5</sup> whereas consumption lagged behind with an 11 percent increase, thus leading to a stock buildup. In 1998, the price of sugar crashed. **Figure 3.4a** shows the trend of world sugar prices.

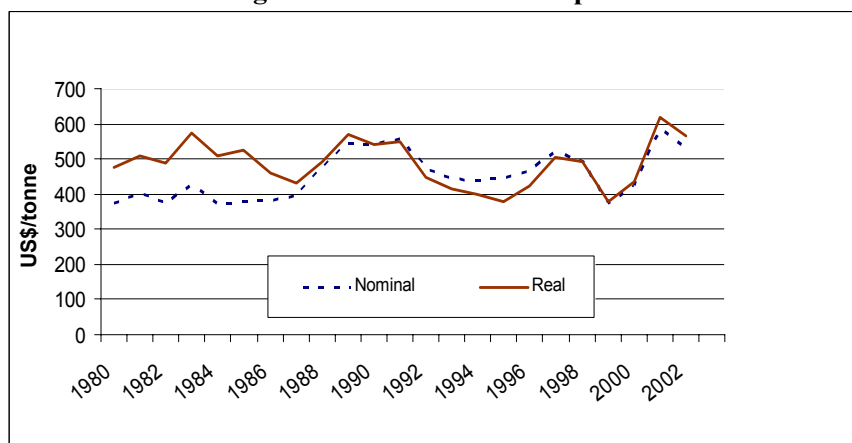
<sup>4</sup> FAO. 2003a. *Projections of banana trade to 2010*. CCP, BATF 03. Rome.

<sup>5</sup> FAO. 2003. *Consultation on agricultural commodity price problem, FAO March 2003*. Rome.

**Figure 3.4a. World raw sugar prices**

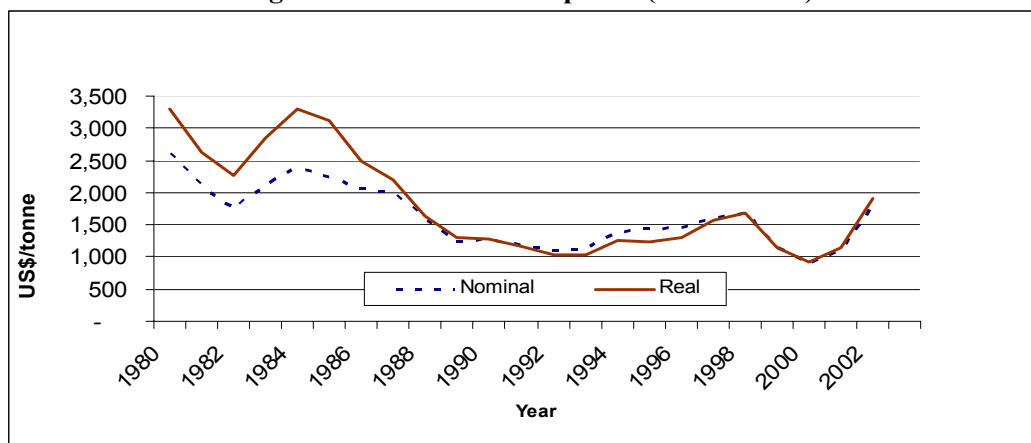
Source: Computation based on IMF data

World banana prices followed a similar trend, declining by an average of 0.5 percent during the period 1980-2000. **Figure 3.4b** shows that prices recovered somewhat in 2000 and 2001.

**Figure 3.4b. World banana prices**

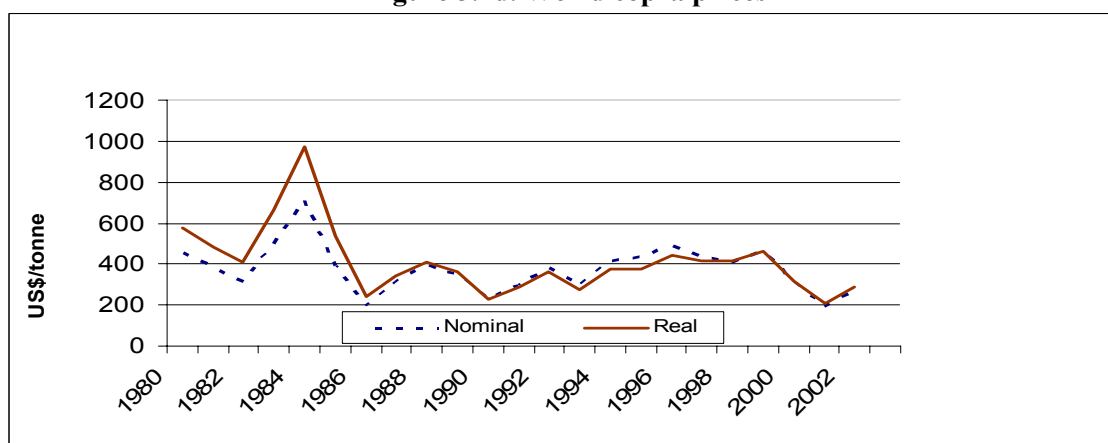
Source: Computation based on IMF data.

Cocoa bean prices dropped in the early 1980s and then recovered slightly (**Figure 3.4c**). After the peak in 1985, with a nominal price of US\$2 396 per tonne, cocoa bean prices never reached that level again. In fact, the price of cocoa beans continuously declined until the early 1990s, followed by a relatively steady trend in the mid-1990s. Then, the market saw increases in 1997 and 1998 before further price declines. In 2000, the price reached a 20-year low of US\$904 per tonne. In 2001, however, the price started rising again. In 2002, the world nominal cocoa bean price was US\$1 779 per tonne.

**Figure 3.4c. World cocoa prices (cocoa beans)**

Source: Computation based on IMF data.

The price trend for cocoa was very volatile in the early 1980s. In 1982, the world nominal price was US\$314 per tonne, by 1984 it reached US\$710 per tonne, but by 1986, the price dropped to US\$198 per tonne. From 1987 and through the 1990s, the price was volatile over a narrower range. However, in 2000, the price dropped dramatically and reached the lowest in the decade at US\$196 per tonne in 2001. **Figure 3.4d** presents this trend. In 2002, prices increased again, reaching US\$300 per tonne in 2003.

**Figure 3.4d. World copra prices**

Source: Computation based on IMF data

Thus, there has been a secular decline in the real prices of major commodities exported by SIDS. The index of real export prices (1980=100) fell in 1995 to 48 for tropical beverages, 71 for bananas and 28 for sugar.<sup>6</sup> These declining and variable price trends have contributed to the sluggish growth and poor overall economic performance of some SIDS. Variable climatic conditions only further undermine their development efforts.

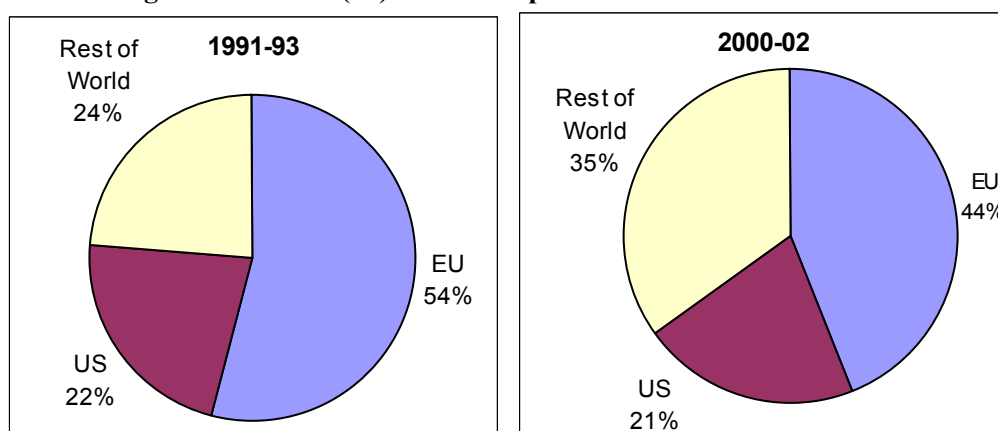
### 3.1.5 Export market concentration

The export market concentration of SIDS is mainly a reflection of historical ties and trade preferences which also have had major influence on the current and historical structure and performance of their economies. **Figure 3.6** shows the destination of SIDS exports and their dependence on the EU and the United States markets, 76 percent and 65 percent respectively, during

<sup>6</sup> Consultation on Agricultural Commodities Price Problems, FAO Rome, March 2003.

the two periods shown. The decline in SIDS export share to the EU market is a major loss as it reflects an absolute decline in the value of exports.

**Figure 3.6. Share (%) of SIDS exports to different destinations**



Source: FAOSTAT, 2003

Further, **Table 3.15** shows that the SIDS have a minimal and declining share of the markets to which they export. The numbers are even more telling given that as recently as 1991, the SIDS share of total agricultural imports by the EU was 7 percent compared to 2.6 percent in 2002. This decline has occurred since 1995 and is consistent with the declining growth rates of SIDS exports into all markets, especially the negative growth rates for markets outside of the EU and the United States.

**Table 3.15 Share of SIDS exports (%-value) in total EU, United States imports and world trade**

| Country/group     | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------|------|------|------|------|------|------|------|------|
| EU                | 3.0  | 2.7  | 2.7  | 2.8  | 2.9  | 2.9  | 2.7  | 2.6  |
| United States     | 1.9  | 2.0  | 2.1  | 2.2  | 2.1  | 1.8  | 1.8  | 1.8  |
| Rest of the World | 0.6  | 0.6  | 0.6  | 0.5  | 0.5  | 0.4  | 0.3  | 0.3  |
| World             | 1.0  | 1.1  | 1.2  | 1.1  | 1.0  | 1.0  | 0.9  | 0.9  |

Source: FAOSTAT, 2003

**Table 3.16** shows that after very high 1995-1997 growth rates, there was a significant reduction during the next four years. There has been little growth in agricultural exports in nominal terms, and in real terms exports have fallen between 3-4 percent per annum. This was largely due to a secular decline, referred to above, in the real prices of all major commodities exported by these countries.

**Table 3.16 Growth rate of SIDS exports (%-value) to the EU, the United States and world trade**

| Country/group     | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------|------|------|------|------|------|------|------|------|
| EU                | 2.3  | 5.4  | 7.5  | 8.3  | 6.8  | 3.4  | 1.2  | 1.3  |
| United States     | 10.5 | 14.8 | 18.3 | 11.3 | 0.2  | -5.7 | -1.3 | 4.2  |
| Rest of the World | 24.4 | 15.7 | 9    | 2.5  | -3.3 | -6.5 | -4.6 | -3.7 |

Source: FAOSTAT, 2003



Roughly ten commodities<sup>7</sup> accounted for nearly 85 percent of all agricultural exports from SIDS countries to the EU during 1990/92. However for the same group of commodities, the share declined to 73 percent in 2000/02. Of these, sugar exports comprised 36 percent in 1990/92 and 27 percent in 2000/02. For both the Caribbean and the Pacific subregions, sugar accounted for 30 percent of all agricultural exports. Bananas, mainly exported by the Caribbean SIDS, accounted for 15 percent of total SIDS exports in 1990/02, declining to 8 percent in 2000/02. Fishery products have maintained a share of around 7 percent in total SIDS exports to the EU. Since the bulk of the SIDS exports of primary agricultural commodities is absorbed by the EU, the commodity composition of the total SIDS exports to the world and to the EU is remarkably similar. **Table 3.17** shows the agricultural product imports by the EU from SIDS and **Table 3.18** presents the percentage selected products represent as a share of the total EU imports. The declining share of the banana market is to be noted.

**Table 3.17 EU total imports from SIDS by product**

| Product                      | (a)                              | % of SIDS                     | (b)                          | % of SIDS                     | Change in value (b-a) | % change (b-a) |
|------------------------------|----------------------------------|-------------------------------|------------------------------|-------------------------------|-----------------------|----------------|
|                              | Value (000 \$) average 1990-1992 | Total of agricultural Exports | Value(000\$) average 2000-02 | Total of agricultural exports |                       |                |
| Fishery products             | 124 764                          | 6.3                           | 160 646                      | 7.4                           | 35 882                | 29             |
| Horticultural                | 6 676                            | 0.3                           | 3 998                        | 0.2                           | -2 678                | -40            |
| Vegetables                   | 9 830                            | 0.5                           | 13 286                       | 0.6                           | 3 456                 | 35             |
| Bananas                      | 310 246                          | 15.8                          | 192 066                      | 8.9                           | -118 179              | -38            |
| Nuts, fresh or dried         | 4 850                            | 0.2                           | 2 967                        | 0.1                           | -1 884                | -39            |
| Guavas, mangoes, etc.        | 2 869                            | 0.1                           | 1 542                        | 0.1                           | -1 327                | -46            |
| Papayas, fresh               | 1 208                            | 0.1                           | 4 54                         | 0.0                           | -754                  | -62            |
| Other fruits, fruit products | 31 535                           | 1.6                           | 25 299                       | 1.2                           | -6 236                | -20            |
| Coffee                       | 94 882                           | 4.8                           | 72 999                       | 3.4                           | -21 883               | -23            |
| Tea                          | 5 255                            | 0.3                           | 2 706                        | 0.1                           | -2 549                | -49            |
| Spices                       | 8 729                            | 0.4                           | 17 236                       | 0.8                           | 8 507                 | 97             |
| Vanilla                      | 7 140                            | 0.4                           | 10 087                       | 0.5                           | 2 947                 | 41             |
| Rice, Paddy                  | 35 457                           | 1.8                           | 39 433                       | 1.8                           | 3 976                 | 11             |
| Copra                        | 13 387                           | 0.7                           | 10 899                       | 0.5                           | -2 488                | -19            |
| Palm oil, crude              | 52 676                           | 2.7                           | 98 309                       | 4.5                           | 45 633                | 87             |
| Coconut oil, crude           | 18 951                           | 1.0                           | 17 073                       | 0.8                           | -1 879                | -10            |
| Sugar, raw                   | 743 893                          | 37.9                          | 624 699                      | 28.8                          | -119 194              | -16            |
| Cane molasses                | 34 997                           | 1.8                           | 10 075                       | 0.5                           | -24 922               | -71            |
| Sugar products               | 482                              | 0.0                           | 359                          | 0.0                           | -122                  | -25            |
| Cocoa beans                  | 37 138                           | 1.9                           | 27 552                       | 1.3                           | -9 586                | -26            |
| Cocoa butter                 | 2 062                            | 0.1                           | 1 195                        | 0.1                           | -867                  | -42            |
| Other cocoa products         | 743                              | 0.0                           | 593                          | 0.0                           | -150                  | -20            |
| Rum, tafia                   | 139 130                          | 7.1                           | 344 911                      | 15.9                          | 205 781               | 148            |
| Other                        | 278 429                          | 14.2                          | 489 430                      | 22.6                          | 211 001               | 76             |
| <b>TOTAL</b>                 | <b>1 965 330</b>                 | <b>100</b>                    | <b>2 167 816</b>             | <b>100</b>                    | <b>202 486</b>        | <b>10</b>      |

Source: EUROSTAT, 2003

<sup>7</sup> The ten commodities are raw sugar, banana, fish, rum, crude palm oil, fishery product, coffee, cocoa, fruit and vegetables, copra, crude coconut oil and molasses.

**Table 3.18 Share of selected commodities in EU total imports**

| Product          | 1990/92            |                  |                            | 2000/02                |                  |                            |
|------------------|--------------------|------------------|----------------------------|------------------------|------------------|----------------------------|
|                  | SIDS exports to EU | EU total imports | Share in EU total import % | SIDS exports to the EU | EU total imports | Share in EU total import % |
| Fishery products | 124 764            | 3 188 705        | 3.9                        | 160 646                | 3 572 883        | 4.5                        |
| Bananas          | 310 246            | 2 465 820        | 12.6                       | 192 066                | 2 780 371        | 6.9                        |
| Palm oil         | 52 676             | 653 968          | 8.1                        | 98 309                 | 1 179 118        | 8.3                        |
| Coconut oil      | 18 951             | 298 518          | 6.3                        | 17 073                 | 411 511          | 4.1                        |
| Fruits           | 31 535             | 12 313 374       | 0.3                        | 25 299                 | 12 254 442       | 0.2                        |
| Sugar            | 743 893            | 1 697 602        | 43.8                       | 624 699                | 1 263 475        | 49.4                       |

Source: EUROSTAT, 2003

Processed products comprised roughly 18 percent of the EU's imports from SIDS countries. These include, for example, cocoa butter, paste and chocolates, canned fish, rum and processed fruits. The Caribbean SIDS dominate the export trade figures, accounting for more than 70 percent of the value of the total trade of SIDS. Agricultural exports from four countries, Cuba, the Dominican Republic, Jamaica and Trinidad account for more than 70 percent of the Caribbean agricultural exports. These exports are concentrated mainly in five commodities – sugar, tobacco, edible fruits (mainly bananas), vegetable preparations and fish. Among the Caribbean SIDS, the Dominican Republic and Belize have had a substantial increase in their exports whereas Dominica, Grenada, Saint Lucia and Saint Vincent and the Grenadines have had a decline. The Dominican Republic increased its exports from an annual average of US\$358 million (1990-92) to US\$565 million (2001-2002) while in Dominica, exports decreased from US\$36.5 million to US\$20 million.

The EU is the principal market for the Pacific SIDS, mainly because of ACP membership. There are some exceptions such as Niue and Samoa for whom New Zealand is the main export market. The Federated States of Micronesia and Tonga export mainly to Japan. Australia is also an important destination, especially for the Cook Islands, Fiji and Papua New Guinea.

### 3.2 Fisheries production and trade

The fisheries sector is of vital importance to a number of SIDS given its contribution to GDP, employment and export earnings. A significant dimension of the earnings comes from agreements that permit access to the fisheries resources situated within the respective countries' EEZs. This subsection evaluates the production and trade trends as well as trade policy issues related to fishery products.

In general, the main factors that influence trade in fish and fishery products are the size of the country's fishery resources and the demand of its domestic and export markets. Many SIDS also import fish to satisfy their domestic market that in some SIDS includes a large tourism sector. Evaluating the pattern of fish trade and fish trade revenue in input-output measurements is more complex than other agriculture sector products because of the practice of granting access to foreign vessels to fish in the territorial waters and EEZs of many SIDS. The importance of such access rights and the associated policy issues are explored in this section as well as in Chapter IV which looks at trade preferences.

Tuna and crustaceans, the main SIDS fish export commodities, together constitute 75 percent of fish exports. The remaining 25 percent of exports are spread over a number of different species and product forms. **Tables 3.19** and **3.20** show the value of fishery products exported by region and by country. There has been a significant increase of SIDS fish exports since 1990 – from US\$389 million in 1990-1992 to US\$630 million in 2000-2001. This expansion of exports involved most of the countries and products, although the overall increase in product exports was largely due to the increased export of fresh and chilled tuna. While crustacean exports as a group declined during the period 1999-2001, frozen shrimp exports expanded. Although there have been steady increases of exports within the regional groupings, it is evident that the composition of exports for individual

countries has undergone sudden and drastic changes in response to varying supply and market conditions (Table 3.20).

**Table 3.19 Average fish export values on a regional basis**

| Region           | Export values (million US\$) |            |            | % change  |           |
|------------------|------------------------------|------------|------------|-----------|-----------|
|                  | 1990-1992                    | 1994-1996  | 2000-2001  | (b-a)/    | (c-b)/    |
|                  | (a)                          | (b)        | (c)        | (a)       | (b)       |
| Pacific Island   | 81                           | 97         | 120        | 20        | 23        |
| Others           | 9                            | 14         | 29         | 55        | 99        |
| Indian Ocean     | 68                           | 106        | 158        | 56        | 49        |
| Caribbean Island | 226                          | 246        | 312        | 9         | 27        |
| Atlantic Island  | 5                            | 5          | 12         | 8         | 134       |
| <b>Total</b>     | <b>389</b>                   | <b>469</b> | <b>630</b> | <b>20</b> | <b>34</b> |

Source: FAOSTAT/INFOFISH, 2003

**Table 3.20 Average fish export values for selected SIDS**

| Country                        | Export values ( million US\$) |            |            | % change  |           |
|--------------------------------|-------------------------------|------------|------------|-----------|-----------|
|                                | 1990-1992                     | 1994-1996  | 2000-2001  | (b-a)/    | (c-b)/    |
|                                | (a)                           | (b)        | (c)        | (a)       | (b)       |
| Cuba                           | 114                           | 120        | 83         | 6         | -31       |
| Bahamas                        | 51                            | 58         | 91         | 13        | 56        |
| Maldives                       | 35                            | 41         | 42         | 15        | 4         |
| Fiji                           | 34                            | 42         | 42         | 25        | -1        |
| Guyana                         | 24                            | 15         | 57         | -37       | 270       |
| Solomon Islands                | 32                            | 35         | 10         | 9         | -70       |
| Saint Vincent & the Grenadines | 13                            | 1          | 1          | -95       | 42        |
| Seychelles                     | 16                            | 28         | 66         | 80        | 135       |
| Mauritius                      | 17                            | 37         | 50         | 118       | 35        |
| Papua New Guinea               | 13                            | 13         | 52         | 2         | 294       |
| Belize                         | 9                             | 14         | 45         | 50        | 226       |
| Cyprus                         | 4                             | 3          | 7          | -33       | 144       |
| Jamaica                        | 7                             | 15         | 10         | 131       | -34       |
| Guinea-Bissau                  | 2                             | 2          | 4          | 11        | 51        |
| Bahrain                        | 3                             | 7          | 11         | 123       | 64        |
| Cape Verde                     | 2                             | 2          | 1          | 2         | -67       |
| Trinidad and Tobago            | 3                             | 10         | 11         | 238       | 3         |
| Rest of SIDS                   | 9                             | 28         | 56         | 163       | 96        |
| <b>Total SIDS</b>              | <b>389</b>                    | <b>471</b> | <b>647</b> | <b>20</b> | <b>34</b> |

Source: FAOSTAT/INFOFISH, 2003

As a group, SIDS are net exporters of fish and fishery products. The largest net exporters in 2001 were Seychelles, Bahamas, Guyana and Papua New Guinea; the major net importers were Dominican Republic, Cyprus, Jamaica, and Barbados. Papua New Guinea had been a net importer but became a net exporter in the late 1990s. The main fish products imported are processed products. **Table 3.21** reports the value of exports by SIDS for selected fishery products.

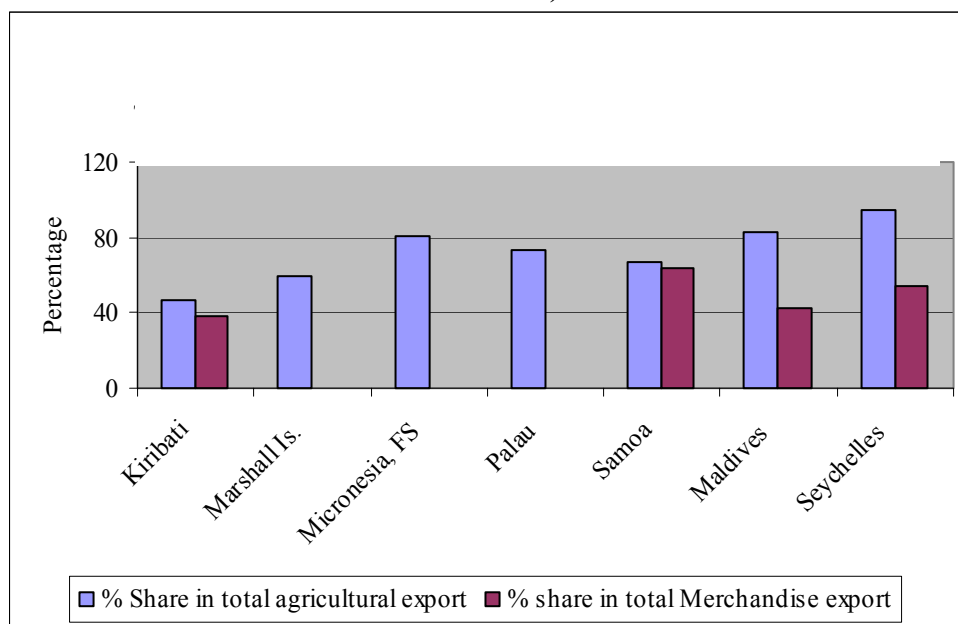
**Figure 3.7** shows the contribution of the fisheries industry to export earnings. In the case of Seychelles, fisheries contribute 40 percent to total merchandise exports and more than 80 percent to total agricultural export earnings.

**Table 3.21 Average value of exports for selected fishery products**

| Product            | Export average value<br>(million US\$) |              |              |
|--------------------|--|--------------|--------------|
|                    | 1990-1992                              | 1994-1996    | 2000-2001    |
|                    | Crustacean                             | 171.9        | 195.5        |
| Shrimp and Prawn   | 32.2                                   | 27.6         | 95.1         |
| Tuna               | 112.1                                  | 152.1        | 251.8        |
| Fish               | 20.0                                   | 29.3         | 61.3         |
| Salmon             | 0.2                                    | 6.1          | 4.6          |
| Molluscs           | 16.5                                   | 19.4         | 22.0         |
| Cod                | 0.0                                    | 0.7          | 1.7          |
| Other fish         | 26.5                                   | 34.8         | 39.8         |
| Hake               | 0.0                                    | 0.0          | 0.3          |
| Herring            | 0.2                                    | 0.2          | 0.8          |
| Mackerel           | 0.6                                    | 2.6          | 3.1          |
| Caviar             | 0.0                                    | 0.0          | 0.1          |
| Oysters            | 0.0                                    | 0.3          | 0.0          |
| Other fish product | 10.1                                   | 2.3          | 3.7          |
| <b>Total</b>       | <b>390.3</b>                           | <b>470.9</b> | <b>647.6</b> |

Source: FAOSTAT/INFOFISH

**Figure 3.7. Contribution of fisheries products**  
(total merchandise exports not available for Marshall Islands, Federated States of Micronesia and Palau)



Source: Computation based on data from FAOSTAT/INFOFISH

Apart from near-shore fishing activities that mainly supply the domestic market, SIDS countries earn income by permitting access to the potentially rich fishing areas within their EEZs. SIDS often do not have the capacity to harvest these resources themselves, given the transportation costs to major markets, limited air freight capacity, limited access to finance and market access requirements. Further, the development of in-country processing facilities has been hampered by insufficient economies of scale, technical capacity requirements, lack of capital and small domestic markets.

The fishery resources access agreements provide income, employment and other benefits to the SIDS –income is based on government levies, transshipment fees and other annual fees; employment

and other benefits come from such things as foreign fishing vessels undergoing routine maintenance in state coastal ports. Compensation may also be in the form of development projects, technical assistance and assistance with research resources. All these forms of compensation are permitted under the 1982 United Nations Convention on the Law of the Sea (UNCLOS). Access agreements may also facilitate market access for some fishery products because fish harvested under an access agreement generally assume the origin of the flag of the vessel. Access agreement fees are usually set at a level that is consistent with resource rents, royalties and the agreement's administration fees. An example of the value of selected access agreements is presented in **Table 3.22**.

Fish and fishery products trade are not included within the UR Agreement on Agriculture. They are covered under the UR negotiations related to Non-Agricultural Market Access (NAMA). After the completion of the UR, average weighted import tariffs on fish products in developed countries were reduced to around 4.5 percent. However, this average hides a number of tariff peaks and cases of tariff escalation for processed or value-added fish products in the most important import markets. As a result, import duties in developed country markets continue to be barriers to trade and economic development in the fishery industries in many developing countries.

The changing trade policy regimes are also affecting SIDS fish trade. The granting of duty-free imports by major import markets to suppliers from non-SIDS countries could potentially erode the preferences given to SIDS. The agreements most often cited in this regard are the EU's "Everything But Arms (EBA) Agreement with the Least Developed Countries"<sup>8</sup> and other bilateral trade agreements such as between the EU and Thailand, and the United States and Morocco.

**Table 3.22 Value of selected access agreements**

| Country                          | Value (000 US\$)<br>per annum |
|----------------------------------|-------------------------------|
| <b>PACIFIC</b>                   |                               |
| Cook Islands                     | 169                           |
| Fiji                             | 212                           |
| Kiribati                         | 20 600                        |
| Marshall Islands                 | 4 983                         |
| Micronesia (Federated States of) | 15 400                        |
| Nauru                            | 3 400                         |
| Niue                             | 152                           |
| Palau                            | 800                           |
| Papua New Guinea                 | 5 840                         |
| Samoa                            | 189                           |
| Solomon Islands                  | 273                           |
| Tonga                            | 152                           |
| Tuvalu                           | 5 900                         |
| Vanuatu                          | 218                           |
| <b>INDIAN OCEAN</b>              |                               |
| Seychelles                       | 939                           |
| <b>ATLANTIC</b>                  |                               |
| Sao Tome and Principe            | 898                           |

*Source:* FAO Fisheries Division.

*Note:* With the exception of Seychelles and Sao Tome and Principe, the values reflect 1999 agreements and the agreement partners are EU, Japan, South Korea and Taiwan. For Seychelles and Sao Tome and Principe, the agreement period is 2002 to 2005 and the partner is the EU.

Non-tariff barriers have the potential to undermine the expansion of fish and fishery-based exports from SIDS. Almost all developed countries have gradually increased safety and quality requirements

<sup>8</sup> In February 2001, the EC Council adopted the so-called Everything But Arms (EBA) Regulation EC 416/2001, granting duty-free access to imports of all products from the LDCs without quantitative restrictions except to arms and munitions. At present 49 LDCs qualify.

for imported fish and fishery products, especially with the introduction of Hazard Analysis Critical Control Point (HACCP) programmes in the late 1990s and more recently with new legislation on labelling for fish and fishery products. The implications of these regulations are severe for SIDS' processed fish products as the processing facilities must adhere to the new internationally acceptable standards. In practice, all fishery products have come under tighter scrutiny with new demands on the national authorities responsible for fish inspection and food safety to determine whether products from a given country are allowed to enter a specific market or not.

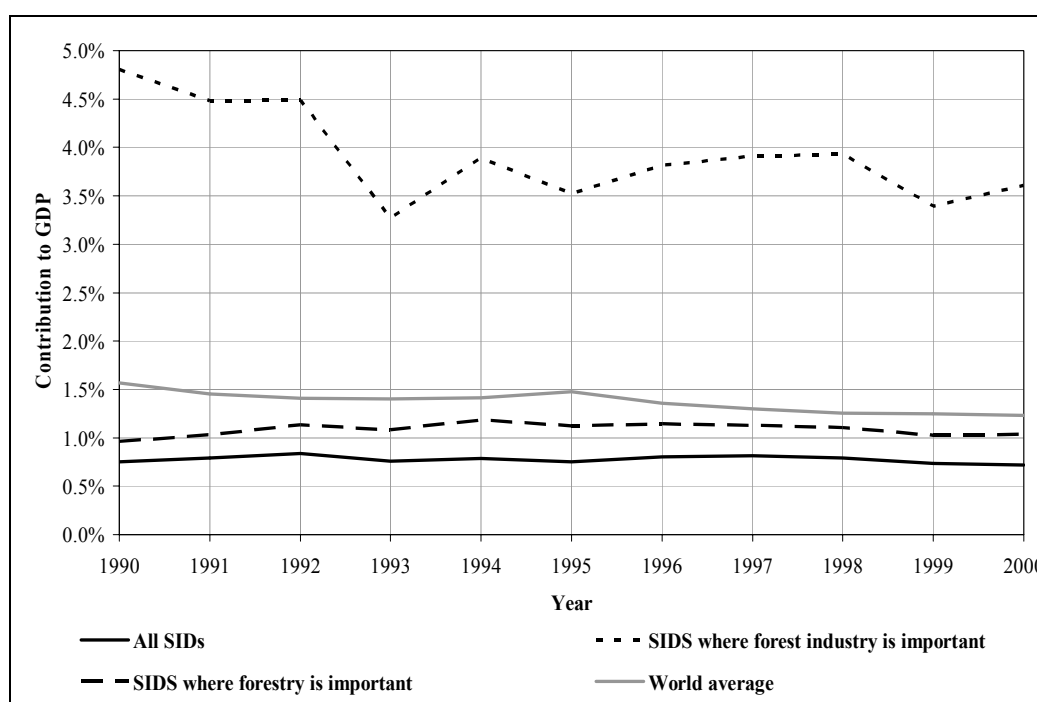
The current round of WTO negotiations seeks to “clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries”. This has led to concerns by some SIDS that following the current round of WTO negotiations, fisheries access payments that are made on a state-to-state basis may not be consistent with the WTO's Agreement on Subsidies and Countervailing Duties (ASCM). If this is the case, access agreements that fall short of the ASCM may not be renewed. This is of particular concern for SIDS that depend heavily on access payments.

### 3.3 Forestry production and trade

This section presents a review of the production and trade trends for forestry products in SIDS and shows the contribution of this sector to their economies. The SIDS that list timber or hardwood forests as one of their main natural resources are classified as “SIDS where forestry is important” and includes Bahamas, Belize, Cuba, Cyprus, Dominica, Fiji, Grenada, Guinea Bissau, Guyana, Papua New Guinea, Samoa, Solomon Islands, Saint Lucia, Suriname and Vanuatu. The SIDS that report wood processing as one of their main industries are considered “to have a forestry industry” and include: Fiji, Guyana, Papua New Guinea, Samoa, Solomon Islands, Suriname and Vanuatu.

**Figure 3.8** is based on an ongoing FAO study of the contribution of the forestry sector to national economies, employment and trade from 1990 to 2000. This information shows the importance of the forestry sector in SIDS, measured in terms of the contribution of the sector to GDP (i.e. value-added in the forestry sector as a proportion of total value-added or GDP in the economy). For comparison, the figure also shows the trend for the world as a whole.

**Figure 3.8. Economic importance of the forestry sector in SIDS 1990-2000**



Source: FAO, 2003

Globally, the contribution of the forestry sector (including pulp and paper) to national economies has fallen from 1.6 percent in 1990 to 1.4 percent in 2000. In the SIDS, total value-added in the forestry sector has increased from US\$618 million to US\$732 million (measured in real terms at 2000 prices and exchange rates). However, this increase has been less than the increase in the economies of these countries, resulting in a slight decline in the importance of the sector from 0.8 percent of all economic activity in 1990 to 0.7 percent in 2000.

While the combined forest cover of SIDS is insignificant in global terms, forests and trees on these islands are extremely important for the well-being of the inhabitants. For most of the larger islands, forests contribute significantly to the national economies and to international trade in wood and non-wood forest products. In addition, forest resources on several islands are of global importance in terms of their role in the conservation of biological diversity, in particular endemic species and genetic variability. As a group, SIDS are well endowed with forests (Table 3.27), however the extent of forest cover varies greatly among the individual states (see Annex III, Table 3). The Bahamas, the Cook Islands, Palau, the Solomon Islands and two of the low-lying coastal states, Guyana and Suriname, are highly forested with forest covers ranging from 76 percent to 96 percent of the total land area. Conversely, ten of the 41 SIDS have a forest cover of less than 10 percent of the total land area (Bahrain, Barbados, Comoros, Haiti, Maldives, Malta, Marshall Islands, Mauritius, Nauru and Tonga). Four of these (Bahrain, Malta, Marshall Islands and Nauru) reportedly have less than 1 percent forest cover. No data are available for Tuvalu.

**Table 3.23 Forest cover (2000) and changes in forest cover (1990-2000) for SIDS**

| Area         | Land area      | Total forest (2000) |                         | Total forest (1990) | Forest cover change (1990-2000) |                         |
|--------------|----------------|---------------------|-------------------------|---------------------|---------------------------------|-------------------------|
|              |                | Area                | Percentage of land area | Area                | Total change 1990-2000          | Annual change 1990-2000 |
|              |                | 000 ha              | 000 ha                  | %                   | 000 ha                          | 000 ha                  |
| Caribbean    | 60 883         | 37 659              | 61.9                    | 38 380              | -721                            | -72                     |
| Pacific      | 51 755         | 34 614              | 66.9                    | 35 832              | -1 218                          | -122                    |
| Indian Ocean | 463            | 55                  | 11.9                    | 60                  | -5                              | n.s.                    |
| Atlantic     | 4 110          | 2 299               | 55.9                    | 2 465               | -166                            | -17                     |
| Others       | 1 026          | 172                 | 16.8                    | 119                 | 53                              | 5                       |
| <b>Total</b> | <b>118 298</b> | <b>74 801</b>       | <b>63.2</b>             | <b>76 858</b>       | <b>-2 057</b>                   | <b>-206</b>             |

Source: FAO.

Note: Forest is defined as land with tree crown cover of more than 10 percent and area of more than 0.5 ha whose primary use is forestry. The trees should be able to reach a minimum height of 5 metres at maturity *in situ*. Numbers may not tally due to rounding.

Trends in industrial round-wood production and exports show that of the seven SIDS where the forestry industry is important, only two consistently increased exports over the periods shown. Papua New Guinea is by far the largest SIDS producer and exporter and is currently the world's third largest exporter of tropical hardwood logs with an annual trade valued at more than US\$220 million (FAOSTAT, 2004). The Solomon Islands was the world's fifth largest exporter of tropical hardwood logs in 1997, when forestry comprised more than 50 percent of export revenues. Although the annual volume of hardwood exported as logs was reduced to almost half of the 1996 volume by 2000, the Solomon Islands was still among the top ten exporting countries (FAOSTAT, 2004). Table 3.24 reports the export trend of forest products.

**Table 3.24 Exports of forest products for selected SIDS**

| Country               | Exports                                       |                 |          |                                    |                   |            |
|-----------------------|---|-----------------|----------|------------------------------------|-------------------|------------|
|                       | Average annual exports ('000 m <sup>3</sup> ) |                 | %        | Average annual exports (US\$ '000) |                   | %          |
|                       | 1991-1995                                     | 1996-2000       |          | 1991-1995                          | 1996-2000         |            |
| <b>CARIBBEAN</b>      |   |                 |          |                                    |                   |            |
| Bahamas               | 0   | 0.1             |          | 193                                | 160.4             | -17        |
| Barbados              | 0   | 0               |          | 11                                 | 0                 | -100       |
| Belize                | 8   | 7.4             | -7       | 2 792.00                           | 2 462.20          | -12        |
| Cuba                  | 22.7  | 15.9            | -30      | 560.6                              | 97.8              | -83        |
| Guyana                | 16.7  | 14.6            | -12      | 14 432.00                          | 37 095.00         | 157        |
| Haiti                 | 0   | 0               | 0        | 1.6                                | 0                 | -100       |
| Jamaica               | 0   | 0.1             |          | 64.6                               | 6.4               | -90        |
| Suriname              | 7.8   | 6.8             | -12      | 1 870.00                           | 4 661.40          | 149        |
| Trinidad and Tobago   | 3.9   | 5.1             | 30       | 906.2                              | 328.4             | -64        |
| <b>PACIFIC OCEAN</b>  |   |                 |          |                                    |                   |            |
| Cook Islands          | 0   | 0.4             |          | 534.8                              | 726               | 36         |
| Fiji                  | 42.8  | 48.2            | 13       | 14 742.40                          | 12 099.80         | -18        |
| Papua New Guinea      | 1 210.40                                      | 1 286.70        | 6        | 398 305.40                         | 278 060.80        | -30        |
| Samoa                 | 0.1   | 0               | -38      | 50.4                               | 599               | 1 088      |
| Solomon Islands       | 293.3   | 340.7           | 16       | 82 443.60                          | 94 154.60         | 14         |
| Tonga                 | 0.8   | 0.8             | 0        | 1.2                                | 10.6              | 783        |
| Vanuatu               | 9   | 4               | -55      | 1 125.20                           | 3 274.00          | 191        |
| <b>ATLANTIC</b>       |   |                 |          |                                    |                   |            |
| Guinea-Bissau         | 6.3   | 7.1             | 14       | 2 294.80                           | 2 187.40          | -5         |
| Sao Tome and Principe | 0   | 0               | 12       | 0                                  | 69.6              |            |
| <b>INDIAN OCEAN</b>   |   |                 |          |                                    |                   |            |
| Comoros               | 0.1   | 0.1             | 4        | 2.2                                | 0                 | -100       |
| Mauritius             | 0   | 0.6             |          | 178                                | 89.2              | -50        |
| <b>OTHERS</b>         |   |                 |          |                                    |                   |            |
| Cyprus                | 1   | 2               | 95       | 464.8                              | 1 319.40          | 184        |
| Malta                 | 0   | 0.2             |          | 86.6                               | 51.8              | -40        |
| <b>TOTAL</b>          | <b>1 622.90</b>                               | <b>1 741.00</b> | <b>7</b> | <b>521 060.40</b>                  | <b>437 453.80</b> | <b>-16</b> |

Source: FAOSTAT

In 2000, total production of industrial round wood in SIDS amounted to around 6.4 million cubic metres or 0.4 percent of total global production. Exports amounted to 2.1 million cubic metres or 1.8 percent of global exports. These figures show that SIDS represent a very small proportion of global production, although they are slightly more important in industrial round wood trade. Very few SIDS countries account for most of the production and even more of the forest product trade. In fact, those SIDS where forestry or forest industry activities are important accounted for 89 percent and 69 percent respectively of the total production of all SIDS.

Trends in sawn wood and wood-based panel production and exports show that four of the seven SIDS with a forestry industry consistently expanded the value of their exports. Exports increased substantially from 1993 to 1995 (one year behind the expansion in industrial round-wood production and exports). Production remained high for five years then fell in 1999 to levels that were not much higher than at the beginning of the period. In contrast to the trends in production, the increase in exports has been sustained. The importance of exports in the seven main exporting countries has increased from 17 percent of production at the start of the period to 59 percent of production in 2000. This sustained increase in exports can be considered a success for these countries. However, it should be noted that exports of processed products still only make up one-tenth of the amount of exports of industrial round wood (by volume), suggesting that this growth in demand for exports has not resulted in a major shift towards exports of higher valued products. It is also worth noting that SIDS countries, as a group, are significant net importers of sawn wood and wood-based panels. Their imports of 1.4 million cubic metres are far in excess of their 0.2 million cubic metres in exports.



Globally, the importance of forest product exports has declined slightly from around 2.9 percent of total merchandise exports in 1990 to 2.3 percent in 2000. For the SIDS as a group, the contribution of forest products exports is similar. However, for the SIDS where forestry and the forest industry are important, the sector makes a much greater contribution to exports. In the former, the sector's importance has increased from around 1.2 percent in 1990 to 4.9 percent in 2000. In the latter, the sector's contribution has increased from 5.3 percent to 9.8 percent during the same period. Given the discouraging prospects for some traditional agricultural exports from SIDS, the production of wood and non-wood forest products could play an increasingly important role in import substitution as lands become available for plantation establishment or revert to forest through natural regeneration (FAO, 2002a). Such natural expansion of forests can already be witnessed in Barbados, Dominica, Grenada, Saint Vincent and the Grenadines, and Saint Kitts and Nevis.

All SIDS are dependent on imported paper and paperboard and many of them rely on imports for fuel wood and charcoal and/or industrial round wood, including Barbados, the Bahamas, Dominican Republic, St. Lucia, Malta, Mauritius, Trinidad and Tobago and Tonga. Despite the fact that the Caribbean states depend on imports of sawn wood, it has been suggested that Saint Vincent and the Grenadines, for example, could produce enough to meet the national demand with only 1 500 ha of forest plantations (FAO, 2002a). The current area of plantation in this country is estimated at 250 ha (FAOSTAT, 2004). The lowland forests of Belize, Guyana and Suriname are considered to have great economic potential and it is felt that there is a need to pay attention to valuing these resources more accurately.

### 3.4 Conclusions

Agriculture contributes 10 to 20 percent of GDP for 11 SIDS and more than 20 percent for nine SIDS. In most SIDS, the agriculture sector is the major source of foreign exchange earnings and employment as well as an important source of domestic food supply, specifically for the rural populations that rely more on domestic production for their food.

However, agricultural production has declined by 33 percent across SIDS. The Caribbean and the Indian Ocean SIDS have suffered the most serious declines, especially in terms of their traditional exports. The sharp fluctuations in production and earnings are major contributing factors to the continuing poverty and food insecurity situations in many of these island states.

While exports of food and agricultural products have declined, imports have increased in the post-1993 period for SIDS as a group. In the pre-1993 period, SIDS as a group had a positive agricultural trade balance of more than US\$3 billion, whereas most recently, in 2002, the net trade deficit was US\$2.1 billion.

A prominent feature of all these countries is their dependence on the exports of primary commodities for a large share of their export earnings – 20 SIDS depend on a single export commodity for 50 percent or more of agricultural export earnings. The main commodities are raw sugar, bananas, fish products, coffee and cocoa. In almost all SIDS, 80 percent of agricultural export earnings is generated by the top five commodities. This reliance on a few export commodities subjects SIDS economies to vulnerability resulting from the variability of global markets and from natural disasters.

The average share of SIDS total exports to world markets, other than the EU and the United States, increased from 24 percent in 1991-1993 to 35 percent in 2000-2002. This implies some diversification of production and market outlets. However, it also means they are selling at more volatile and lower world market prices. The share of SIDS total exports represents approximately 1 percent of the world trade. Though this share may seem negligible, it has a very critical role for each individual SIDS.

The most important trading partners for almost all SIDS are the EU and the United States. Both provide preferential market access to SIDS under various trading agreements. Other principal trading partners, including Australia and Japan, provide a lower level of preferential access to their markets for a more limited number of agricultural commodities.

Across SIDS, the transition into more value-added and non-traditional products has neither been significant nor sustained. Productivity has not increased sufficiently to ensure that these commodities are competitive from a cost/price standpoint, and efforts to differentiate their products in the global market have not been successful enough to establish long run viability.

Trade cooperation to improve competitiveness is critical to the survival of SIDS agricultural exports. This cooperation is needed to increase opportunities for benefiting from economies of scale through investment in joint production and marketing ventures. This includes establishing the sanitary, phytosanitary and standards facilities that allow the production and marketing of quality and differentiated products. Size and resource-base limitations require that SIDS improve the cooperation within their regions as well as establish coalitions across subregions and country groupings that have common interests.

The importance of the fisheries sector for SIDS has been increasing as exports have continued to expand. While this growth has been largely associated with multilateral partnerships, there have also been increases across several species linked to domestic industry initiatives.

The exports of forest products declined during the periods analysed. Given this trend, the production of wood and non-wood forest products could be an export opportunity as lands become available for plantation establishment or revert to forest through natural regeneration.

## Chapter four

### AGRICULTURAL TRADE PREFERENCES AND SIDS

Given their political and economic history, agricultural trade for small and vulnerable economies has long been at the centre of concern for policy-makers, international organizations, domestic producers and consumers, and NGOs. Now, in the current multilateral trade negotiations, SIDS are also focusing on the future of preferential market access in the midst of the push for increased trade liberalization.

In general, developing countries argue that preferential trade regimes provide market access to developed country markets, increase export volumes and prices, and increase welfare through more jobs and rapid economic growth.<sup>1</sup> In the case of SIDS, non-reciprocal preferential trade is even more critical given their smallness, islandness and remoteness.

The pressure to end non-reciprocal trade preference schemes arises from the prevailing view that they are unfair to other developing countries, inhibiting their development. The results of the Uruguay Round and the challenges to preference regimes under it, specifically those to bananas and sugar, have so far gone in favour of those challenging preferences. Despite this, preference-receiving countries continue the struggle for the maintenance of preference regimes.

This chapter includes a brief background of non-reciprocal trade preferences in the General Agreement on Tariffs and Trade (GATT)/WTO followed by an assessment of the value of preferences, mainly from a direct access and price margin standpoint. The overall benefits of preferences, and what their erosion or ending might lead to, are then explored. The key questions for these issues might be posed as follows:

- What is the future of trade preferences?
- What are the benefits and costs associated with preferences?
- Do SIDS stand to lose if agricultural trade is further liberalized and preference margins are further eroded?
- Should SIDS continue to defend trade preference schemes?

#### 4.1 Brief background of non-reciprocal trade in the GATT/WTO Rules

Trade preferences traditionally have been an instrument of foreign and commercial policy. They were employed initially for political and economic stability and, more recently, as an element of development policy. As a result of these origins and later agreements, such as the 1968 Commonwealth Sugar Agreement that introduced the concept of indefinite duration, developing countries argue for continuity of current preferential arrangements. This effort continues despite the fact that trade liberalization can undermine the benefits of these arrangements without apparently violating the legal conditions that underpin them. The sugar industry provides an interesting case for looking at precedents for preferences – a brief view of its important historical precedents is provided in **Box 4.1**.

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<sup>1</sup> For details see discussion in FAO 2002. *Improving the value and effective utilization of agricultural trade preferences*, by Stefan Tangermann.

### Box 4.1: Sugar preference history

- According to a “Brief History of ACP Sugar from 1919 to 1974” on the ACP Sugar Web site, a new regime of preferential tariff treatment was extended to British Empire Sugar at varying rates on 1 September 1919. In 1928, the duty scale was altered in order to protect the British refiners from the import of refined sugar. In return for this protection, the United Kingdom refiners agreed to buy Commonwealth sugar rather than foreign sugar. During World War II and for several years after it, the British government bought all the exportable surpluses of the Commonwealth sugar industries, paying more than pre-war prices but, for the most part, well below the ruling world market prices.
- The 1951 Commonwealth Sugar Agreement (CSA) was mutually beneficial to the British who obtained “assured supplies from the sterling area, both for balance of payments reasons and in order to lift the rationing of sugar as soon as possible” and for the Commonwealth territories who obtained a stable market at an assured price and wanted to “to re-equip and expand their industries on a sound basis”.

Source: [www.acpsugar.org](http://www.acpsugar.org)

The economic and trade relationships between the major developed countries and those developing countries with whom they have special relationships, often because of history or proximity, have been characterized by various preferential arrangements. These became more direct in the development decades following the end of World War II and were eventually recognized in the trading rules agreed under the GATT.

Under the initial GATT agreements, rights and obligations apply to all contracting parties and there are no special provisions specifically for developing countries. The period between the 1960s and 1980s witnessed an increase in the membership of developing countries in GATT and claims that there should be recognition of the unique characteristics that differentiate industrialized countries from developing countries. This led to the creation of provisions within GATT during the Tokyo Round (1974-1979) that treated developing countries differently and more favourably. The “Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries” or the so called “Enabling Clause”, legalized the extension of preferences to developing countries, notwithstanding the Most Favoured Nation (MFN) treatment required under GATT Article 1. The Tokyo Round also made it clear that special and differential treatment was granted on a temporary basis (UNCTAD 2001).

#### 4.2 Current preferential schemes

The various existing regimes of non-reciprocal trade preferences for developing countries can be classified into two major categories: (i) the Generalized System of Preferences (GSP); and (ii) special preferential regimes for groups of developing countries (such as the ACP-Lomé/Cotonou Agreement or the Caribbean Basin Initiative (CBI)). Some schemes are regionally based such as the United States’ Africa Growth Opportunity Act, (AGOA) and Australia’s South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA). Table 4.1 shows selected preferential trade agreements in which the SIDS participate.

The preference schemes of most importance to SIDS are summarized in **Box 4.2**. Three of the most important products for SIDS, sugar, bananas and rice, are granted special preferences through the EU. **Box 4.3** describes the preferential arrangements in the EU for these products.

Table 4.1 Selected preferential trade agreement for SIDS countries

| Beneficiary country                 | EU/ACP | EBA | CBERA | AGOA | SPARTECA | CARIBCAN | Main GSP granting countries |       |             |        |             |               |
|-------------------------------------|--------|-----|-------|------|----------|----------|-----------------------------|-------|-------------|--------|-------------|---------------|
|                                     |        |     |       |      |          |          | Australia                   | Japan | New Zealand | Norway | Switzerland | United States |
| <b>CARIBBEAN</b>                    |        |     |       |      |          |          |                             |       |             |        |             |               |
| Antigua & Barbuda                   | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| Bahamas                             | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| Barbados                            | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| Belize                              | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| Cuba                                | X      |     |       |      |          |          |                             | X     | X           | X      |             | X             |
| Dominica                            | X      |     | X     |      |          | X        |                             | X     | X           | X      |             | X             |
| Dominican Republic                  | X      |     | X     |      |          |          |                             | X     | X           | X      | X           | X             |
| Grenada                             | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| Guyana                              | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| Haiti                               | X      | X   | X     |      |          |          |                             | X     | X           | X      | X           | X             |
| Jamaica                             | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| Saint Kitts and Nevis               | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| St-Lucia                            | X      |     | X     |      |          | X        |                             | X     | X           | X      |             | X             |
| Saint Vincent<br>& the Grenadines   | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| Surinam                             | X      |     |       |      |          |          |                             | X     | X           | X      | X           | X             |
| Trinidad & Tobago                   | X      |     | X     |      |          | X        |                             | X     | X           | X      | X           | X             |
| <b>PACIFIC OCEAN</b>                |        |     |       |      |          |          |                             |       |             |        |             |               |
| Cooks Islands                       | X      |     |       |      | X        |          | X                           |       | X           |        |             | X             |
| Fiji                                | X      |     |       |      | X        |          | X                           | X     | X           | X      | X           | X             |
| Kiribati                            | X      | X   |       |      | X        |          | X                           | X     | X           | X      | X           | X             |
| Marshall Islands                    | X      |     |       |      | X        |          | X                           |       | X           |        |             | X             |
| Micronesia (Federated<br>States of) | X      |     |       |      | X        |          | X                           | X     |             | X      |             | X             |
| Nauru                               | X      |     |       |      | X        |          | X                           |       | X           |        |             | X             |
| Niue                                | X      |     |       |      | X        |          | X                           | X     | X           |        |             | X             |
| Palau                               | X      |     |       |      |          |          | X                           | X     |             | X      |             | X             |
| Papua New Guinea                    | X      |     |       |      | X        |          | X                           | X     | X           | X      | X           | X             |
| Samoa                               | X      | X   |       |      | X        |          | X                           | X     | X           | X      | X           | X             |
| Solomon Islands                     | X      | X   |       |      | X        |          | X                           | X     | X           | X      | X           | X             |
| Tonga                               | X      |     |       |      | X        |          | X                           | X     | X           | X      | X           | X             |
| Tuvalu                              | X      | X   |       |      | X        |          | X                           | X     | X           | X      | X           | X             |
| Vanuatu                             | X      | X   |       |      | X        |          | X                           | X     | X           | X      | X           | X             |
| <b>INDIAN OCEAN</b>                 |        |     |       |      |          |          |                             |       |             |        |             |               |
| Comoros                             | X      | X   |       |      |          |          | X                           |       | X           | X      | X           | X             |
| Maldives                            |        | X   |       |      |          |          | X                           | X     | X           | X      |             | X             |
| Mauritius                           | X      |     |       | X    |          |          |                             | X     | X           | X      | X           | X             |
| Seychelles                          | X      |     |       | X    |          |          |                             | X     | X           | X      | X           | X             |
| <b>ATLANTIC OCEAN</b>               |        |     |       |      |          |          |                             |       |             |        |             |               |
| Cape Verde                          | X      | X   |       | X    |          |          | X                           | X     | X           | X      | X           | X             |
| Guinea-Bissau                       | X      | X   |       | X    |          |          | X                           | X     | X           | X      | X           | X             |
| Sao Tome and Principe               | X      | X   |       | X    |          |          | X                           | X     | X           | X      | X           | X             |
| <b>OTHERS</b>                       |        |     |       |      |          |          |                             |       |             |        |             |               |
| Bahrain                             |        |     |       |      |          |          |                             | X     | X           | X      | X           | X             |

### Box 4.2: Synopsis of preference schemes important to SIDS agriculture sector

|                       |   |
|-----------------------|---|
| <b>EU</b>             | <p><b>GSP:</b> Some 179 countries and 530 agricultural products; preference margins of 15-100 percent of MFN duties.</p> <p><b>ACP-COTONOU:</b> Duty free access for 77 countries (26 SIDS); special protocols give considerable preferences to four commodities (sugar, bananas, rice and rum); duty free access for all manufactured products and most tropical products.</p> <p><b>EBA:</b> Duty free and quota free access on all products except arms; extended to all countries classified by the UN as LDCs.</p>   |
| <b>United States*</b> | <p><b>GSP:</b> Some 147 countries and 551 agricultural products; duty free entry for eligible products up to a certain market and satisfaction of certain conditions</p> <p><b>CBERA:</b> 22 Caribbean countries, 15 SIDS. More products than under GSP, including increased quotas and lower tariffs on very sensitive products; preference margins of 10 to 30 percent of MFN rates for most non-duty free products.</p> <p><b>AGOA</b> 37 sub-Saharan African countries (among SIDS, only Mauritius qualifies); 630 additional agricultural products over GSP list; a third of African LDCs ineligible for AGOA in 2002.</p> |

United States – GSP, CBERA and AGOA together cover some 1 200 agricultural products.

### Box 4.3: EU Preferences for selected ACP products

#### EU Banana Protocol

The EU adopted a new banana import regime in December 2001 that provides duty-free access to the EU market for specific quotas of bananas as follows:

- Quota A: 2.2 million tonnes
- Quota B: 453 000 tonnes
- Quota C: 750 000 tonnes

Quotas A and B are open for imports originating from a third country. Quota C is reserved for ACP countries and imported at zero duty. The within-quota tariff for bananas is €75 per tonne for Latin American countries and zero for ACP countries. The A and B quotas are allocated as 83 percent to “traditional exports” and 17 percent to “non-traditional exports”.

#### EU Sugar Protocol

The regime consists of two agreements – the EU/ACP Sugar Protocol and the agreement on Special Preference Sugar (SPS). Under the Sugar Protocol, the EU agreed to import a specific quantity of sugar, 1.3 million tonnes, from ACP countries at a guaranteed price for an indefinite period, whereas for sugar under the SPS, the EU agreed to import a specific quantity, 0.2 million tonnes, at the same guaranteed price as the Sugar Protocol but for limited duration. Besides the ACP countries, India is also allocated a quota of 10 000 tonnes under each programme. Seven ACP SIDS are allocated 84 percent of the 1.3 million tonnes, Mauritius 38 percent, Fiji 13 percent, Guyana 12 percent, Jamaica 10 percent, Trinidad & Tobago 3.4 percent, Barbados 4.2 and Belize 3.1. The guaranteed price is fixed each year. For raw sugar, it is €523.70 per tonne which is the intervention price for raw sugar. Given the July 2004 EU proposal, the Sugar Protocol is under serious threat. If the July 2004 proposal is adopted, the price received by ACP sugar exporters will be reduced by as much as 37 percent.

#### EU Rice Protocol

The preferential arrangements for rice from ACP countries allow imports up to 163 000 tonnes of husked rice equivalent and 20 000 tonnes of broken rice, with a duty reduction of 65 percent (at the six-digit tariff level both are affected by the reduction) which was equivalent to €104 per tonne in 2003.

The future of these preferential regimes between the EU and the ACP are currently under negotiation in the framework of the EU/ACP Economic Partnership Agreements and are expected to lead to a new trade regime starting in 2007. The great uncertainty remains as to whether the current regime is being undermined in both the multilateral framework, where its legality is questioned in the context of the WTO, and in the bilateral framework through the EU policies towards other groups of developing countries, such as the EU Everything but Arms (EBA) initiative.

### 4.3 The EU – EBA and SIDS

The EU EBA initiative, introduced in May 2000, grants duty-free and quota-free entry in principle for all products – with the exception of arms – in favour of all LDCs. It went into effect in March 2001 but with some important exceptions for bananas, sugar and rice. **Box 4.3** outlines how EBA preferences for these commodities will be phased in. This initiative is of particular relevance to SIDS because it means that countries they compete with will have greater access to the EU market, e.g. Asian LDCs will be able to displace SIDS fish and coconut exports.

#### Box 4.4: EBA preferences for ACP-sensitive products

Under the EBA, import liberalization will be phased in for three highly import-sensitive products during a transition period to be completed in 2009, at the latest. The three products, bananas, raw sugar and rice, will be liberalized as follows.

##### Bananas

The EU specific import tariff for bananas was €54.4 per tonne for LDCs, and €75 per tonne for other countries, as of January 2002. Under the EBA programme, the EU began reducing tariffs on bananas for LDCs by 20 percent annually in 2002. By 2006 the market will be fully liberalized.

##### Sugar

The EU will completely liberalize its sugar market by 2009 for the EBA countries. Tariffs will be phased out as follows: 20 percent reduction in 2006, 50 percent reduction in 2007, 80 percent reduction in 2008 and complete liberalization in 2009. The quota will be increased by 15 percent annually, from 74 000 tonnes in 2001/02 to almost 200 000 tonnes in 2008/09, before being fully liberalized. The EU import tariff on sugar, excluding specific tariffs, ranges from 75 to 103 percent for all countries.

##### Rice

Market access for rice will be fully liberalized by 2009, following the same schedule as sugar. The quota will increase by 15 percent every consecutive year, i.e. from a duty-free quota of 2 500 tonnes in 2001/02 to 6 700 tonnes in 2008/09. The EU average tariff on paddy rice is 61 percent for LDCs and 68 percent for all other countries (excluding specific tariffs), while for processed rice the tariff is 87 percent (excluding specific tariffs) irrespective of country of origin.

In terms of actual LDC exports, major trade effects of the EBA scheme will be felt, by and large, as of the marketing year 2007/08 when duties will have been halved and the size of duty-free tariff quotas more than doubled. The value of sugar and rice preferences to ACP SIDS amounts, on average, to more than 75 percent over other suppliers subject to MFN rates.

### 4.4 SIDS and preferential arrangements

The SIDS as a group receive no preferential arrangements. However, all SIDS receive preferences through one or the other of the above mentioned preference schemes. Given that they are all developing countries, they are eligible to be GSP beneficiaries. Further, in addition to the EU/ACP/Lomé/Cotonou, the EU-EBA, the United States-CBERA and the United States-AGOA schemes,

SIDS also benefit from CARIBCAN, an agreement between Canada and Caribbean countries, and the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) between Australia, New Zealand and the Pacific developing islands. There are also individual generalized systems of preferences granted by other OECD countries.

#### 4.4.1 Value of trade preferences

Before assessing the value of preferences, it is first necessary to understand how tariff preferences operate. In general, tariffs are paid by importers who pay a comparatively lower or zero rate, depending on the product and the scheme, making them potentially the first recipients (beneficiaries). Then, depending on the market structure and situation, some of the gains may be transferred to consumers, producers or others along the marketing chain.

Preference margins, one indicator of the potential value of a preference, do not indicate net profits because some of the value will be absorbed by the transaction costs involved in the process of obtaining preferences. These costs are most often borne by the exporters in the preference-receiving country as they certify the origin of their goods. Given the low volume of SIDS export shipments, the per-unit costs may be high and thus decrease the utilization rate of the preference opportunity. Preference margins vary widely among products, reaching 55 percent for sugar exports under the Sugar Protocols; 20 percent for processed fruit and vegetable products, 14 percent for tobacco and 13 percent for fish.

Export revenues of producers may increase if there is increased demand for their products on the preferential markets and if the tariff margins are passed on to final consumers and there is overall growth in the level of consumption in those markets. Further, preferential advantages can provide incentives for importers/traders to turn increasingly to preferential suppliers rather than other sources. Thus, close relationships between the exporter and importer would tend to keep the tariff advantage at the trading stage.

Many studies have measured the value of trade preferences including Yamazaki (1996), Tangermann (2000) and FAO (2003). Generally, the computation starts by identifying the tariff line and whether there is an ad valorem or a specific tariff. For ad valorem tariff lines, the computation is the multiplication of the preference margin by the value of exports for the preference-receiving commodity. If the tariff line consists of both a specific tariff and an ad valorem tariff, the above method is used for the ad valorem component while the preference margin for the specific tariff is computed and multiplied by the volume of exports. The summation of the two then gives the value of the tariff preference. When the preferred tariff is a seasonal ad valorem or specific tariff, it is assumed that the exports occurred during the specified season because no trade would occur post- or pre-season as the tariffs would be exorbitantly high. Since most of the SIDS are members of the ACP and the majority of their trade occurs under the EU/ACP trade protocols, the emphasis in this section is on the value/rent of trade preferences in this framework.

In the case of the EU, there are two particularly important products that need to be treated differently, namely sugar and bananas. For these products, the following procedures are adopted.

- Sugar: the preferential margin is the difference between world price and ACP export price for within-quota volumes. This preference is a transfer to the SIDS sugar-producing countries.
- Bananas: ACP countries generally supply their volumes within a quota and pay zero duty. For non-ACP countries, the tariff is €75 per tonne within the quota amount, and goes up to €500 per tonne depending on the above-quota level. Given that no trade occurs at higher levels of tariffs, the gap between the non-ACP and ACP rate reflects the preference margin.

**Table 4.2** presents the value of preferences by country under the EU/ACP trade regime.



**Table 4.2 Value of preferences under the EU/ACP trade regime (000 US\$)**

| Country/Region                 | Values in 000 US\$ |                |                |                |                |                |                |                |
|--------------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                | 1990/91            | 1992/93        | 1994/95        | 1996/97        | 1998/99        | 2000           | 2001           | 2002           |
| <b>CARIBBEAN</b>               |                    |                |                |                |                |                |                |                |
| Antigua & Barbuda              | 90                 | 40             | 1 789          | 175            | 874            | 128            | 95             | 115            |
| Bahamas                        | 538                | 745            | 3 716          | 4 759          | 4 491          | 8 043          | 5 653          | 10 934         |
| Barbados                       | 18 487             | 21 403         | 15 248         | 23 212         | 21 313         | 16 296         | 14 708         | 14 109         |
| Belize                         | 16 767             | 24 850         | 30 110         | 33 170         | 38 318         | 28 532         | 30 598         | 22 790         |
| Dominica                       | 5 134              | 5 520          | 3 684          | 3 560          | 2 478          | 2 116          | 1 351          | 1 443          |
| Dominican Republic             | 8 230              | 16 477         | 16 291         | 17 320         | 16 491         | 11 648         | 15 416         | 19 121         |
| Grenada                        | 1 277              | 891            | 765            | 518            | 495            | 137            | 168            | 184            |
| Guyana                         | 50 351             | 82 104         | 64 855         | 89 991         | 99 514         | 76 195         | 67 368         | 72 917         |
| Haiti                          | 993                | 795            | 920            | 1 007          | 513            | 185            | 135            | 159            |
| Jamaica                        | 54 720             | 66 003         | 63 836         | 68 651         | 72 308         | 51 934         | 48 665         | 53 692         |
| Saint Kitts and Nevis          | 5 899              | 8 684          | 6 740          | 7 489          | 6 687          | 5 165          | 6 294          | 7 320          |
| Saint Lucia                    | 10 895             | 11 049         | 9 232          | 8 253          | 5 687          | 5 067          | 2 404          | 3 549          |
| Saint Vincent & the Grenadines | 7 347              | 6 380          | 3 963          | 4 348          | 3 646          | 3 160          | 2 198          | 2 360          |
| Suriname                       | 3 633              | 4 100          | 5 231          | 8 761          | 10 152         | 8 239          | 7 613          | 8 625          |
| Trinidad and Tobago            | 17 043             | 22 096         | 20 622         | 22 741         | 20 682         | 18 546         | 14 547         | 19 132         |
| <b>Total Caribbean</b>         | <b>201 404</b>     | <b>271 137</b> | <b>247 002</b> | <b>293 955</b> | <b>303 649</b> | <b>235 391</b> | <b>217 213</b> | <b>236 450</b> |
| <b>PACIFIC</b>                 |                    |                |                |                |                |                |                |                |
| Cook Islands                   | 0                  | 0              | 0              | 0              | 0              | 0              | 1              | 4              |
| Fiji                           | 70 285             | 83 403         | 69 479         | 78 784         | 85 092         | 69 375         | 53 028         | 57 481         |
| Kiribati                       | 19                 | 4              | 4              | 2              | 110            | 0              | 15             | 24             |
| Marshall Islands               | 0                  | 0              | 3              | 12             | 27             | 2              | 6              | 13             |
| Papua New Guinea               | 7 441              | 8 298          | 15 021         | 13 226         | 10 564         | 7 161          | 5 944          | 8 992          |
| Samoa                          | 66                 | 15             | 11             | 49             | 47             | 16             | 11             | 17             |
| Solomon Islands                | 3 463              | 4 528          | 6 443          | 5 400          | 4 691          | 1 962          | 714            | 196            |
| Tonga                          | 29                 | 1              | 1 596          | 36             | 20             | 25             | 31             | 50             |
| Tuvalu                         | 16                 | 5              | 5              | 12             | 8              | 3              | 1              | 0              |
| Vanuatu                        | 885                | 430            | 348            | 830            | 150            | 61             | 31             | 171            |
| <b>Total Pacific</b>           | <b>82 204</b>      | <b>96 684</b>  | <b>92 910</b>  | <b>98 351</b>  | <b>100 709</b> | <b>78 605</b>  | <b>59 782</b>  | <b>66 948</b>  |
| <b>INDIAN OCEAN</b>            |                    |                |                |                |                |                |                |                |
| Comoros                        | 1 084              | 994            | 420            | 292            | 333            | 383            | 1 026          | 906            |
| Mauritius                      | 194 931            | 225 367        | 214 052        | 238 433        | 258 746        | 143 426        | 183 143        | 229 779        |
| Maldives                       | 3 706              | 3 733          | 4 210          | 4 111          | 3 636          | 3 059          | 3 043          | 3 114          |
| Seychelles                     | 14 021             | 5 996          | 4 489          | 12 237         | 23 643         | 30 949         | 37 010         | 48 318         |
| <b>Total Indian Ocean</b>      | <b>213 742</b>     | <b>236 090</b> | <b>223 171</b> | <b>255 073</b> | <b>286 358</b> | <b>177 817</b> | <b>224 222</b> | <b>282 117</b> |
| <b>ATLANTIC</b>                |                    |                |                |                |                |                |                |                |
| Cape Verde                     | 665                | 625            | 471            | 351            | 258            | 101            | 15             | 11             |
| Guinea-Bissau                  | 309                | 804            | 2 197          | 2 117          | 805            | 238            | 174            | 326            |
| Sao Tome and Principe          | 111                | 135            | 127            | 269            | 391            | 833            | 244            | 85             |
| <b>Total Atlantic</b>          | <b>1 085</b>       | <b>1 564</b>   | <b>2 795</b>   | <b>2 737</b>   | <b>1 454</b>   | <b>1 172</b>   | <b>433</b>     | <b>422</b>     |
| <b>OTHERS</b>                  |                    |                |                |                |                |                |                |                |
| Bahrain                        | 100                | 24             | 405            | 663            | 161            | 47             | 25             | 24             |
| Rest of SIDS                   | 11                 | 0              | 65             | 32             | 20             | 6              | 0              | 61             |
| <b>Total others</b>            | <b>111</b>         | <b>24</b>      | <b>470</b>     | <b>694</b>     | <b>181</b>     | <b>53</b>      | <b>26</b>      | <b>85</b>      |
| <b>TOTAL</b>                   | <b>498 536</b>     | <b>605 547</b> | <b>566 293</b> | <b>650 813</b> | <b>692 361</b> | <b>493 044</b> | <b>501 682</b> | <b>585 962</b> |

Source: Computation based on data from EUROSTAT

Comparing the period 1994/95 (before the signing of the WTO Uruguay Agreement), to 2002 (the most recent period for which data is available) shows that the value of preferences increased in only eight of the 32 SIDS shown. Table 4.2 shows the importance of Mauritius among the top six beneficiary countries – it accounts for 40 percent of the total value of the EU preferences to SIDS. With the exception of Seychelles, no country shows a consistent increase between 1995 to 1999 and 2000 to 2002. In Seychelles, the data indicates that much of the increase resulted from the doubling of export volume during the period. In Jamaica, between 1998/99 and 2000, the decline can be explained by a combination of exchange rate, volume and price changes. The world price of sugar declined, the value of the dollar declined against the euro and the volume of exports declined. In Saint Lucia, the volume and per-unit value of bananas exported declined substantially.

**Table 4.3** shows the value of preferences by commodity group for SIDS exports to the EU. When considering the value of preferences by product, the important role of sugar and bananas stands out despite the declining preference values.

**Table 4.3 Value of preferences by product under the EU/ACP trade preference**

| Commodities<br>at HS-2          | Values in 000 US\$ |                |                |                |                |                |                |                |
|---------------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                 | 1990/91            | 1992/93        | 1994/95        | 1996/97        | 1998/99        | 2000           | 2001           | 2002           |
| Fish, crustaceans,<br>molluscs  | 14 703             | 7 512          | 13 863         | 16 065         | 16 187         | 15 715         | 12 921         | 14 964         |
| Live trees and other<br>plants  | 816                | 834            | 875            | 751            | 682            | 284            | 242            | 275            |
| Edible vegetables               | 695                | 844            | 1 441          | 1 204          | 749            | 669            | 739            | 752            |
| Edible fruit (e.g.<br>bananas)  | 1 111              | 1 857          | 971            | 1 505          | 1 234          | 987            | 942            | 1 024          |
| Banana                          | 35 204             | 39 961         | 39 129         | 34 944         | 26 834         | 23 961         | 19 845         | 20 015         |
| Coffee, tea, mate,<br>spices    | 6 538              | 5 278          | 9 116          | 6 343          | 3 598          | 668            | 1 288          | 1 325          |
| Animal or vegetable<br>fats     | 3 540              | 5 546          | 7 860          | 8 826          | 7 315          | 5 429          | 4 540          | 6 259          |
| Preparations of meat,<br>fish   | 17 508             | 19 096         | 28 418         | 33 464         | 48 307         | 45 255         | 51 666         | 63 925         |
| Raw cane sugar                  | 403 879            | 505 248        | 437 477        | 507 167        | 538 283        | 367 249        | 366 617        | 442 364        |
| Cocoa and cocoa<br>preparations | 1 260              | 1 140          | 1 040          | 784            | 419            | 87             | 92             | 90             |
| Prepared vegetables             | 1 515              | 2 041          | 5 336          | 7 449          | 7 826          | 4 439          | 4 417          | 2 830          |
| Beverages, spirits,<br>vinegar  | 4 467              | 5 327          | 4 955          | 4 446          | 5 471          | 4 438          | 4 234          | 4 374          |
| Tobacco, mfgd.<br>tobacco       | 6 411              | 9 561          | 6 638          | 8 902          | 10 327         | 6 474          | 8 018          | 10 272         |
| Other commodities               | 889                | 1 302          | 9 174          | 18 963         | 25 129         | 17 389         | 26 121         | 17 493         |
| <b>Total</b>                    | <b>498 538</b>     | <b>605 548</b> | <b>566 292</b> | <b>650 810</b> | <b>692 364</b> | <b>493 044</b> | <b>501 682</b> | <b>585 961</b> |

Source: Computation based on Eurostat data

The decline in the value of banana and sugar preferences is partly explained by the questions over the legality of preferential regimes under which SIDS export agricultural products to the EU. In the case of bananas, the EU has been forced to modify the regime. The recent EU proposals on their internal sugar policy have caused alarm in the sugar sector of SIDS. **Boxes 4.5a and 4.5b** provide a brief overview of the situation for these two important preference-receiving commodities.

**Box 4.5a: Banana preferences**

The value of banana preferences to SIDS declined considerably during the 1990s, from an average of US\$37 million in 1990-1994 to US\$21 million in 2000-2002. This reflects a decline in volume of exports from Saint Lucia, Saint Vincent and the Grenadines and Dominica from 223 000 tonnes in 1990-1994 to 74 000 tonnes in 2000-2002. The EU preferences account for more than 90 percent of the value of all preferences to SIDS. Bananas account for only about 5 percent of the value of the EU agricultural preferences to SIDS.

**Box 4.5b: Sugar preferences**

The value of tariff preferences from SIDS sugar exports to the EU exemplifies the SIDS agricultural preferences situation. Sugar accounts for almost 80 percent of the value of the EU preferences allocated to SIDS agricultural products, 90 percent of preferences to SIDS. Of the EU agricultural preferences, almost 90 percent go to six countries, Fiji, Guyana, Jamaica, Mauritius, Trinidad and Tobago, and Seychelles. In five of the six countries, sugar is the main source of high preference value.

In the United States, the other major market for SIDS products, the preference value is computed under their GSP and CBI schemes. **Tables 4.4 and 4.5** present the values by selected product and country under the GSP scheme respectively, while **Tables 4.6 and 4.7** present the results for the CBERA. (Annex IV presents tables for all tariff lines for these preferential schemes.)

**Table 4.4 Value of preferences granted under the United States GSP (000 US\$) for individual products for all the SIDS**

| Product at HS- 2            | 1996         | 1997         | 1998       | 1999       | 2000       | 2001       | 2002       | 2003       |
|-----------------------------|--------------|--------------|------------|------------|------------|------------|------------|------------|
| Edible vegetables           | 20.04        | 52.42        | 70.63      | 35.69      | 84.54      | 103.29     | 81.19      | 137.66     |
| Sugars, sugar confectionery | 2 475.1      | 2 112.11     | 175.97     | 454.18     | 264.39     | 283.98     | 325.97     | 245.01     |
| Prepared. cereals, flour    | 16.87        | 37.03        | 11.93      | 31.97      | 53.57      | 71.98      | 3.62       | 27.35      |
| Prepared vegetables, fruit  | 16.32        | 46.04        | 47.08      | 37.69      | 53.79      | 69.63      | 61.53      | 88.48      |
| Misc. edible preparations   | 32.25        | 47.9         | 78.22      | 46.34      | 116.16     | 122.98     | 29.17      | 83.8       |
| Beverages, spirits, vinegar | 26.12        | 36.34        | 45.62      | 47.65      | 52.1       | 116.18     | 117.37     | 228.93     |
| Tobacco, mfgd. tobacco      | 1.41         | 1.05         | 0.66       | 0.33       | 0          | 9.38       | 0          | 0.04       |
| Other commodities           | 18.09        | 36.02        | 26.93      | 13.96      | 36.46      | 76.53      | 11.18      | 33         |
| <b>Total</b>                | <b>2 606</b> | <b>2 369</b> | <b>457</b> | <b>668</b> | <b>661</b> | <b>854</b> | <b>630</b> | <b>844</b> |

Source: Computed on the basis of data from USDA

The value of the United States' GSP preferences declined substantially, more than 50 percent, during the period under review. Three product lines dominate the value of preferences, namely beverages, edible vegetables and sugar. Beverages and edible vegetables have increased in value but sugar has declined more than tenfold. Under the CBI, more product lines are exported and the value of preferences, as expected, is significantly higher. However, the preference benefits are highly concentrated across three SIDS – the Dominican Republic, Belize and Jamaica.

**Table 4.5 Value of preferences granted under GSP by the United States for individual country ('000 US\$)**

| Country               | 1996    | 1997    | 1998 | 1999  | 2000  | 2001  | 2002  | 2003  |
|-----------------------|---------|---------|------|-------|-------|-------|-------|-------|
| <b>CARIBBEAN</b>      |         |         |      |       |       |       |       |       |
| Barbados              | 0.1     | 0.9     | 0    | 0     | 0.1   | 28.5  | 0     | 0     |
| Belize                | 205.3   | 3.8     | 2    | 3.3   | 1.2   | 9.5   | 7     | 7.9   |
| Dominica              | 0       | 1.1     | 0.4  | 0     | 0     | 0     | 0     | 8.7   |
| Dominican Rep.        | 1 504.4 | 1 336.3 | 76.2 | 45.4  | 52.3  | 81.9  | 29    | 116.5 |
| Grenada               | 0.5     | 0.6     | 0    | 0     | 0     | 0.1   | 0     | 0     |
| Guyana                | 87.3    | 1.7     | 2.9  | 1.5   | 10.2  | 20.8  | 35.7  | 53.5  |
| Haiti                 | 0.2     | 18.1    | 4    | 0.8   | 19.2  | 29.9  | 0.9   | 11    |
| Jamaica               | 28.3    | 232.9   | 43   | 71.4  | 136.9 | 189.5 | 36.9  | 85.6  |
| Saint Lucia           | 0       | 0.8     | 0    | 0     | 0     | 0     | 0     | 1.6   |
| Suriname              | 2.5     | 1.3     | 1    | 0     | 0     | 0.4   | 1     | 0.3   |
| Trinidad and Tobago   | 124     | 15.9    | 21.7 | 12.2  | 26.6  | 23.1  | 8.6   | 20.5  |
| <b>PACIFIC</b>        |         |         |      |       |       |       |       |       |
| Cook Islands          | 0       | 0.6     | 0    | 0     | 0.3   | 0.8   | 0.1   | 0     |
| Fiji                  | 297.1   | 291.2   | 61.5 | 332.9 | 217   | 260.2 | 266.4 | 393.8 |
| Niue                  | 0       | 0.1     | 0    | 0     | 0     | 0     | 0     | 0     |
| Papua New Guinea      | 0       | 97.4    | 88   | 89.7  | 66.9  | 0     | 155.1 | 86.7  |
| Samoa                 | 4.6     | 0.3     | 2.1  | 0     | 5.9   | 10.5  | 7.2   | 6.6   |
| Solomon Islands       | 0       | 0.5     | 0    | 0     | 0     | 0     | 0     | 0     |
| Tonga                 | 2.5     | 5       | 69.4 | 4.6   | 12    | 24.5  | 19.7  | 12    |
| Vanuatu               | 0       | 0       | 5.5  | 5.8   | 2.4   | 0     | 2.9   | 0     |
| <b>INDIAN OCEAN</b>   |         |         |      |       |       |       |       |       |
| Comoros               | 0       | 0       | 0.1  | 0     | 0     | 0     | 0     | 0     |
| Mauritius             | 349.3   | 360.1   | 79.1 | 98.7  | 105.9 | 174.2 | 58.9  | 39.6  |
| <b>ATLANTIC OCEAN</b> |         |         |      |       |       |       |       |       |
| Cape Verde            | 0       | 0       | 0    | 1.5   | 0     | 0     | 0.5   | 0     |
| Guinea-Bissau         | 0       | 0.3     | 0.1  | 0     | 0     | 0     | 0     | 0     |
| <b>OTHERS</b>         |         |         |      |       |       |       |       |       |
| Bahrain               | 0       | 0       | 0    | 0     | 4.1   | 0     | 0     | 0     |

Source: Computed on data from USDA

**Table 4.6 Value of preferences granted under CBERA by the United States for individual products ('000 US\$)**

| Product   | 1996          | 1997          | 1998          | 1999          | 2000          | 2001          | 2002          | 2003          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Live trees and other plants;<br>bulbs                   | 249           | 181           | 148           | 131           | 117           | 119           | 140           | 105           |
| Edible vegetables and certain<br>Edible fruit and nuts; | 1 808         | 1 717         | 1 872         | 1 635         | 1 492         | 1 641         | 1 400         | 1 239         |
| Oil seeds and oleaginous fruits                         | 3 871         | 4 749         | 2 822         | 3 973         | 3 870         | 3 711         | 4 552         | 4 292         |
| Sugars and confectionery                                | 184           | 96            | 1             | 1             | 10            | 1             | 1             | 1             |
| Preparations of vegetables                              | 4 201         | 5 409         | 4 661         | 2 779         | 2 974         | 3 058         | 2 756         | 2 712         |
| Beverages, spirits & vinegar                            | 6 820         | 6 710         | 4 789         | 6 372         | 9 958         | 9 619         | 6 409         | 5 771         |
| Tobacco and manuf. tobacco                              | 2 143         | 2 205         | 1 552         | 2 282         | 2 465         | 3 479         | 2 796         | 2 425         |
| Other commodities                                       | 5 834         | 10 300        | 8 451         | 6 732         | 5 448         | 5 031         | 4 506         | 4 911         |
| <b>Total</b>  | 1 990         | 1 733         | 1 904         | 1 895         | 1 766         | 2 341         | 2 740         | 2 444         |
|   | <b>27 100</b> | <b>33 100</b> | <b>26 200</b> | <b>25 800</b> | <b>28 100</b> | <b>29 000</b> | <b>25 300</b> | <b>23 900</b> |

Source: Computed on data from Caribtrade

**Table 4.7 Value of preferences under CBERA by the United States (000 US\$) by country**

| Country                        | 1996          | 1997          | 1998          | 1999          | 2000          | 2001          | 2002          | 2003          |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Antigua and Barbuda            | 0             | 0             | 0             | 0             | 0             | 14            | 3             | 2             |
| Bahamas                        | 297           | 481           | 124           | 308           | 274           | 443           | 622           | 522           |
| Barbados                       | 225           | 542           | 314           | 569           | 680           | 1 028         | 713           | 692           |
| Belize                         | 4 991         | 6 140         | 3 923         | 5 910         | 8 922         | 9 483         | 5 686         | 5 050         |
| Dominica                       | 5             | 4             | 3             | 306           | 0             | 3             | 2             | 13            |
| Dominican Republic             | 15 700        | 20 300        | 16 400        | 13 600        | 12 900        | 12 900        | 13 200        | 13 200        |
| Grenada                        | 14            | 5             | 2             | 2             | 2             | 1             | 0             | 0             |
| Guyana                         | 218           | 430           | 373           | 188           | 450           | 959           | 449           | 169           |
| Haiti                          | 478           | 901           | 260           | 657           | 795           | 378           | 342           | 293           |
| Jamaica                        | 4 392         | 3 404         | 3 993         | 3 660         | 3 354         | 3 084         | 3 237         | 3 282         |
| Saint Kitts and Nevis          | 0             | 89            | 90            | 0             | 0             | 0             | 0             | 0             |
| Saint Lucia                    | 2             | 9             | 5             | 4             | 3             | 11            | 3             | 5             |
| Saint Vincent & the Grenadines | 3             | 2             | 2             | 1             | 4             | 1             | 2             | 3             |
| Trinidad and Tobago            | 782           | 861           | 687           | 589           | 709           | 691           | 1 003         | 672           |
| <b>Total</b>                   | <b>27 100</b> | <b>33 100</b> | <b>26 200</b> | <b>25 800</b> | <b>28 100</b> | <b>29 000</b> | <b>25 300</b> | <b>23 900</b> |

Source: Computed on data from Caribtrade

The decline in the value of preferences reflects more than preference erosion. While the new era of agricultural trade liberalization under the Uruguay Round may have made the SIDS less attractive for investors, there have undoubtedly been internal factors on the supply side. Instability of some states and macroeconomic factors such as exchange rates have contributed to declines in preference value. At the same time, there have been some new export patterns that suggest preferences have been an incentive to non-traditional products that face zero or low tariffs such as fishery products from the Pacific and vegetable and beverage products from the Caribbean.

#### 4.4.2 Benefits of trade preferences

Empirical quantitative estimates of the overall size of preference benefits are rarely found because they are difficult to compute. When evaluating the past or present impact of non-reciprocal trade preferences, various issues overshadow the analysis. First, there is no clear benchmark to compare the results of trade benefits, with or without non-reciprocal trade. Second, many factors affect trade performance other than non-reciprocal trade preference. It should also be noted that different studies use different methods and data sets to evaluate the impact, making generalization difficult.

Most of the impact studies<sup>2</sup> of the non-reciprocal trade preferences on receiving countries have assessed the impact either at macro or micro level.

- Clark (1997), using data for 21 countries covering the period 1984 to 1990 to evaluate the impact of CBERA, concluded that the benefits accrued to the receiving country would increase if the preferential scheme comprised commodities that fit the export profile of the receiving countries.
- Loper, Abbot and Foster (2003) determined that the post-1997 decline in CBERA exports to the United States market was due to the expanded access to non-CBERA countries which led to preference erosion. However, there were some export increases due to “temporary advantages” under some preferential tariffs.
- Nilsson (2002), using 1973-1992 data, evaluated the impact of the EU GSP and Lomé/Cotonou preferential trade scheme and determined that change in the Lomé Agreement will significantly reduce exports by the ACP countries to the EU market.
- Cline (2004), using 1981-90 data for 100 developing countries, found that countries with preferences under the CBERA and the Lomé/Cotonou Agreement expanded exports. Cline

<sup>2</sup> See, Brown (1988); OECD (2003).

estimated that in the case of the Lomé/Cotonou Agreement, exports grew by 8.8 percent whereas under the CBERA scheme, exports grew by 7.2 percent.

All four studies explored the impact of preferential trade programmes and suggested that they have a positive benefit. At the same time, other views hold that the positive contribution of preferences is at best unclear and at worst, preferences have been a deterrent to investment of resources in areas that are both more profitable and sustainable. Stoeckel and Borrell (2001) and Topp (2003) determined that trade preferences do not encourage high-cost producers who depend on preferences to be innovative or competitive. However it should be noted that these non-preference-supporting studies do not provide any empirical evidence for their findings or any theoretical basis for their analysis.

In the case of SIDS, trade preferences are very important and the exporting opportunity gives rise to various benefits. Conceptually, their most important benefit is enabling market access for a product that would most likely not be traded by the country at the levels observed. These preferential advantages accrued to significant proportions of the value of exports of individual beneficiary countries. Tables 4.8 and 4.9 present the case for sugar and banana exports, showing their value for selected countries and the value of preference at macroeconomic level. These values are considered underestimated, as they do not capture the multiplier effects associated with these enterprises.

**Table 4.8 Direct economic importance of sugar exported to the EU for selected countries**

| Country               | Value of exports to EU |           |          |         | Value of preferences |         |            |         |
|-----------------------|------------------------|-----------|----------|---------|----------------------|---------|------------|---------|
|                       | 000 US\$               |           | % of GDP |         | 000 US\$             |         | % of GDP   |         |
|                       | 1997/99                | 2000/02   | 1997/99  | 2000/02 | 1997/99              | 2000/02 | 1997/99    | 2000/02 |
| Barbados              | 26 406                 | 22 057    | 1.1      | 0.9     | 21 686               | 14 801  | 0.6        | 0.6     |
| Belize                | 26 167                 | 25 325    | 4.1      | 3.1     | 21 000               | 14 562  | 2.7        | 2.1     |
| Fiji                  | 94 566                 | 89 057    | 5        | 5       | 75 519               | 59 342  | 3.4        | 3.5     |
| Guyana                | 98 985                 | 96 649    | 13.7     | 13.5    | 79 137               | 62 317  | 9.3        | 9.3     |
| Jamaica               | 76 207                 | 76 412    | 1        | 1       | 61 330               | 46 492  | 0.7        | 0.7     |
| Mauritius             | 277 656                | 296 582   | 6.6      | 6.5     | 226 775              | 169 402 | 5          | 4.6     |
| Saint Kitts and Nevis | 9 180                  | 10 406    | 3.2      | 3       | 7 325                | 6 243   | 2.5        | 2.1     |
| Trinidad              | 24 339                 | 27 224    | 0.4      | 0.3     | 19 404               | 17 054  | 0.3        | 0.2     |
|                       | US\$                   | US\$      | %        |         | Preference           |         | Preference |         |
|                       | per tonne              | per tonne | change   |         | margin               |         | margin (%) |         |
| ACP Export Price      | 484                    | 562       | 16.1     |         | 288                  | 395     | 147.8      | 237.3   |
| World Price           | 195                    | 167       | -14.7    |         |                      |         |            |         |

Note: ACP price is computed as: ratio of total value of export divided by total volume.  
World Price is yearly average for Paris raw sugar market.

**Table 4.9 Direct economic importance of bananas exported to the EU for selected countries**

| Country                        | Value of exports |         |              |         | Value of preferences |         |              |         |
|--------------------------------|------------------|---------|--------------|---------|----------------------|---------|--------------|---------|
|                                | 000 US\$         |         | Share in GDP |         | 000 US\$             |         | Share in GDP |         |
|                                | 1997/99          | 2000/02 | 1997/99      | 2000/02 | 1997/99              | 2000/02 | 1997/99      | 2000/02 |
| Dominica                       | 24 195           | 13 681  | 15.6         | 9.2     | 2 117                | 1 062   | 1.36         | 0.71    |
| Dominican Rep.                 | 28 135           | 46 107  | 0.3          | 0.4     | 3 410                | 6 640   | 0.03         | 0.05    |
| Jamaica                        | 54 936           | 29 662  | 1.3          | 1.2     | 4 406                | 2 803   | 0.10         | 0.12    |
| Saint Lucia                    | 54 345           | 33 977  | 14.3         | 9.1     | 4 779                | 2 647   | 1.26         | 0.71    |
| Saint Vincent & the Grenadines | 28 370           | 22 938  | 14.3         | 11.3    | 2 466                | 1 909   | 1.24         | 0.94    |

Source: FAO

Undoubtedly, the preferences accorded by the EU have had a distinct impact on the export pattern of SIDS. This applies to sugar and bananas as well as other SIDS exports. Products that enjoy duty-free entry and important preferences over MFN suppliers, such as crude palm oil and palm kernel oil, fresh avocados, pumpkins, certain spices, oranges, refined sugar, rum and plywood, have contributed to the increase in SIDS exports. More recent export successes include the specific areas of fresh fruit and fresh "out-of-season" vegetables. These successes have also been related to improved transport

linkages, reduction of cost disadvantages vis-à-vis Mediterranean competitors, and foreign direct investment by European companies in SIDS.

Measuring the benefits of the existence of this trade is difficult and certainly the value of preferences, as indicated in the previous section, does not translate into the value of benefits. Thus, interpreting the preference margin value very cautiously, **Table 4.10** shows that available estimates can amount to high values per capita and significant shares of the value of exports and GDP for some SIDS.

**Table 4.10 SIDS and importance of preferences**

| Country                           | Value of Preferences              |                  |                          |
|-----------------------------------|-----------------------------------|------------------|--------------------------|
|                                   | as a % of<br>Agricultural Exports | as a % of<br>GDP | per capita<br>(US\$ 000) |
| <b>CARIBBEAN</b>                  |                                   |                  |                          |
| Antigua and Barbuda               | 7.5                               | 0.02             | 1.6                      |
| Bahamas                           | 3.9                               | 0.15             | 26.8                     |
| Barbados                          | 21.3                              | 0                | 56.1                     |
| Belize                            | 16.3                              | 4.49             | 111.3                    |
| Dominica                          | 8.3                               | 0.61             | 21                       |
| Dominican Republic                | 2.7                               | 0.08             | 1.8                      |
| Grenada                           | 0.7                               | 0.04             | 2                        |
| Guyana                            | 29.8                              | 14.14            | 94.7                     |
| Haiti                             | 0.6                               | 0                | 0.02                     |
| Jamaica                           | 19.9                              | 1.07             | 19.8                     |
| Saint Kitts and Nevis             | 71.1                              | 2.73             | 149                      |
| Saint Lucia                       | 8.6                               | 0.54             | 25                       |
| Saint Vincent &<br>the Grenadines | 7.8                               | 0.76             | 21.7                     |
| Suriname                          | 12.9                              | 0.98             | 19.0                     |
| Trinidad and Tobago               | 7.3                               | 0.31             | 13.5                     |
| <i>Average</i>                    | <i>11.6</i>                       | <i>1.73</i>      | <i>37.6</i>              |
| <b>PACIFIC</b>                    |                                   |                  |                          |
| Fiji                              | 27.9                              | 4.95             | 72.9                     |
| Kiribati                          | 0.2                               | 0.03             | 0.2                      |
| Papua New Guinea                  | 1.4                               | 0.22             | 1.3                      |
| Samoa                             | 0.1                               | 0.01             | 0.1                      |
| Solomon Islands                   | 1                                 | 0.34             | 2.1                      |
| Tonga                             | 0.2                               | 0.02             | 0.3                      |
| Vanuatu                           | 0.6                               | 0.04             | 0.4                      |
| <i>Average</i>                    | <i>7.7</i>                        | <i>0.8</i>       | <i>11.0</i>              |
| <b>INDIAN OCEAN</b>               |                                   |                  |                          |
| Comoros                           | 6.6                               | 0.36             | 1.1                      |
| Maldives                          | 7.4                               | 0.53             | 10.2                     |
| Mauritius                         | 53.2                              | 5.77             | 154.8                    |
| Seychelles                        | 32.9                              | 6.5              | 486.5                    |
| <i>Average</i>                    | <i>43.9</i>                       | <i>3.29</i>      | <i>163.2</i>             |
| <b>ATLANTIC OCEAN</b>             |                                   |                  |                          |
| Cape Verde                        | 2.2                               | 0.01             | 0.1                      |
| Guinea-Bissau                     | 0.3                               | 0.12             | 0.2                      |
| Sao Tome and Principe             | 5.3                               | 0.83             | 2.5                      |
| <i>Average</i>                    | <i>0.8</i>                        | <i>0.32</i>      | <i>0.9</i>               |
| <b>OTHERS</b>                     |                                   |                  |                          |
| Bahrain                           | 0.1                               | 0                | 0.05                     |

These estimates need to be qualified from at least two important standpoints. First, the preference margin does not necessarily accrue in its entirety to the country for a variety of reasons: transaction costs when using the preferences, distribution of the tariff preference among the different points on the commodity chain (in both the exporting and importing country), and the effect of exchange rate movements on the value of the preferences. Second, the value of the preference, as measured through the preference margin, does not value either the employment generated, directly or indirectly, through backward and forward linkages or the benefits from economic diversification activities that result from the (past and current) existence of the industry receiving preferences.

One source of important diversification benefits to SIDS is local and international investment associated with the existence of the industry receiving a preference. This investment often comes

either from outside the industry to exploit the preference opportunity or from earnings associated with the existing industry. An example of the former is Prince Tuna in Mauritius which benefited from foreign direct investment by a United Kingdom firm that invested to exploit an ACP tariff of zero when MFN tariffs were 24 percent. The examples of the latter are numerous as participants in the preference receiving industry itself diversify into other areas. Rice preference opportunities undoubtedly contributed to the diversification into transportation services realized by Kayman Sankar Industries Ltd in Guyana. Similarly one can point to the pepper sauce industry in Belize benefiting from the existence of sugar and orange juice industry preferences. Sugar and orange juice industry workers and their families invested in pepper growing with income from these two industries. Preferences thus provide both opportunities and income to access new preference and non-preference opportunities.

Preferences allow some importers to sell at lower prices to consumers and, as a result, export revenues of producers might increase due to rising demand for their products in the preferential markets. This implies that some of the tariff margin is passed on to final consumers, causing the overall level of consumption in that market to grow and increasing demand for both domestic and foreign producers. Preferences are also incentives to importers and traders to turn increasingly to preferential suppliers rather than other sources. Where there are small preference margins and an international commodity market price for the product, it is less likely that volumes traded will increase. At the same time, if preferential tariffs are reduced close to the zero level, free market access improves the chances to compete successfully with domestic producers and others from the same integration grouping. Close relationships of exporter and importer would tend to keep the tariff advantage at the trading stage.

Some preferential arrangements have provided exporters with substantially higher than world market prices. Such income effects arise in the case of quota preferences, price preferences under the EU/ACP Conventions, and minimum or graduated import price and tariff regimes. Special provisions under the Sugar Protocol of the EU/ACP guarantee that ACP exporters of sugar will have prices close to the domestic price level of the EU, within the limit of import quotas. The ACP price for bananas results from high tariff preferences within specific quotas for established producers. This preference regime is expected to change to a tariff-only regime in 2005. Table 4.11 shows the price results for three products benefiting from ACP preferences – banana, sugar and rice.

**Table 4.11 Price results for products benefiting from ACP preferences.**

| Prices                 | US\$ per kg |         |         |         |            |         |
|------------------------|-------------|---------|---------|---------|------------|---------|
|                        | Banana      |         | Sugar   |         | Rice       |         |
|                        | 1998/00     | 2001/03 | 1998/00 | 2001/03 | 1998/ 2000 | 2001/03 |
| World Price*           | 0.43        | 0.50    | 0.16    | 0.14    | 0.28       | 0.23    |
| Estimated Unit Price** | 0.70        | 0.62    | 0.52    | 0.50    | 0.35       | 0.29    |

Note: \* World Price is from IFS – Banana: Latin America, Sugar: Caribbean and Rice: Thailand;

\*\* EU total import value from ACP countries divided by volume.

#### 4.4.3 Erosion of trade preferences

The conclusion of the UR in 1994, with its commitments to more liberalized trade and especially to lower tariff rates for agricultural products, has contributed to the erosion of preferences. Table 4.12 shows the preference tariff margins for ACP SIDS granted by the EU.

It is evident from Table 4.12 that there has been an erosion of tariffs. The lowering of MFN tariffs, the removal of non-tariff barriers by the EU on a multilateral basis and the extension of its preference beyond the ACP countries are the factors that accounted for this ACP erosion. The



general tariff reduction which is being sought by countries in the multilateral round of trade negotiations thus remains a double-edged sword for SIDS. It produces benefits through improved access of their exports to world markets but also increases costs through an erosion of the existing preference margins in developed country markets where tariffs often are already low. If the current trade liberalization does not pay particular attention to the situation of the SIDS, in most cases their costs may be larger than their benefits. The resulting net loss for some SIDS, mainly those which depend on a few products for their exports, could be very negative, especially for their rural communities.

**Table 4.12 Tariff preference margin (EU/ACP)**

| HS-2 Commodities                            | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|------|------|------|------|------|------|------|------|------|------|
| 01. Live animals                            | 1    | 1    | 1    | 2    | 2    | 1    | 1    | 1    | 1    | 1    |
| 02. Meat and edible meat                    | 6    | 6    | 7    | 7    | 7    | 6    | 5    | 5    | 5    | 5    |
| 03. Fish and crustaceans                    | 11   | 12   | 12   | 11   | 11   | 10   | 10   | 10   | 10   | 10   |
| 04. Dairy produce; birds                    | 2    | 2    | 3    | 4    | 4    | 3    | 4    | 3    | 3    | 2    |
| 05. Products of animal                      | 1    | 1    | 1    | 1    | 1    | 0    | 0    | 0    | 0    | 0    |
| 06. Live trees and other                    | 11   | 11   | 10   | 9    | 9    | 8    | 8    | 7    | 7    | 6    |
| 07. Edible vegetables                       | 8    | 8    | 9    | 9    | 9    | 6    | 6    | 5    | 5    | 5    |
| 08. Edible fruit and nut (no bananas)       | 6    | 6    | 6    | 7    | 7    | 5    | 6    | 5    | 5    | 4    |
| 09. Coffee, tea, maté                       | 8    | 8    | 8    | 4    | 4    | 4    | 4    | 3    | 3    | 3    |
| 10. Cereals                                 | 0    | 0    | 3    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| 11. Products of the mill                    | 0    | 0    | 3    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| 12. Oilseeds and oleag.                     | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 1    | 1    | 1    |
| 13. Lac, gums, resins                       | 2    | 2    | 3    | 3    | 3    | 2    | 2    | 2    | 2    | 1    |
| 14. Vegetable plaiting                      | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    |
| 15. Animal or vegetable                     | 5    | 5    | 7    | 6    | 6    | 5    | 5    | 4    | 4    | 4    |
| 16. Preparations of meat                    | 16   | 16   | 17   | 18   | 18   | 13   | 13   | 13   | 13   | 12   |
| 17. Sugars and sugar (excl. raw cane sugar) | 4    | 4    | 2    | 3    | 3    | 0    | 4    | 1    | 1    | 3    |
| 18. Cocoa and cocoa prep                    | 17   | 17   | 13   | 12   | 12   | 12   | 11   | 9    | 9    | 7    |
| 19. Preparations of cereal                  | 10   | 10   | 9    | 8    | 8    | 7    | 7    | 6    | 6    | 7    |
| 20. Preparations of vegetable               | 14   | 14   | 15   | 18   | 18   | 16   | 16   | 14   | 14   | 14   |
| 21. Miscellaneous edible                    | 13   | 13   | 11   | 11   | 11   | 8    | 10   | 9    | 9    | 7    |
| 22. Beverages, spirits                      | 4    | 4    | 5    | 3    | 3    | 3    | 3    | 3    | 3    | 1    |
| 23. Residues and waste                      | 0    | 0    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| 24. Tobacco and manufactured                | 39   | 52   | 39   | 45   | 45   | 38   | 38   | 31   | 31   | 31   |
| 41. Raw hides and skins                     | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| 44. Wood and wood articles                  | 4    | 4    | 3    | 3    | 3    | 2    | 2    | 2    | 2    | 2    |

Source: EUROSTAT

Note: This table does not account for specific tariffs. It reports the *ad valorem* tariff.

Bilateral and regional agreements that have extended lower duty and duty-free arrangements to groups of countries also erode the benefits of preferences to countries that enjoyed certain preference levels before these changes. With these arrangements increasing and successive rounds of MFN tariff reductions, the value of current preferences is bound to decline, making it important to assess carefully how much “negotiating capital” should be invested to maintain levels of preferences that may not be very profitable in the long run.

*Pacific Islands that are members of the Pacific Forum were provided preferential access to the Australian and New Zealand markets through SPARTECA. However, Australia and New Zealand lowered their MFN tariffs and now products from Asia have replaced the Pacific imports. In Samoa, two coconut processing plants were closed because they lost their export market (UNCTAD, 2003).*

The recent proposal from the EU to modify its internal agricultural arrangements is further evidence that the erosion of the benefits of preferences can take place without any direct changes in the preference regime itself. From a SIDS standpoint, negotiating an outcome equal to at least the current situation within the EU/ACP Economic Partnership Agreement and establishing clear and accepted and permanent allowances within the WTO framework is perhaps most critical in terms of the future worth of preferences. Issues related to non-reciprocity of preferences and the stability of preferences are crucial if the production

structures in the beneficiary countries are to change and be sustainable. The promotion of a more liberal multilateral trade regime cannot be separated from the interests of some countries for preferences of specific products – a lack of attention to this matter can cause these countries to lose interest in any MFN tariff reductions.

#### 4.5 Conclusion

Trade preferences provide market access to SVSs that remain dependent on those commodities they are unable to produce and market competitively. These preferences have real value, given that they result in increased export volumes and prices, increased employment and improved economic welfare. These preferences have been important to income levels and to the distribution of income in several countries. Small farm production of sugar in the Orange Walk and Corozal districts of Belize and bananas in the OECS countries are clearly positive results in the economic development achievements of these countries. Thus, it is not surprising that ACP country governments allocate resources for efforts directed at negotiating the maintenance of preferential regimes.

Preferences are also seen by SIDS as important instruments for change. They promote a more outward-oriented approach for small economies, provide an opportunity to interface with markets, facilitate increased awareness of the need to improve product quality and enable new business alliances through increased opportunities for foreign direct investment. However, given the difficulty of measuring the benefits or costs of preferences accurately, there remains controversy surrounding the continuation of preferences.

The actual welfare effects for the recipient countries depend on how any benefits from trade preferences are distributed among the various groups of market participants. This especially refers to the benefits likely to accrue to economic agents in the exporting developing country or to agents in the importing developed countries. The answer to this question depends partly on the competitive structure of the market concerned and partly on how the trade preference is administered.

The value of preferences is a significant share of the GDP for some SIDS. The estimated annual value of preferences for the two main products which are highly protected in the EU market have declined. Sugar, which accounts for more than 70 percent of the total value of preferences, averaged US\$471 million annually in 1992-1995 but declined to US\$392 million in 2000-2002. Bananas similarly declined from US\$39 million to US\$21 million.

Current commitments in the WTO framework by the main preference-giving countries can erode the value of preferences SIDS receive over the short and long term. This document and the literature it cites point to the important contributions of preferences and implies how much SIDS could be affected if these preferences are further eroded.

Where preference erosion clearly results in an economic loss to the exporting countries concerned, there are arguments for compensation. This compensation must be negotiated. A starting point can be the estimation of the direct value of the preferences based on past trade patterns as presented in this study.

## Chapter five

### THE FUTURE OF SIDS' AGRICULTURAL TRADE – NEGOTIATIONS AND REFORM

SIDS agricultural production and trade patterns have changed little during the past decade. However, they are facing pressure to change more rapidly, as individual countries and also as members of country groupings, from the two main frameworks in which they are negotiating – the WTO Doha Round and the EU/ACP Economic Partnership Agreements (EPAs). These negotiations are linked because what the EU can offer SIDS countries is conditioned by current and future WTO agreements. This situation affected SIDS greatly in the 1990s and, in fact, provides the context and possibilities of the EPA's under negotiation.

This chapter sets out to assist multilateral and bilateral negotiations currently addressing the thorny and complex issues of agricultural trade policy and preferences in SIDS. It considers issues, implications and options related to agricultural trade of SIDS mainly within the WTO and EU/ACP frameworks and provides alternative scenarios in the context of the future of preferences.

#### 5.1 WTO, agricultural trade and SIDS

Twenty three of the SIDS in this study are WTO members. Although WTO documents recognize them as countries needing special attention, there is an agreement not to treat them as a special category of countries. They will be granted special and differential treatment only by virtue of being classified as a part of the large group of countries that includes all developing countries except LDCs. The 1 August 2004 WTO Framework Agreement (FA) states that LDCs will be the only group of countries within the developing country category to be differentiated in the WTO.

This suggests that the special preferences that LDCs enjoy with many countries will not be challenged. This situation leads to two major related challenges for SIDS: (i) how to get the market access conditions (preferences) which they enjoy currently with the EU accepted in the WTO; and (ii) how to get what they see as permanent disadvantages, i.e. smallness and vulnerability, to be recognized by the WTO as requiring special and differential treatment, separate from the long-term concessions and lower rate changes allowed to all developing countries. The FA is weak in terms of being helpful on either of these points.

On the first challenge, SIDS countries continue to call for the recognition and continuation of agricultural preferences, both those considered GATT legal such as the GSP and those for which a waiver is needed under GATT, such as preferences under the Cotonou Agreement. Article I of the GATT, referred to as the principle of non-discrimination, requires (among other things) importers to accord all suppliers the same treatment as the most-favoured nation among the suppliers. This principle is central to the multilateral trading system, and all members of the WTO are expected to observe it.

The reality is very different and two exceptions have generally been accepted: (a) countries that form a customs union or free trade area are permitted to share preferred arrangements among themselves and (b) developed countries could provide assistance to developing countries through non-discriminatory preferences. In the case of (a), reciprocity was recognized as an important dimension and it was determined that “substantially all trade should be covered”. In the case of (b), agreeing on a provision that would allow preferences was more difficult and preferences were allowed by a series of waivers under GATT Article XXV:5 for the individual developed countries providing preferences.<sup>1</sup> During the Tokyo Round negotiations, a Framework Group was established,

<sup>1</sup> For a short history of trade preferences for developing countries in the GATT context, see Long (1985), p. 99 et seq, and Senti (1986), p. 112 et seq.

at the request of developing countries, with the objective of finding a more permanent legal solution for trade preferences. As a result of the negotiations, an agreement was reached that became known as the “Enabling Clause”.<sup>2</sup> This agreement did not amend the text of the GATT, but as a decision by the GATT contracting parties, it had an essentially equivalent legal effect.

Under the Enabling Clause, “Notwithstanding the provisions of Article I of the General Agreement, contracting parties may accord differential and more favourable treatment to developing countries, without according such treatment to other contracting parties”. More specifically, the clause allows for: “preferential tariff treatment accorded by developed contracting parties to products originating in developing countries in accordance with the Generalized System of Preferences”; “differential and more favourable treatment ... concerning non-tariff measures”; “regional or global arrangements ... amongst less-developed contracting parties for the mutual reduction or elimination of tariffs ... [and] non-tariff measures, on products imported from one another”; and “special treatment of the least developed among the developing countries in the context of any general or specific measures in favour of developing countries”.

The Enabling Clause has thus created a permanent legal basis for trade preferences provided by developed countries, both generally for all developing countries under GSP regimes, and also for specific more preferential treatment of the LDCs. On the other hand, there is no absolute legal requirement in GATT for providing any given trade preferences. In other words, developed countries can provide trade preferences for developing countries, but they are not legally bound to do so. While MFN tariffs, where bound in the schedules of the concerned importing countries, are legal commitments that cannot be changed without following the respective GATT rules, trade preferences for developing countries are not so bound and hence can, as far as GATT/WTO rules are concerned, be changed unilaterally by the developed countries granting them.

The Enabling Clause relates only to preferences provided by developed countries and to mutual, i.e. reciprocal, trade preferences among developing countries. It does not, however, establish a legal basis for the provision of trade preferences by developing countries for imports from the least-developed countries. For such preferences, a specific waiver is required. A waiver to that effect was agreed by the WTO Members on 15 June 1999.<sup>3</sup> Under this decision, “the provisions of paragraph 1 of Article I of the GATT 1994 shall be waived until 30 June 2009, to the extent necessary to allow developing country Members to provide preferential tariff treatment to products of least-developed countries, designated as such by the United Nations, without being required to extend the same tariff rates to like products of any other Member ... on a generalized, non-reciprocal and non-discriminatory basis.”

Under the Enabling Clause, tariff preferences granted by developed countries must not discriminate among developing countries, except for the possibility of providing more generous preferences to all LDCs. Specific preferences for limited groups of developing countries granted by individual developed countries, such as those granted by the EU to ACP countries under the Lomé Convention, are therefore not covered by the Enabling Clause.

Yet there had been a sense that the EU/ACP preferences were accepted as being legal. However, with the challenge to the EU banana regime in 1993, the GATT panel ruled that EU’s preferences for banana imports from the ACP countries were inconsistent with GATT Article I and also with GATT rules on free-trade areas, stating that Part IV of the GATT did not provide a justification for non-reciprocity in free-trade areas involving developing countries. The Enabling Clause did not provide a shelter for these ACP preferences because they were not extended to all developing countries. By implication, that meant that all specific EU preferences for the ACP countries, and all other similar schemes of other developed countries, were to be considered illegal under the GATT. In response to this panel outcome, the EU requested a GATT/WTO waiver that would allow it to

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<sup>2</sup> GATT. 1980. Basic instruments and selected documents (BISD), 26th Supplement (1980), pp. 203-5.

<sup>3</sup> WTO document WT/L/304, 17 June 1999.

continue to provide the special trade preferences to the ACP countries. The waiver was granted in 1994, for a period lasting until the expiration of Lomé IV, 29 February 2000.<sup>4</sup>

The EU searched unsuccessfully for an agreement with ACP countries that would be consistent with GATT rules. However, in June 2000 a new agreement between the EU and the ACP countries was signed in Cotonou, Benin. Like Lomé IV, the new Cotonou Agreement includes trade preferences from the EU for the ACP countries only, and as such was thought to need a WTO waiver. On November 14, 2001 on the sidelines of the Doha WTO Ministerial Conference, WTO members finally granted a waiver to the EC allowing it to continue giving preferential market access to ACP countries. This waiver was considered to be the last under the Lomé Convention which will be replaced by free trade agreements between the EC and the ACP by 2008.

On the second challenge, SIDS continue to be interested in the case for establishing a category of small and vulnerable countries that would be recognized as needing special assistance in addition to what might be provided for all developing countries in the framework of the WTO. However, while there is acceptance in the WTO of the special needs of the SIDS as seen through the activities of the Work Programme on Small Economies, there is a reluctance to create any new sub-category of Members.

In the 1 August 2004 Framework Agreement, under “other development issues” there is a specific relevant reference: “special attention shall be given to the specific trade and development related needs and concerns of developing countries, including capacity constraints. These particular concerns of developing countries, including relating to food security, rural development, livelihood, preferences, commodities and net food imports, as well as prior unilateral liberalization, should be taken into consideration, as appropriate, in the course of the Agriculture and NAMA negotiations. The trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, should also be addressed, without creating a sub-category of Members, as part of a work programme, as mandated in paragraph 35 of the Doha Ministerial Declaration.”

Despite saying “should” as opposed to “shall” in the above quoted paragraph, the reference to addressing the trade-related issues of small vulnerable economies should be interpreted positively and negotiated under section (d) of the FA which commits to reviewing all special and differential treatment provisions with a view to strengthening them and making them more precise, effective and operational.

The SIDS appear to have at least three options in the WTO. First, to make the case for small and vulnerable characteristics to be a situation that requires special treatment beyond the current levels of special and differential treatment accorded all developing countries. Table 5.1 shows the SIDS in this study classified by three criteria reflecting population, high vulnerability and minimal trade participation. Depending on the threshold levels adopted and agreement on how many of the three criteria should be satisfied, almost all SIDS in this study might be included. As one example of how this might be approached, 37 of the 40 SIDS would qualify under criteria of a population limit of 5 million, a CVI score of five or greater, and an import of goods and services as a percentage of world total imports of goods and services less than 0.075 percent. Cuba, the Dominican Republic and Haiti do not meet all three criteria.

Second, the SIDS may be able to earn effective special recognition by negotiation of an expansion of the LDC category to include “small and vulnerable” developing countries. The main hurdle here would appear to be the income threshold. The argument could be based around the view of the relative permanence of the limiting factors – smallness, vulnerability and remoteness.

Third, a further extension of the waiver permitting the EU Preferences to the ACP countries would allow more time to increase their competitiveness and possibly to implement the use of alternative calculus for measuring and establishing competitiveness. This latter consideration would reflect the concerns by some SIDS that they are competing against companies and governments that do not pay

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<sup>4</sup> Under the Marrakesh Understanding, the EU's Lomé waiver would have expired automatically after the Uruguay Round, on 31 December 1996. However, on 14 October 1996 it was again extended by the WTO Members until 29 February 2000. See WTO document WT/L/186, 18 October 1996.

sufficient attention to such areas as labour and environmental laws. Thus, it is argued, their industries should not be undermined by practices of competitors whose true costs are much higher but currently not included in competitiveness calculations.

**Table 5.1 Criteria for small and vulnerable characteristics**

| No. | Population<br>< 2 mil                  | Population<br>(‘000) | CVI* | CVI<br>Rank | Import of<br>goods &<br>services<br>(million US\$) | Import of<br>goods &<br>services as a %<br>of world total | Share of<br>Agricultural<br>GDP in total<br>GDP (%) |
|-----|--|----------------------|------|-------------|--|---|---|
| 1   | Niue                                   | 2                    | n.a. | n.a.        | n.a.   | n.a.  | n.a.  |
| 2   | Tuvalu                                 | 10                   | n.a. | n.a.        | n.a.   | n.a.  | n.a.  |
| 3   | Nauru                                  | 12                   | n.a. | n.a.        | n.a.   | n.a.  | n.a.  |
| 4   | Cook Islands                           | 18                   | n.a. | n.a.        | n.a.   | n.a.  | n.a.  |
| 5   | Palau                                  | 20                   | n.a. | n.a.        | 111  | 0.001   | 3.9   |
| 6   | Saint Kitts and<br>Nevis               | 42                   | 6    | 29          | 246  | 0.003   | 3.28  |
| 7   | Marshall Islands                       | 52                   | n.a. | n.a.        | n.a.   | n.a.  | 13.7  |
| 8   | Antigua and<br>Barbuda                 | 65                   | 11   | 2           | 488  | 0.01  | 3.77  |
| 9   | Dominica                               | 71                   | 8    | 12          | 169  | 0.002   | 18.58   |
| 10  | Seychelles                             | 72                   | 6    | 28          | 553  | 0.01  | 3.26  |
| 11  | Kiribati                               | 78                   | 5    | 59          | 33   | 0.0005  | 14.15   |
| 12  | Grenada                                | 92                   | 8    | 15          | 265  | 0.003   | 7.53  |
| 13  | Tonga                                  | 93                   | 10   | 3           | 82   | 0.001   | 28.54   |
| 14  | Micronesia<br>(Federated States<br>of) | 107                  | n.a. | n.a.        | n.a.   | n.a.  | n.a.  |
| 15  | Saint Vincent &<br>the Grenadines      | 120                  | 7    | 24          | 211  | 0.003   | 10.53   |
| 16  | Sao Tome                               | 127                  | 8    | 17          | 43   | 0.0005  | 19  |
| 17  | Saint Lucia                            | 139                  | 7    | 19          | 398  | 0.01  | 6.72  |
| 18  | Vanuatu                                | 161                  | 13   | 1           | 132  | 0.002   | 14.97   |
| 19  | Samoa                                  | 167                  | 7    | 20          | 193  | 0.002   | n.a.  |
| 20  | Belize                                 | 204                  | 7    | 23          | 600  | 0.01  | 15.06   |
| 21  | Maldives                               | 236                  | 9    | 9           | 434  | 0.01  | 3.17  |
| 22  | Barbados                               | 260                  | 6    | 38          | 1 451  | 0.02  | 5.84  |
| 23  | Bahamas                                | 268                  | 10   | 4           | n.a.   | n.a.  | n.a.  |
| 24  | Solomon Islands                        | 354                  | 8    | 11          | n.a.   | n.a.  | n.a.  |
| 25  | Malta                                  | 361                  | 7    | 22          | 3612   | 0.05  | n.a.  |
| 26  | Cape Verde                             | 370                  | 5    | 73          | 365  | 0.005   | 6.55  |
| 27  | Suriname                               | 414                  | 5    | 78          | 378  | 0.005   | 11.09   |
| 28  | Bahrain                                | 535                  | 8    | 16          | 5 168  | 0.07  | 0.86  |
| 29  | Comoros                                | 607                  | 5    | 43          | 68   | 0.0009  | 40.87   |
| 30  | Cyprus                                 | 726                  | 5    | 42          | 4 553  | 0.07  | 5.07  |
| 31  | Fiji                                   | 758                  | 9    | 8           | 1 079  | 0.01  | 16.18   |
| 32  | Guyana                                 | 816                  | 8    | 13          | 775  | 0.01  | 30.82   |
| 33  | Mauritius                              | 1 091                | 7    | 27          | 2 773  | 0.04  | 6.02  |
| 34  | Trinidad and<br>Tobago                 | 1 278                | 5    | 49          | 3 909  | 0.05  | 1.23  |
| 35  | Guinea-Bissau                          | 1 408                | n.a. | n.a.        | 144  | 0.002   | 59.1  |
| 36  | Jamaica                                | 2 411                | 7    | 18          | 4 515  | 0.06  | 5.32  |
| 37  | Papua New Guinea                       | 4 110                | 6    | 30          | 1 604  | 0.02  | 25.67   |

\* The composite vulnerability index is derived from the following three variables using weighted least squares techniques: i) a country’s openness, as measured by export dependence (the average exports of goods and non-factor services as a percentage of GDP); ii) its lack of diversification, as measured by the UNCTAD diversification index. (the UNCTAD index measures the diversification of merchandise exports and takes a higher value if these are less diversified) and iii) for small states, its susceptibility to natural disasters, as measured by the proportion of the population affected by such events as estimated over a relatively long period of time.

In sum, universal trade preferences for imports from all developing countries, as extended under the GSP, are consistent with the GATT under the Enabling Clause. The same holds for specifically generous preferences granted to all least-developed countries. However, developed countries are not legally committed to providing such preferences. They can, therefore, decide unilaterally on preference margins and also withdraw preferences without violating GATT/WTO commitments.

However, specific trade preferences for limited groups of developing countries, such as those provided under the Lomé Convention or under the CBERA, are not consistent with the GATT. While waivers allowing the concerned countries to maintain these specific preferences have been granted in the GATT/WTO framework, there is now a commitment to end this practice through the negotiation of free-trade-area agreements. The EU/ACP Economic Partnership Agreements under negotiation is an example of this new era that is most important for SIDS. However, it is clear from the actions of SIDS at recent multilateral meetings and from their submissions to the WTO that they will continue to argue for agricultural preferences to be recognized.

## **5.2 EU/ACP, agriculture trade and SIDS**

Thirty six of the 40 SIDS in this study are signatories to the Cotonou Agreement which has extended the Lomé trade regime with an understanding that negotiations would lead to a new regime by 2007. The new regime is expected to promote higher levels of development than would be available without trade. Food security is a key issue in the relationship between the EU and ACP because it is recognized that the ACP economies are open economies that generally rely on trade for their food security and that most of that trade takes place with the EU.

Economic Partnership Agreements (EPA) aimed at a progressive removal of trade barriers are under negotiation between the EU and the ACP countries. It is intended that each EPA will establish reciprocal free trade between the relevant trading partners, in line with WTO rules on regional free trade arrangements. The intention is to establish an EPA with all ACP countries or subregions. ACP members that are LDCs will benefit from a separate agreement with the EU that extends EU trade preferences to all LDCs.

The EU and the ACP have only recently launched their negotiations for the formation of EPA's. The outcomes can only be speculated upon, but the possible characteristics of the EPA's are that they will apply mainly to merchandise trade, that there will be only modest improvements in access given the high levels of free access already available, and that ACP countries will liberalize on more products (given that the agreements are to be reciprocal) and should cover "substantially all" trade. There will thus be some tradeoff between increased import competition and reduced government revenue on the one hand and sustained market access for exports. Given the potential changes in the EU's domestic policy (for example changes to the sugar regime), and in other bilateral or multilateral negotiations, it is important to consider how valuable maintaining current preferences will be in the future and, therefore, how SIDS countries should conduct their current negotiations.

The potential impact of EPAs must be addressed both from the standpoint of the changes in the commodity protocols and from the removal of tariff barriers given the low or nonexistent tariffs for ACP products. As seen in the earlier parts of this study, SIDS exports and the value of their preferences to the EU market have already declined. Thus, in their ACP negotiations, it is important that reference dates and levels for maintaining preferences and estimating values for compensation be chosen carefully. These deliberations are further complicated by the recent EBA scheme of the EU which provides deeper non-reciprocal preferential market access to LDCs. Hence, products from SIDS could be further marginalized compared to all LDCs, both African and Asian countries, which have an opportunity to enter the EU market duty free. The ability of SIDS to increase their competitive advantage remains constrained by their size, remoteness and islandness. These are the sources of the higher cost structures and are associated with their inability to generate and attract resources for investment that are crucial to breaking the cycle of low productivity and instability and, in turn, establishing sustainable agricultural systems.

### **5.3 Increasing the options for agricultural trade – SIDS**

Given that the Doha round of WTO negotiations is supposed to be a “development round”, the commitment to the interests of developing countries has been stated in the documents framing these negotiations. Small and vulnerable economies have been explicitly identified for special attention to their trade related issues. It is within this context that SIDS options for agricultural trade should be considered.

Emphasizing the small and vulnerable characteristics of SIDS and the permanence of these disadvantages could form the basis for negotiating outcomes to maintain some level of the current trade preferences. On the one hand, the robust demonstration of the social and economic benefits of trade preferences would have to complement the more general measures of the value of preferences. On the other, it would be necessary to establish the case of limited and difficult opportunities, both from physical production and market competitiveness standpoints, and within these options the inevitability of the need for special treatment.

Assuming success at making the case for SIDS on the grounds indicated above, an amendment of the Enabling Clause could be sought that would extend special treatment to countries that meet the conditions defined for small and vulnerable states. Hence, rather than proceeding with investigating the expansion of “shallow” trade preferences for all developing countries under GSP regimes, one alternative might be to aim at “deep” preferences for specific countries that meet certain criteria. This option acknowledges that developed countries are not willing to consider deep preferences across all developing countries and would accommodate distinctions recognized in the 1 August 2004 Framework Agreement.

With given national goals related to agricultural production and trade, rural development and food security, efforts must be directed at increasing efficiency in all production and trading activities with a view to decreasing the relative need for special concessions. Strategic options addressing national constraints to efficiency and competitiveness are critical in this regard. The creation of an investment climate that encourages and enables entrepreneurs to produce and market goods and services under improved systems and conditions is an essential first step. This investment climate includes both the indirect aspects of managing the macroeconomic variables and the direct support to agricultural and rural sector participants.

Increasing trade liberalization also shifts the balance of responsibility for change leading to higher levels of productivity. While the role of the government remains critical, the role of the rural entrepreneur has been immensely elevated. In other words, the paradigm has shifted from government programmes to strategic alliances, recognizing and involving many more levels and sectors in the promotion of agricultural and rural sector transformation. This changes the dynamics within and among the different actors, organizations and institutions affecting agricultural development, implying very different approaches to addressing the agricultural and rural sector constraints. A liberalized trading environment calls much more for establishing options to explore various types of partnerships.

Trade regulations require monitoring and implementing institutions. These institutions in turn require human capital and financial resources. With the increased number of trade rules to follow and report on, additional institutional constraints are evolving faster than they can be addressed. Within the countries, this weakness is even more pronounced in the agricultural and rural areas, making it doubly hard for agricultural enterprises to change in the manner required to participate more effectively in the trading arena. Both within the WTO and the EU/ACP frameworks it is essential that assistance in this area be increased.

More attention should be paid to capturing the direct benefits of increased trade opportunities, including preferences, in order to promote changes within the directly benefiting enterprises and also to increasing the indirect benefits. Given the option to use preferences and other trading opportunities within the framework of a “trade not aid” policy, it could be tied to changing production and trade patterns that have better chances of being efficient and competitive enterprises.



Within the multilateral system, the tendency is clearly toward the erosion of preferences. Therefore, the options in the context of alternative support should be explored. The most obvious is some increased form of direct aid. Given that the value of trade preference margins remains significant and will continue to be commercially significant in the foreseeable future, direct aid should be able to replace at least the amount that would be lost. Given the spinoff multiplier effects, it is felt that this would still be less, by far, than the true value of the current preferences.

The aid should be packaged and monitored so that it directly promotes national, regional and international trade in products that are competitive. Intra-regional trade, as a percentage of total imports and exports, is considered to perform consistently below expectations and should receive particular promotion, targeting the domestic market, tourist markets and the opportunities of the expanding supermarket trade.

#### **5.4 Conclusions**

SIDS agricultural trade has declined and continues to be threatened. This is associated both with their own conditions as small, vulnerable, remote countries and with the changing international trading environment. In the case of the former, their industries have not been able to increase their competitiveness to survive the disincentives of lower prices. Hence, production has declined. In the case of the latter, any increasing opportunities from trade liberalization, in both traditional and non-traditional product markets, seem destined to be captured by the larger more efficient countries that have established strong trade development capacities.

SIDS agriculture sectors are entrenched in a limited number of products, partly because of their economic and political history and possibly because of the current opportunities permitted through preferred market access. Given the considerable natural, institutional and human capital invested in these production areas, the efforts to shift out of what has become uncompetitive sectors generally has not been successful. While this effort continues, there is a need for effective strategies that minimize the socio-economic impacts of these changes. Thus, a transition period longer than currently envisaged and technical and financial support greater than committed are among proposals for consideration.

While this study has focused on SIDS as a group, it has also emphasized specific commodities and referred to country situations. Global averages can be misleading and it is clear that despite rising welfare that might result from trade liberalization, several countries will be major losers. Further, there is strong evidence that small, vulnerable and remote states face major constraints to changing current economic activities and establishing new more efficient and competitive enterprises. SIDS should consider adopting the term “small vulnerable states” (SVSs) which more accurately defines all its members and explicitly indicates why the group deserves special treatment.

Developed countries continue to support their own agriculture sectors and protect their own food security at much higher levels than estimated through preferential schemes in this study. This incongruous situation should always be borne in mind as policy changes reduce support to agriculture in SVSs, especially given their peculiar production circumstances.

The current WTO Doha Round and the EU/ACP EPA negotiations in which SVSs are currently involved should be explicitly committed only to scenarios that result in positive outcomes for improving the status quo for all countries, especially for those participating minimally in total global trade but whose trade is crucially important to their food security and livelihoods. Most importantly, the development levels achieved in SIDS should not be reversed by the loss of preferences.



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**ANNEX I**

**AGENDA**  
**SMALL ISLAND DEVELOPING STATES PANELS**  
**UN Headquarters, New York**  
**6 October 2004**

**FAO Panel on Trade, Development and Food Security in SIDS**

*Chair:* Ambassador Jagdish Koonjul

Permanent Representative of Mauritius and Chair of the Alliance of Small Island Developing States  
(AOSIS)

*Moderator:* Hartwig de Haen

Assistant Director-General, Economic and Social Department, FAO

1. Agricultural Trade, Policy and Development in SIDS: Deep Ford, Senior Economist, Commodities and Trade Division -FAO
2. Cross-cutting issues of the banana trade: Claudius Preville, Trade Specialist, Organization of Eastern Caribbean States, Saint Lucia
3. Cross-cutting issues of the sugar trade. H.E. Mr. Isikia Rabici Savua, Ambassador, Permanent Representative of Fiji to the United Nations
4. Cross-cutting issues of the fish trade: Vina Ram-Bidesi, Professor, University of South Pacific
5. SIDS – Economy-Wide Linkages and Agricultural Sector Development: Pierre Encontre, Economist, Special Programme on Least Developed Countries, Landlocked and Island Developing countries – UNCTAD
6. Interactive Dialogue
7. Summary of discussions by Moderator
8. Closing remarks by Chair

**FAO Policy Dialogue on Agriculture and Sustainable Development in SIDS**

*Chair:* Ambassador Jagdish Koonjul

Permanent Representative of Mauritius and Chair of the Alliance of Small Island Developing States  
(AOSIS)

**Opening session**

1. Ambassador Jagdish Koonjul - Chair
2. Remarks by H.E. Mr. Stafford O. Neil, Vice-President of ECOSOC, Permanent Representative of Jamaica to the United Nations, on behalf of the President of ECOSOC
3. Remarks, Mr. Anwarul K. Chowdury, Secretary General of the Mauritius International Meeting and Undersecretary General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
4. Remarks, Mr. Hartwig de Haen, Assistant Director General, FAO

**Policy perspectives**

1. Results of morning session: Mr. Hartwig de Haen, Assistant Director General, FAO
2. Caribbean perspectives: Hon. Roger Clarke, Minister of Agriculture, Jamaica
3. Indian Ocean perspectives: Hon. Nandcoomar Bodha, Minister of Agriculture, Mauritius
4. Pacific Ocean perspectives: Hon. Tuisugaletaua A. Sofara Aveau, Minister of Agriculture, Forests, Fisheries and Meteorology, Samoa
5. Interactive Dialogue
6. Wrap-up by the Chair

**Issues that emerged from the FAO Panels on  
“SIDS: Food Security, Agricultural Trade, Development and Policy”  
October 6, 2004**

1. During the 1990's agricultural exports have shown a consistent decline and SIDS as a group moved from being net agricultural exporters a decade ago to being net importers. More than half of the SIDS members of OASIS are either net food importing or low income food deficit countries. Most SIDS import more than 50% of the calories consumed daily. Given the isolation and vulnerability of SIDS it is important to promote increased domestic food production capacity.
2. Small vulnerable states need to be clearly defined and classified. The WTO, despite the existence of the work programme on small economies, has not accorded the SIDS sufficient concrete special and differential treatment concessions that will enable them to maintain and increase their food security. Several SIDS constraints have aspects of permanence and therefore these situations may need continuous support.
3. The loss of competitiveness and the negative agricultural production and trade trends in small and vulnerable states over the past decade should be reversed. Attention to increasing technology development, improving institutions and human resources as a basis of trade expansion leading to improved livelihoods and increased food security is essential.
4. The sugar and banana exporting SIDS need to receive special recognition in the WTO. The post Uruguay Round period has seen substantial decline in the production and trade in these two important SIDS crops. Given the high levels of investment in infrastructure, human capital and the immense linkages to rural community wellbeing, efficiency enhancing and diversification strategies should be sensitive to the impacts on producers, wage earners and communities whose survival is currently dependent on these industries.
5. The fisheries sector has been expanding in several SIDS. Development assistance should be provided for the establishment of Regional Fisheries Management Organizations and community based fisheries management systems. Particular attention should be paid to assistance in meeting the development needs related to seafood safety and quality, and environmental standards.
6. ACP countries have many common interests in the pursuit of sustainable development. The challenge to the current EU sugar regime proposal change is one important example and points to the need for SIDS from different regions to build coalitions among themselves in order to better present and defend their interests.
7. Reform of the European Union banana and sugar regime should be done in a manner that preserves the value of the market access which SIDS exporters currently enjoy. EU countries should work in partnership with ACP countries to ensure that the welfare of small states is not undermined in the drive for further trade liberalization.
8. The recent August 2, 2004 DOHA Work Programme is at best vague in terms of how it will reform trade rules and provide special and differential treatment that will promote the development of small states. Therefore, the effective participation of SIDS within the WTO framework should be enhanced to result in measures and their implementation which facilitate trade expansion that improves livelihoods and food security.
9. Trade preferences have various benefits for the SIDS. One measure is through the calculation of the value of preference margins. The results show that in the context of the EU/ACP framework, the SIDS received more than US\$600 million in preference value in

2002. These values are considered an underestimation of the true value of preferences that would include the multiplier effects resulting from the existence of the preference receiving industries in their respective locations. Efforts are needed to stop the erosion of these preferences and improve the distribution of their benefits both between and within countries.

10. The importance and multiple roles of the agricultural sector should be recognized. In addition to employment, food security and foreign exchange earnings, the contribution to overall rural development is critical. The negative results of rural to urban migration and its increased demands on urban resources such as sanitation, health and crime prevention need to be recognized as a cost and should thus not be the result of changes in trade policy affecting the agricultural sector.
11. Improved information systems, to both more accurately value the contribution of the agricultural sector to the overall economy and to facilitate successful agricultural product development and marketing was seen as a critical constraint to policy and private sector development respectively.
12. There is a great need for international institution collaboration and policy coherence in their interface with SIDS, both to reduce the demands on limited SIDS human resources and to promote greater synergies and consistency in the implementation of policies and programmes.
13. Within the multilateral trading framework the unique characteristics of SIDS, the permanence of geographical and climatic constraints, and the resulting dependence on exports of one or two commodities needs to be better understood. While any move to create further categories will be resisted because of the potential to make both the WTO negotiations and the implementation of the agreements more difficult, these challenges should not prevent SIDS from getting the special and differential treatment they deserve as a group of countries. Such special consideration of their characteristics will enable them to partake and enjoy the benefits of multilateral trade, most importantly maintaining and improving their food security situation.
14. SIDS remain committed to the WTO reform process for agriculture, one that makes special provisions to address the developmental needs of small countries and their vulnerabilities. Trade liberalization should not be an end in itself but a means to advance development objectives and programmes.
15. FAO stands ready to continue the implementation of the sections of the Barbados Programme of Action falling under its mandate. In fact, the Organization's governing bodies requested that a Conference of SIDS be organized in Rome, in 2005, specifically to further review the progress achieved in the implementation of the Barbados Programme of Action. In order to use FAO and its organs effectively it is essential that the review of the Barbados Programme of Action be as explicit as possible in considering agriculture as an important basis for national food security, self-reliance and environmental resilience.





## ANNEX II

**Table 1: Size of land area, size of arable land, GDP, degree openness and per capita arable land (average 1999/2002)**

| Country                          | Land Area ('000 ha) | Arable land ('000 ha) | GDP per Capita US\$ | Arable land as % of total land area | Arable land per capita | Agr exports as % of GDP |
|----------------------------------|---------------------|-----------------------|---------------------|-------------------------------------|------------------------|-------------------------|
| <b>CARIBBEAN</b>                 |                     |                       |                     |                                     |                        |                         |
| Antigua and Barbuda              | 44                  | 8                     | 9 706               | 18.2                                | 0.1                    | 0.2                     |
| Bahamas                          | 1 001               | 7                     | 15 093              | 0.7                                 | 0.0                    | 4.4                     |
| Barbados                         | 43                  | 16                    | 9 769               | 37.2                                | 0.1                    | 2.6                     |
| Belize                           | 2 280               | 64                    | 3 060               | 2.8                                 | 0.3                    | 20.7                    |
| Cuba                             | 10 982              | 3 630                 | na                  | 33.1                                | 0.0                    | na                      |
| Dominica                         | 75                  | 5                     | 3 677               | 6.7                                 | 0.1                    | 7.6                     |
| Dominican Republic               | 4 838               | 1 088                 | 2 278               | 22.5                                | 0.1                    | 2.7                     |
| Grenada                          | 34                  | 1                     | 3 926               | 2.9                                 | 0.0                    | 6.2                     |
| Guyana                           | 19 685              | 480                   | 916                 | 2.4                                 | 0.6                    | 34.2                    |
| Haiti                            | 2 756               | 780                   | 486                 | 28.3                                | 0.1                    | 0.7                     |
| Jamaica                          | 1 083               | 174                   | 2 961               | 16.1                                | 0.1                    | 3.3                     |
| Saint Kitts and Nevis            | 36                  | 7                     | 7 198               | 19.4                                | 0.2                    | 2.6                     |
| Saint Lucia                      | 61                  | 4                     | 4 301               | 6.6                                 | 0.0                    | 6.4                     |
| Saint Vincent & the Grenadines   | 39                  | 7                     | 2 919               | 17.9                                | 0.1                    | 9.5                     |
| Suriname                         | 15 600              | 57                    | 1 983               | 0.4                                 | 0.1                    | 7.5                     |
| Trinidad and Tobago              | 513                 | 75                    | 6 115               | 14.6                                | 0.1                    | 2.7                     |
| <b>PACIFIC</b>                   |                     |                       |                     |                                     |                        |                         |
| Cook Islands                     | 23                  | 4                     | na                  | 17.4                                | 0.2                    | na                      |
| Fiji                             | 1 827               | 200                   | 2 117               | 10.9                                | 0.2                    | 12.4                    |
| Kiribati                         | 73                  | 2                     | 471                 | 2.7                                 | 0.0                    | 16.4                    |
| Marshall Islands                 | 18                  | 3                     | 1 891               | 16.7                                | 0.1                    | 1.6                     |
| Micronesia (Federated States of) | 70                  | 4                     | 1 838               | 5.7                                 | 0.0                    | 0.3                     |
| Nauru                            | 2                   | 0                     | na                  | 0.0                                 | 0.0                    | na                      |
| Niue                             | 26                  | 4                     | na                  | 15.4                                | 2.0                    | na                      |
| Palau                            | 46                  | 4                     | 6 054               | 8.7                                 | 0.2                    | 0.3                     |
| Papua New Guinea                 | 45 286              | 206                   | 622                 | 0.5                                 | 0.0                    | 17                      |
| Samoa                            | 283                 | 59                    | 1 366               | 20.8                                | 0.3                    | 5.5                     |
| Solomon Islands                  | 2 799               | 18                    | 696                 | 0.6                                 | 0.0                    | 36                      |
| Tonga                            | 72                  | 17                    | 1 480               | 23.6                                | 0.2                    | 11.4                    |
| Tuvalu                           | 3                   | 0                     | na                  | 0.0                                 | 0.0                    | na                      |
| Vanuatu                          | 1 219               | 30                    | 1 136               | 2.5                                 | 0.1                    | na                      |
| <b>INDIAN OCEAN</b>              |                     |                       |                     |                                     |                        |                         |
| Comoros                          | 223                 | 79                    | 378                 | 35.4                                | 0.1                    | 5.2                     |
| Maldives                         | 30                  | 4                     | 2 186               | 13.3                                | 0.0                    | 6.6                     |
| Mauritius                        | 203                 | 100                   | 3 646               | 49.3                                | 0.1                    | 7.8                     |
| Seychelles                       | 45                  | 1                     | 7 234               | 2.2                                 | 0.0                    | 19.7                    |
| <b>Atlantic Ocean</b>            |                     |                       |                     |                                     |                        |                         |
| Cape Verde                       | 403                 | 39                    | 1 277               | 9.7                                 | 0.1                    | 0.3                     |
| Guinea-Bissau                    | 2 812               | 300                   | 174                 | 10.7                                | 0.2                    | 35.9                    |
| Sao Tome & Principe              | 96                  | 6                     | 310                 | 6.3                                 | 0.0                    | 15.2                    |
| <b>OTHERS</b>                    |                     |                       |                     |                                     |                        |                         |
| Bahrain                          | 71                  | 2                     | 11 427              | 2.8                                 | 0.0                    | 0.6                     |
| Cyprus                           | 924                 | 91                    | 11 915              | 9.8                                 | 0.1                    | 4                       |
| Malta                            | 32                  | 8                     | 9 158               | 25.0                                | 0.0                    | 2                       |

Source: FAO Database

**Table 2: Agricultural population and rural population**

| <b>SIDS</b>                      | <b>Total population (000s)</b> | <b>Agricultural population as % of total population</b> | <b>Rural population as % of total population</b> |
|----------------------------------|--------------------------------|---|--|
| <b>CARIBBEAN SEA</b>             |                                |   |  |
| Antigua & Barbuda                | 72                             | 24  | 63   |
| Bahamas                          | 307                            | 3   | 11   |
| Barbados                         | 268                            | 4   | 50   |
| Belize                           | 245                            | 30  | 52   |
| Cuba                             | 11 237                         | 16  | 25   |
| Dominica                         | 78                             | 23  | 29   |
| Dominican Rep.                   | 8 485                          | 17  | 34   |
| Grenada                          | 81                             | 23  | 62   |
| Guyana                           | 762                            | 17  | 63   |
| Haiti                            | 8 111                          | 62  | 64   |
| Jamaica                          | 2 603                          | 20  | 43   |
| Saint Kitts and Nevis            | 42                             | 24  | 66   |
| Saint Lucia                      | 147                            | 23  | 62   |
| Saint Vincent & the Grenadines   | 118                            | 23  | 44   |
| Suriname                         | 429                            | 19  | 25   |
| Trinidad & Tobago                | 1 294                          | 9   | 26   |
| <b>PACIFIC OCEAN</b>             |                                |   |  |
| Cook Islands                     | 18                             | 33  | 41   |
| Fiji                             | 822                            | 39  | 50   |
| Kiribati                         | 85                             | 27  | 61   |
| Marshall Islands                 | 52                             | 27  | 34   |
| Micronesia (Federated States of) | 107                            | 26  | 72   |
| Nauru                            | 12                             | 24  | 0  |
| Niue                             | 2                              | 50  | 50   |
| Palau                            | 20                             | 25  | 31   |
| Papua New Guinea                 | 5 460                          | 77  | 82   |
| Samoa                            | 175                            | 34  | 78   |
| Solomon Islands                  | 450                            | 73  | 80   |
| Tonga                            | 102                            | 34  | 67   |
| Tuvalu                           | 10                             | 33  | 50   |
| Vanuatu                          | 202                            | 36  | 78   |
| <b>INDIAN OCEAN</b>              |                                |   |  |
| Comoros                          | 726                            | 73  | 66   |
| Maldives                         | 300                            | 26  | 72   |
| Mauritius                        | 1 198                          | 11  | 58   |
| Seychelles                       | 80                             | 78  | 36   |
| <b>Atlantic Ocean</b>            |                                |   |  |
| Cape Verde                       | 445                            | 22  | 36   |
| Guinea-Bissau                    | 1 408                          | 83  | 68   |
| Sao Tome and Principe            | 153                            | 64  | 52   |
| <b>OTHERS</b>                    |                                |   |  |
| Bahrain                          | 693                            | 1   | 7  |
| Cyprus                           | 789                            | 8   | 30   |
| Malta                            | 391                            | 2   | 9  |

Source: FAO

## ANNEX III

Table 1: SIDS agricultural<sup>1</sup> trade (in million US\$)

| Country                          | Total agricultural exports (1) |                | Total food imports (2) |                | Net trade (1-2) |               |
|----------------------------------|--------------------------------|----------------|------------------------|----------------|-----------------|---------------|
|                                  | 1990-92                        | 2000-02        | 1990-92                | 2000-02        | 1990-92         | 2000-02       |
| Antigua and Barbuda              | 1.4                            | 1.5            | 33.4                   | 28.3           | -32.0           | -26.8         |
| Bahamas                          | 85.5                           | 210.5          | 209.1                  | 289.8          | -123.6          | -79.3         |
| Barbados                         | 57.1                           | 70.6           | 120.7                  | 160.2          | -63.6           | -89.6         |
| Belize                           | 103.0                          | 167.2          | 43.7                   | 69.9           | 59.4            | 97.3          |
| Cuba                             | 3 089.1                        | 858.6          | 881.6                  | 781.8          | 2 207.5         | 76.9          |
| Dominica                         | 36.6                           | 19.7           | 25.0                   | 29.9           | 11.5            | -10.3         |
| Dominican Republic               | 358.0                          | 565.7          | 341.3                  | 706.2          | 16.7            | -140.5        |
| Grenada                          | 15.3                           | 25.0           | 28.1                   | 39.4           | -12.9           | -14.3         |
| Guyana                           | 164.3                          | 242.1          | 36.6                   | 73.7           | 127.8           | 168.4         |
| Haiti                            | 28.9                           | 26.0           | 183.4                  | 296.4          | -154.6          | -270.5        |
| Jamaica                          | 245.3                          | 257.8          | 292.0                  | 473.2          | -46.6           | -215.4        |
| Saint Kitts and Nevis            | 12.7                           | 8.8            | 15.9                   | 26.4           | -3.3            | -17.7         |
| Saint Lucia                      | 79.0                           | 42.6           | 58.2                   | 99.7           | 20.8            | -57.1         |
| Saint Vincent & the Grenadines   | 72.0                           | 33.1           | 29.8                   | 49.7           | 42.1            | -16.7         |
| Suriname                         | 40.3                           | 63.2           | 46.4                   | 71.8           | -6.1            | -8.5          |
| Trinidad and Tobago              | 114.5                          | 238.1          | 258.9                  | 371.4          | -144.5          | -133.3        |
| <b>TOTAL CARIBBEAN</b>           | <b>4 503.0</b>                 | <b>2 830.5</b> | <b>2 604.2</b>         | <b>3 567.9</b> | <b>1 898.8</b>  | <b>-737.3</b> |
| Cook Islands                     | 1.4                            | 0.7            | 7.8                    | 11.6           | -6.3            | -10.9         |
| Fiji                             | 262.7                          | 215.0          | 112.2                  | 135.5          | 150.5           | 79.5          |
| Kiribati                         | 2.7                            | 7.0            | 7.8                    | 12.5           | -5.1            | -5.5          |
| Marshall Islands                 | 0.4                            | 1.7            | 0.7                    | 2.1            | -0.2            | -0.4          |
| Micronesia (Federated States of) | 0.8                            | 0.6            | 2.5                    | 4.7            | -1.7            | -4.1          |
| Nauru                            | 0.0                            | 0.0            | 2.4                    | 1.4            | -2.4            | -1.4          |
| Niue                             | 0.1                            | 0.3            | 0.6                    | 0.7            | -0.5            | -0.4          |
| Palau                            | 0.2                            | 0.3            | 0.4                    | 1.3            | -0.2            | -0.9          |
| Papua New Guinea                 | 413.0                          | 517.8          | 229.1                  | 196.0          | 183.8           | 321.8         |
| Samoa                            | 6.5                            | 13.7           | 22.4                   | 30.9           | -15.9           | -17.3         |
| Solomon Islands                  | 98.2                           | 99.0           | 14.4                   | 18.8           | 83.8            | 80.2          |
| Tonga                            | 11.4                           | 16.4           | 15.5                   | 19.0           | -4.1            | -2.6          |
| Tuvalu                           | n.a.                           | n.a.           | n.a.                   | n.a.           | n.a.            | n.a.          |
| Vanuatu                          | 12.9                           | 14.5           | 12.7                   | 15.6           | 0.2             | -1.1          |
| <b>TOTAL PACIFIC</b>             | <b>810.3</b>                   | <b>887.0</b>   | <b>428.4</b>           | <b>450.0</b>   | <b>381.9</b>    | <b>437.0</b>  |
| Comoros                          | 15.6                           | 11.7           | 19.3                   | 19.2           | -3.7            | -7.5          |
| Maldives                         | 35.5                           | 41.4           | 26.9                   | 69.6           | 8.5             | -28.3         |
| Mauritius                        | 399.1                          | 348.3          | 217.5                  | 306.6          | 181.5           | 41.7          |
| Seychelles                       | 16.4                           | 117.8          | 34.2                   | 43.8           | -17.8           | 74.0          |
| <b>TOTAL INDIAN OCEAN</b>        | <b>466.6</b>                   | <b>519.2</b>   | <b>298.0</b>           | <b>439.3</b>   | <b>168.6</b>    | <b>79.9</b>   |
| Cape Verde                       | 4.2                            | 1.9            | 45.7                   | 59.5           | -41.6           | -57.5         |
| Guinea-Bissau                    | 15.6                           | 75.5           | 23.0                   | 24.9           | -7.4            | 50.6          |
| Sao Tome and Principe            | 3.9                            | 7.3            | 6.6                    | 8.0            | -2.8            | -0.7          |
| <b>TOTAL ATLANTIC</b>            | <b>23.6</b>                    | <b>84.7</b>    | <b>75.3</b>            | <b>92.3</b>    | <b>-51.7</b>    | <b>-7.6</b>   |
| Bahrain                          | 12.3                           | 45.1           | 256.3                  | 421.1          | -244.0          | -375.9        |
| Cyprus                           | 332.3                          | 360.6          | 325.3                  | 420.2          | 7.0             | -59.6         |
| Malta                            | 42.5                           | 70.5           | 234.1                  | 285.9          | -191.6          | -215.4        |
| <b>TOTAL OTHERS</b>              | <b>387.1</b>                   | <b>476.3</b>   | <b>815.7</b>           | <b>1127.2</b>  | <b>-428.6</b>   | <b>-650.9</b> |
| <b>TOTAL SIDS</b>                | <b>6 190.6</b>                 | <b>4 797.7</b> | <b>4221.6</b>          | <b>5676.7</b>  | <b>1969.0</b>   | <b>-879.0</b> |

Source: FAOSTAT, including fishery and forestry products

**Table 2: Top five agricultural commodity exports**

| Country                        | Share of top five agricultural commodity exports in |  | Export earnings of top five agricultural commodities as a % of GDP (2000-02) | Top five agricultural export commodities  |
|--------------------------------|---|--|--|---|
|                                | Total agricultural exports <sup>1</sup> (2000-02)   | Total merchandise exports <sup>1</sup> (2000-02) |  |   |
| <b>CARIBBEAN</b>               |   |  |  |   |
| Antigua and Barbuda            | 90.4  | 0.5  | 0.2  | Crustaceans fresh, beverages dist. alcoholic, marine nes, printing and writing paper, beverages non-alcoholic                 |
| Bahamas                        | 95.5  | 6  | 4.2  | Beverages dist alcoholic, crustaceans, grapefruit and pomelos, lemons and limes, beer of barley                               |
| Barbados                       | 79.5  | 21.7   | 2.1  | Sugar (centrifugal, raw), beverages dist alcoholic, food prepared nes, margarine & shortening, pastry                         |
| Belize                         | 92  | 77.9   | 18.3   | Orange juice concentrated, sugar (centrifugal, raw), crustaceans, bananas, grapefruit juice concentr.                         |
| Cuba                           | 92.7  | 44.3   | n.a.   | Sugar (centrifugal, raw), cigars cheroots cigarettes, orange juice concentrated, grapefruit juice concentrate, tobacco leaves |
| Dominica                       | 79.8  | 33   | 5.9  | Bananas & plantains, food prepared nes, roots and tubers nes, oranges, avocados   |
| Dominican Republic             | 72.7  | 47.2   | 2  | Cigars cheroots, sugar, cocoa beans, bananas & plantains, beer of barley  |
| Grenada                        | 99  | 37   | 5.9  | Nutmeg, mace, cardamoms, flour of wheat, pelagic fish, cocoa beans, food wastes   |
| Guyana                         | 83.9  | 40.8   | 28.7   | Sugar (centrifugal, raw), crustaceans, rice (husked), plywood, sawn wood (nc)   |
| Haiti                          | 84.2  | 7.4  | 0.6  | Mangoes, coffee (green), cocoa beans, crustaceans, fruit prepared nes   |
| Jamaica                        | 59.4  | 10.7   | 2  | Sugar (centrifugal, raw), coffee (green), beverages dist alcoholic, bananas, food prepared nes                                |
| Saint Kitts and Nevis          | 95.8  | 16.3   | 2.5  | Sugar, waters, ice, etc., margarine & shortening, crustaceans, bran of wheat  |
| Saint Lucia                    | 97.1  | 93.3   | 6.2  | Bananas, beer of barley, beverages dist alcoholic & non-alcoholic, pepper, white/long/black, food prepared nes                |
| Saint Vincent & the Grenadines | 90.1  | 69.9   | 8.4  | Bananas, milled paddy rice, flour of wheat, roots and tubers nes, sweet potatoes  |
| Suriname                       | 88.6  | 10.6   | 6.4  | Rice, husked, bananas, milled paddy rice, marine nes frozen whole, demersal marine fish fresh                                 |
| Trinidad and Tobago            | 62.3  | 3.6  | 1.7  | Beverages non-alcoholic & dist alcoholic, sugar (centrifugal, raw), pastry, breakfast cereals, cake & oil of soybeans         |
| <b>PACIFIC</b>                 |   |  |  |   |
| Cook Islands                   | 92.6  | 3.9  | n.a.   | Ind rwd wir (c), fruit juice nes, papayas, cassava dried, spices nes  |
| Fiji                           | 75.8  | 27.4   | 8.7  | Sugar (centrifugal, raw), pelagic marine fish, taro (coco yam), waters, ice, etc., sawnwood                                   |

| Country                     | Share of top five agricultural commodity exports in |  | Export earnings of top five agricultural commodities as a % of GDP (2000-02) | Top five agricultural export commodities  |
|-----------------------------|---|--|--|---|
|                             | Total agricultural exports <sup>1</sup> (2000-02)   | Total merchandise exports <sup>1</sup> (2000-02) |  |   |
| Kiribati                    | 99  | 79.5   | 15.8   | Pelagic frozen whole, copra, freshwater diadrom, molluscs excl. cephalopods                         |
| Marshall Islands            | 100   | n.a.   | 1.6  | Pelagic frozen whole, marine nes frozen, freshwater diadrom   |
| Micronesia (Fed. States of) | 100   | n.a.   | 0.3  | Pelagic frozen whole, aqua anim. meal fr offal, marine fish nes fresh, freshwater diadrom fresh     |
| Niue                        | 100   | 85   | n.a.   | Taro (coco yam)   |
| Palau                       | 100   | n.a.   | 0.3  | Marine fish nes, pelagic marine fish, demersal prep. nes  |
| Papua New Guinea            | 86.6  | 23.7   | 14.1   | Ind rwd wir (nc) tropical, oil of palm, coffee (green), cocoa beans, oil of coconuts                |
| Samoa                       | 86  | 81.6   | 5.7  | Pelagic marine fish, fruit juice nes, marine fish, tallow   |
| Solomon Islands             | 100   | 98.8   | 30.5   | Ind rwd wir (nc), oil of palm, copra, oil of coconuts, pelagic fish                                 |
| Tonga                       | 84.6  | 61.2   | 9.4  | Pumpkins, squash, gourds, pelagic marine fish, marine fish nes fresh, vanilla, roots and tubers nes |
| Vanuatu                     | 83.3  | 52.1   | 5.1  | Copra, oil of coconuts, sawnwood (nc), beef and veal (boneless), cocoa beans                        |
| <b>INDIAN OCEAN</b>         |   |  |  |   |
| Comoros                     | 99.9  | 37.8   | 5.2  | Vanilla, cloves, whole+stems, nuts, live animals nes, nutmeg, mace, cardamoms                       |
| Maldives                    | 99.9  | 51.1   | 6.6  | Pelagic fish, freshwater diadrom, aquatic animals nes, demersal marine fish, marine fish nes fresh  |
| Mauritius                   | 92.3  | 19.9   | 7.1  | Sugar (centrifugal, raw), pelagic canned, flour of wheat, live animals nes, food wastes             |
| Seychelles                  | 99.2  | 57.1   | 19.3   | Pelagic, demersal marine fish, crustaceans frozen   |
| <b>ATLANTIC OCEAN</b>       |   |  |  |   |
| Cape Verde                  | 84.5  | 15   | 0.3  | Demersal fish, crustaceans, sawnwood (c), pelagic, coffee roasted                                   |
| Guinea-Bissau               | 99.5  | 85.6   | 24.3   | Cashew nuts, cotton lint, ind rwd wir (nc), palm kernels, beverages dist alcoholic                  |
| Sao Tome and Principe       | 99.1  | 49.8   | 14.2   | Cocoa beans, pelagic fish, marine fish nes frozen, coffee (green), demersal fish                    |
| <b>OTHERS</b>               |   |  |  |   |
| Bahrain                     | 55.4  | 0.4  | 0.3  | Pastry, oil of maize, beverages non-alcoholic, crustaceans, paper & paperboard                      |

**Table 3: Trend in forest covers 1990-2000**

| Country/Area                        | Land area<br>000 ha | Total forest 2000 |  | Total forest 1990 | Forest cover change 1990-2000          |   |
|-------------------------------------|---------------------|-------------------|--|-------------------|--|---|
|                                     |                     | Area<br>000 ha    | Percentage<br>of land<br>area<br>percent | Area<br>000 ha    | Total<br>change<br>1990-2000<br>000 ha | Annual<br>change<br>1990-2000<br>000 ha |
| <b>CARIBBEAN</b>                    | <b>60 883</b>       | <b>37 659</b>     | <b>61.9</b>                              | <b>38 380</b>     | <b>-721</b>                            | <b>-72</b>                              |
| Antigua & Barbuda                   | 44                  | 9                 | 20.5                                     | 9                 | n.s.                                   | n.s.                                    |
| Bahamas                             | 1 001               | 842               | 84.1                                     | 842               | n.s.                                   | n.s.                                    |
| Barbados                            | 43                  | 2                 | 4.7                                      | 2                 | n.s.                                   | n.s.                                    |
| Belize                              | 2 280               | 1 348             | 59.1                                     | 1 704             | -356                                   | -36                                     |
| Cuba                                | 10 982              | 2 348             | 21.4                                     | 2 071             | 277                                    | 28                                      |
| Dominica                            | 75                  | 46                | 61.3                                     | 50                | -4                                     | 0                                       |
| Dominican Republic                  | 4 838               | 1 376             | 28.4                                     | 1 376             | n.s.                                   | n.s.                                    |
| Grenada                             | 34                  | 5                 | 14.7                                     | 5                 | n.s.                                   | n.s.                                    |
| Guyana                              | 21 498              | 16 879            | 78.5                                     | 17 365            | -486                                   | -49                                     |
| Haiti                               | 2 756               | 88                | 3.2                                      | 158               | -70                                    | -7                                      |
| Jamaica                             | 1 083               | 325               | 30                                       | 379               | -54                                    | -5                                      |
| Saint Kitts and Nevis               | 36                  | 4                 | 11.1                                     | 4                 | n.s.                                   | n.s.                                    |
| Saint Lucia                         | 61                  | 9                 | 14.8                                     | 14                | -5                                     | -1                                      |
| Saint Vincent &<br>the Grenadine    | 39                  | 6                 | 15.4                                     | 7                 | -1                                     | n.s.                                    |
| Suriname                            | 15 600              | 14 113            | 90.5                                     | 14 113            | n.s.                                   | n.s.                                    |
| Trinidad and Tobago                 | 513                 | 259               | 50.5                                     | 281               | -22                                    | -2                                      |
| <b>PACIFIC</b>                      | <b>51 755</b>       | <b>34 614</b>     | <b>66.9</b>                              | <b>35 832</b>     | <b>-1 218</b>                          | <b>-122</b>                             |
| Cook Islands                        | 23                  | 22                | 95.7                                     | 22                | n.s.                                   | n.s.                                    |
| Fiji                                | 1 827               | 815               | 44.6                                     | 832               | -17                                    | -2                                      |
| Kiribati                            | 73                  | 28                | 38.4                                     | 28                | n.s.                                   | n.s.                                    |
| Marshall Islands                    | 18                  | n.s.              | n.s.                                     | n.s.              | n.s.                                   | n.s.                                    |
| Micronesia (Federated<br>States of) | 69                  | 15                | 21.7                                     | 24                | -9                                     | -1                                      |
| Nauru                               | 2                   | n.s.              | n.s.                                     | n.s.              | n.s.                                   | n.s.                                    |
| Niue                                | 26                  | 6                 | 23.1                                     | 6                 | n.s.                                   | n.s.                                    |
| Palau                               | 46                  | 35                | 76.1                                     | 35                | n.s.                                   | n.s.                                    |
| Papua New Guinea                    | 45 239              | 30 601            | 67.6                                     | 31 730            | -1 129                                 | -113                                    |
| Samoa                               | 282                 | 105               | 37.2                                     | 130               | -25                                    | -3                                      |
| Solomon Islands                     | 2 856               | 2 536             | 88.8                                     | 2 580             | -44                                    | -4                                      |
| Tonga                               | 73                  | 4                 | 5.5                                      | 4                 | n.s.                                   | n.s.                                    |
| Tuvalu*                             | 3                   | n.a.              | n.a.                                     | n.a.              | n.a.                                   | n.a.                                    |
| Vanuatu                             | 1 218               | 447               | 36.7                                     | 441               | 6                                      | 1                                       |
| <b>INDIAN OCEAN</b>                 | <b>463</b>          | <b>55</b>         | <b>11.9</b>                              | <b>60</b>         | <b>-5</b>                              | <b>n.s.</b>                             |
| Comoros                             | 186                 | 8                 | 4.3                                      | 12                | -4                                     | n.s.                                    |
| Maldives                            | 30                  | 1                 | 3.3                                      | 1                 | n.s.                                   | n.s.                                    |
| Mauritius                           | 202                 | 16                | 7.9                                      | 17                | -1                                     | n.s.                                    |
| Seychelles                          | 45                  | 30                | 66.7                                     | 30                | n.s.                                   | n.s.                                    |
| Atlantic                            | 4 110               | 2 299             | 55.9                                     | 2 465             | -166                                   | -17                                     |
| Cape Verde                          | 403                 | 85                | 21.1                                     | 35                | 50                                     | 5                                       |
| Guinea Bissau                       | 3 612               | 2 187             | 60.5                                     | 2 403             | -216                                   | -22                                     |
| Sao Tomé & Príncipe                 | 95                  | 27                | 28.3                                     | 27                | n.s.                                   | n.s.                                    |
| <b>OTHER</b>                        | <b>1 026</b>        | <b>172</b>        | <b>16.8</b>                              | <b>119</b>        | <b>53</b>                              | <b>5</b>                                |
| Bahrain                             | 69                  | n.s.              | n.s.                                     | n.s.              | n.s.                                   | n.s.                                    |
| Cyprus                              | 925                 | 172               | 18.6                                     | 119               | 53                                     | 5                                       |
| Malta                               | 32                  | n.s.              | n.s.                                     | n.s.              | n.s.                                   | n.s.                                    |
| <b>TOTAL</b>                        | <b>118 298</b>      | <b>74 801</b>     | <b>63.2</b>                              | <b>76 858</b>     | <b>-2 057</b>                          | <b>-206</b>                             |

Source : FAOSTAT

Note: Forest is defined as land with tree crown cover of more than 10 percent and area of more than 0.5 ha whose primary use is forestry. The trees should be able to reach a minimum height of 5 metres at maturity in situ.

Numbers may not tally due to rounding. n.s. = not significant; indicating a very small value; n.a. = not available; \* = not FAO Member State. Figures extracted from FAO, 2002.

**Table 4: Caribbean SIDS exports to the United States**

| Country                        | Export values (tonne) |        |        |        |         |         |         |
|--------------------------------|-----------------------|--------|--------|--------|---------|---------|---------|
|                                | 1995                  | 1996   | 1997   | 1998   | 1999    | 2000    | 2001    |
| Antigua and Barbuda            | 0                     | 0      | 0      | 0      | 37.362  | 0       | 0       |
| Barbados                       | 1 637                 | 1 674  | 2 201  | 1 943  | 2 065   | 2 207   | 3 822   |
| Belize                         | 14 149                | 21 440 | 34 617 | 21 656 | 35 592  | 30 479  | 17 908  |
| Dominica                       | 406                   | 473    | 319    | 339    | 169     | 137     | 51      |
| Grenada                        | 2 483                 | 2      | 2 724  | 1 413  | 3 670   | 1 359   | 1 113   |
| Guyana                         | 0                     | 0      | 44 996 | 68 228 | 65 343  | 69 487  | 28 829  |
| Jamaica                        | 100 295               | 68 193 | 57 884 | 66 144 | 103 180 | 136 475 | 135 651 |
| Saint Lucia                    | 339                   | 1 513  | 145    | 167    | 176     | 167     | 347     |
| Saint Kitts and Nevis          | 0                     | 0      | 0      | 44     | 27      | 157     | 25      |
| Saint Vincent & the Grenadines | 1 627                 | 514    | 811    | 898    | 483     | 538     | 338     |
| Trinidad and Tobago            | 18 546                | 15 092 | 36 952 | 47 108 | 65 374  | 24 817  | 24 533  |

**Table 5: Caribbean SIDS exports to the United States**

| Country                        | Export values (000 \$) |        |        |        |        |         |         |
|--------------------------------|------------------------|--------|--------|--------|--------|---------|---------|
|                                | 1995                   | 1996   | 1997   | 1998   | 1999   | 2000    | 2001    |
| Antigua and Barbuda            | 0                      | 0      | 0      | 0      | 66 023 | 0       | 0       |
| Barbados                       | 4 835                  | 4 265  | 6 569  | 6 260  | 5 869  | 5 670   | 8 072   |
| Belize                         | 29 766                 | 43 844 | 52 069 | 36 581 | 54 670 | 76 875  | 69 877  |
| Dominica                       | 430                    | 504    | 422    | 328    | 144    | 119     | 108     |
| Grenada                        | 6 822                  | 12     | 4 946  | 4 146  | 6 217  | 5 848   | 5 260   |
| Guyana                         | 0                      | 0      | 27 666 | 13 858 | 14 862 | 27 056  | 13 307  |
| Jamaica                        | 69 881                 | 75 917 | 71 293 | 99 768 | 99 364 | 105 951 | 108 204 |
| Saint Lucia                    | 549                    | 4 238  | 257    | 295    | 309    | 230     | 579     |
| Saint Kitts and Nevis          | 0                      | 0      | 0      | 233    | 74     | 162     | 97      |
| Saint Vincent & the Grenadines | 819                    | 747    | 772    | 679    | 513    | 661     | 344     |
| Trinidad and Tobago            | 18 494                 | 14 565 | 26 710 | 26 558 | 23 139 | 23 376  | 21 645  |

**Table 6: Commodities exported by Caribbean SIDS to the United States**

| Product HS-2                     | Export quantities (tonnes) |        |        |        |        |         |        |
|----------------------------------|----------------------------|--------|--------|--------|--------|---------|--------|
|                                  | 1995                       | 1996   | 1997   | 1998   | 1999   | 2000    | 2001   |
| 01. Live animals                 | 1                          | 0      | 8      | 13     | 13     | 12      | 33     |
| 02. Meat and edible meat         | 0                          | 42     | 17     | 67     | 12     | 59      | 26     |
| 03. Fish and crustaceans         | 5 980                      | 5 915  | 29 390 | 59 595 | 21 071 | 23 626  | 26 378 |
| 04. Dairy produce; birds         | 3 953                      | 24 703 | 21 107 | 16 657 | 310    | 436     | 312    |
| 05. Products of animal           | 0                          | 1      | 7      | 1      | 0      | 1       | 0      |
| 06. Live trees and other         | 311                        | 305    | 283    | 321    | 318    | 558     | 202    |
| 07. Edible vegetables an         | 1 825                      | 3 206  | 3 755  | 4 821  | 46 570 | 8202    | 6 613  |
| 08. Edible fruit and nut         | 8 554                      | 11 291 | 12 513 | 14 794 | 14 606 | 17 055  | 18 948 |
| 09. Coffee, tea and maté         | 1 824                      | 1 778  | 10 993 | 2 218  | 2 228  | 2 213   | 1 923  |
| 10. Cereals                      | 0                          | 14     | 137    | 6      | 184    | 1 999   | 160    |
| 11. Products of the mill         | 44                         | 84     | 64     | 163    | 69     | 138     | 70     |
| 12. Oil seeds and oleag.         | 11 926                     | 11 365 | 15 620 | 10 964 | 11 026 | 7 379   | 9 191  |
| 13. Lac, gums, and resins        | 0                          | 0      | 0      | 0      | 0      | 0       | 0      |
| 14. Vegetable plaiting materials | 11 189                     | 11 195 | 10     | 0      | 351    | 0       | 23     |
| 15. Animal or vegetable          | 51 357                     | 407    | 373    | 14 803 | 54 376 | 101 183 | 99 181 |
| 16. Preparations of meat         | 5                          | 7      | 13     | 11     | 8      | 10      | 7      |
| 17. Sugars and sugar con         | 8 431                      | 3 333  | 36 935 | 29 727 | 80 961 | 58 717  | 15 819 |
| 18. Cocoa and cocoa prep         | 2 400                      | 1 275  | 1 070  | 348    | 230    | 109     | 34     |
| 19. Preparations of cereals      | 1 467                      | 1 677  | 1 773  | 1 760  | 1 927  | 2 210   | 2 238  |
| 20. Preparations of vegetables   | 13 658                     | 17 571 | 27 997 | 10 762 | 18 070 | 14 598  | 1 616  |
| 21. Miscellaneous edible         | 2 151                      | 2 219  | 1 880  | 23 454 | 3 571  | 4 014   | 3 884  |
| 22. Beverages, spirits           | 13 099                     | 12 221 | 16 246 | 17 020 | 20 021 | 23 154  | 25 881 |
| 23. Residues and waste           | 1 041                      | 21     | 53     | 7      | 15     | 20      | 18     |
| 24. Tobacco manufactured         | 266                        | 270    | 406    | 427    | 179    | 130     | 57     |

**Table 7: Commodities exported by Caribbean SIDS to the United States**

| Product HS-2                     | Export values (US\$ 000) |        |        |        |        |        |        |
|----------------------------------|--------------------------|--------|--------|--------|--------|--------|--------|
|                                  | 1995                     | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   |
| 01. Live animals                 | 7                        | 3      | 245    | 107    | 97     | 179    | 259    |
| 02. Meat and edible meat         | 0                        | 12     | 40     | 100    | 32     | 92     | 33     |
| 03. Fish and crustacean          | 29 360                   | 27 680 | 51 892 | 44 762 | 57 994 | 63 830 | 51 622 |
| 04. Dairy produce; birds         | 11 887                   | 12 968 | 10 128 | 9 592  | 1 842  | 1 912  | 1 737  |
| 05. Products of animal           | 1                        | 3      | 36     | 7      | 5      | 2      | 1      |
| 06. Live trees and other         | 1 219                    | 1 327  | 1 056  | 1 114  | 1 439  | 1 888  | 1 094  |
| 07. Edible vegetables            | 1 033                    | 1 511  | 1 664  | 2 089  | 1 899  | 3 275  | 3 327  |
| 08. Edible fruit and nut         | 6 210                    | 8 923  | 7 396  | 8 600  | 10 317 | 11 745 | 11 601 |
| 09. Coffee, tea and maté         | 4 172                    | 3 187  | 6 223  | 4 800  | 6 881  | 6 995  | 5 539  |
| 10. Cereals                      | 0                        | 25     | 51     | 5      | 54     | 456    | 42     |
| 11. Products of the mill         | 100                      | 197    | 107    | 272    | 151    | 310    | 119    |
| 12. Oilseeds and oleag.          | 9 879                    | 10 466 | 10 792 | 12 407 | 12 009 | 9 783  | 12 670 |
| 13. Lac, gums and resins         | 0                        | 0      | 0      | 0      | 3      | 0      | 0      |
| 14. Vegetable plaiting materials | 1 488                    | 1 501  | 114    | 0      | 820    | 0      | 256    |
| 15. Animal or vegetable          | 15 782                   | 469    | 481    | 5 581  | 22 327 | 37 710 | 43 253 |
| 16. Preparations of meat         | 34                       | 51     | 47     | 46     | 50     | 45     | 38     |
| 17. Sugars and sugar             | 3 808                    | 17 654 | 30 520 | 22 008 | 23 369 | 18 565 | 17 980 |
| 18. Cocoa and cocoa prep         | 5 764                    | 1 799  | 1 646  | 848    | 567    | 245    | 59     |
| 19. Preparations of cereals      | 2 188                    | 3 061  | 2 987  | 3 250  | 3 628  | 4 290  | 4 555  |
| 20. Preparations of vegetables   | 11 021                   | 18 528 | 21 689 | 8 430  | 14 018 | 35 516 | 27 097 |
| 21. Miscellaneous edible         | 5 592                    | 9 422  | 6 441  | 12 469 | 12 075 | 13 451 | 14 359 |
| 22. Beverages, spirits           | 14 376                   | 15 177 | 25 124 | 22 794 | 24 863 | 26 507 | 30 763 |
| 23. Residues and waste           | 82                       | 50     | 43     | 15     | 7      | 7      | 39     |
| 24. Tobacco and manufactured     | 7 594                    | 10 079 | 11 981 | 29 411 | 10 781 | 9 149  | 1 049  |



**Table 8: SIDS exports to the EU**

| Country                          | Export quantities (tonnes) |         |         |         |         |         |         |         |         |
|----------------------------------|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                  | 1990/92                    | 1993/95 | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    |
| Antigua and Barbuda              | 3 477                      | 2 538   | 707     | 785     | 590     | 4 415   | 704     | 5 969   | 407     |
| Bahamas                          | 8 933                      | 7 566   | 8 016   | 9 355   | 24 445  | 29 517  | 40 878  | 31 729  | 46 701  |
| Bahrain                          | 368                        | 440     | 631     | 988     | 585     | 678     | 606     | 267     | 270     |
| Barbados                         | 52 619                     | 42 723  | 58 867  | 64 582  | 51 600  | 54 820  | 58 866  | 53 440  | 42 361  |
| Belize                           | 72 134                     | 105 825 | 130 390 | 134 933 | 153 937 | 226 656 | 179 592 | 119 035 | 117 282 |
| Cape Verde                       | 4 002                      | 1 114   | 1 015   | 575     | 4 066   | 755     | 310     | 94      | 142     |
| Comoros                          | 934                        | 643     | 402     | 1 100   | 560     | 679     | 1 022   | 534     | 630     |
| Cook Islands                     | 0                          | 0       | 0       | 0       | 0       | 0       | 0       | 3       | 81      |
| Cuba                             | 411 836                    | 338 332 | 319 149 | 287 315 | 219 735 | 254 158 | 302 590 | 187 079 | 266 383 |
| Dominica                         | 58 488                     | 49 369  | 40 031  | 37 807  | 29 893  | 30 111  | 31 600  | 21 113  | 20 793  |
| Dominican Republic               | 61 713                     | 123 212 | 107 612 | 94 047  | 99 444  | 71 582  | 91 082  | 123 835 | 137 316 |
| Micronesia (Federated States of) | 6                          | 35      | 0       | 0       | 140     | 145     | 0       | 0       | 21      |
| Fiji                             | 221 571                    | 221 395 | 230 286 | 177 200 | 177 018 | 246 166 | 235 977 | 185 019 | 170 238 |
| Grenada                          | 9 687                      | 7 573   | 4 808   | 3 507   | 3 512   | 3 520   | 3 108   | 3 146   | 3 022   |
| Guinea-Bissau                    | 11 699                     | 12 785  | 16 791  | 12 073  | 7 956   | 3 807   | 6 338   | 4 896   | 5 586   |
| Guyana                           | 215 567                    | 228 398 | 252 976 | 273 339 | 310 693 | 383 296 | 365 406 | 332 695 | 320 029 |
| Haiti                            | 13 178                     | 11 772  | 13 230  | 11 081  | 11 661  | 9 532   | 10 568  | 10 161  | 6 398   |
| Jamaica                          | 220 446                    | 240 938 | 270 275 | 250 087 | 235 480 | 242 891 | 223 237 | 219 602 | 197 703 |
| Kiribati                         | 1 928                      | 2 084   | 4       | 1       | 2 159   | 9       | 0       | 140     | 40      |
| Maldives                         | 5 397                      | 6 023   | 5 562   | 5 515   | 6 268   | 3 466   | 6 929   | 6 554   | 5 807   |
| Marshall Islands                 | 0                          | 7       | 2       | 11      | 24      | 181     | 1       | 39      | 38      |
| Mauritius                        | 644 640                    | 584 819 | 664 128 | 636 193 | 686 587 | 612 619 | 482 513 | 591 044 | 644 780 |
| Nauru                            | 189                        | 45      | 1       | 44      | 30      | 0       | 22      | 134     | 8       |
| Niue                             | 0                          | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       |
| Palau                            | 0                          | 0       | 27      | 54      | 18      | 6       | 105     | 13      | 0       |
| Papua New Guinea                 | 258 915                    | 306 663 | 327 375 | 324 690 | 310 338 | 408 409 | 426 818 | 444 386 | 446 840 |
| Sao Tome and Principe            | 3 210                      | 3 630   | 4 344   | 4 009   | 5 533   | 6 827   | 8 392   | 4 166   | 3 127   |
| Seychelles                       | 35 814                     | 8 618   | 9 658   | 19 608  | 24 933  | 38 838  | 53 183  | 66 403  | 87 107  |
| Solomon Islands                  | 24 911                     | 35 511  | 27 709  | 27 184  | 38 875  | 24 006  | 10 211  | 5 029   | 931     |
| Saint Kitts and Nevis            | 17 540                     | 21 224  | 16 123  | 23 614  | 15 838  | 21 196  | 17 405  | 22 482  | 20 606  |
| Saint Lucia                      | 119 215                    | 103 874 | 108 098 | 72 447  | 71 825  | 67 313  | 73 996  | 35 826  | 50 651  |
| Saint Vincent & the Grenadines   | 74 467                     | 47 058  | 47 040  | 33 298  | 41 753  | 38 845  | 44 538  | 32 769  | 33 220  |
| Suriname                         | 77 822                     | 49 348  | 36 411  | 79 080  | 74 908  | 71 564  | 82 480  | 79 079  | 61 960  |
| Tonga                            | 37                         | 412     | 8       | 680     | 8       | 223     | 27      | 119     | 327     |
| Trinidad and Tobago              | 64721                      | 67 220  | 67 182  | 83 259  | 60 616  | 67 477  | 83 345  | 69 880  | 71 551  |
| Tuvalu                           | 33                         | 18      | 39      | 25      | 41      | 20      | 3       | 12      | 19      |
| Vanuatu                          | 32 288                     | 14 843  | 11 301  | 42 064  | 33 419  | 24 985  | 11 556  | 4 303   | 7 843   |
| Samoa                            | 2 804                      | 384     | 3 876   | 6 198   | 9 595   | 5 364   | 5 650   | 2 517   | 26      |

**Table 9: SIDS total exports to the EU**

| Country                          | Export values (000 US\$) |               |         |         |         |         |         |         |         |
|----------------------------------|--------------------------|---------------|---------|---------|---------|---------|---------|---------|---------|
|                                  | 1990/<br>1992            | 1993/<br>1995 | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    |
| Antigua and Barbuda              | 2 650                    | 1 839         | 1 127   | 1 710   | 930     | 2 451   | 1 443   | 4 456   | 1 262   |
| Bahamas                          | 67 341                   | 67 564        | 100 257 | 12 4830 | 166 471 | 27 0932 | 327 462 | 315 033 | 369 675 |
| Bahrain                          | 799                      | 2 122         | 3 497   | 6 322   | 2 342   | 622     | 838     | 695     | 734     |
| Barbados                         | 34 767                   | 31 261        | 42 148  | 44 684  | 35 700  | 35 544  | 31 935  | 30 464  | 26 663  |
| Belize                           | 47 990                   | 85 232        | 99 318  | 91 223  | 104 628 | 151 673 | 122 622 | 65 208  | 56 891  |
| Cape Verde                       | 4 362                    | 2 383         | 2 345   | 1 735   | 1 982   | 1 977   | 1 011   | 234     | 201     |
| Comoros                          | 8 708                    | 5 303         | 2 305   | 3 713   | 4 125   | 4 290   | 5 586   | 16 171  | 13 734  |
| Cook Islands                     | 0                        | 0             | 0       | 0       | 0       | 0       | 0       | 15      | 66      |
| Cuba                             | 221 162                  | 225 268       | 254 983 | 248 193 | 256 750 | 259 350 | 265 696 | 256 443 | 260 586 |
| Dominica                         | 45 645                   | 32 950        | 28 555  | 30 918  | 25 790  | 25 693  | 20 472  | 13 677  | 14 267  |
| Dominican Republic               | 59 216                   | 100 775       | 109 892 | 105 686 | 121 911 | 94 846  | 92 067  | 120 393 | 158 831 |
| Micronesia (Federated States of) | 16                       | 64            | 0       | 0       | 239     | 865     | 0       | 0       | 12      |
| Fiji                             | 134 234                  | 133 453       | 167 126 | 117 390 | 118 758 | 147 457 | 116 318 | 90 266  | 84 672  |
| Grenada                          | 11 285                   | 7 660         | 6 734   | 8 286   | 9 874   | 13 429  | 12 281  | 12 695  | 11 479  |
| Guinea-Bissau                    | 5 524                    | 17 998        | 31 261  | 13 000  | 10 326  | 6 435   | 3 441   | 2 751   | 4 411   |
| Guyana                           | 135 306                  | 146 354       | 173 860 | 159 306 | 165 533 | 181 068 | 155 127 | 141 015 | 132 360 |
| Haiti                            | 20 270                   | 19 936        | 27 706  | 24 400  | 27 194  | 15 739  | 14 356  | 12 099  | 7 980   |
| Jamaica                          | 176 596                  | 188 470       | 205 315 | 201 128 | 182 908 | 174 413 | 137 251 | 135 588 | 130 065 |
| Kiribati                         | 668                      | 734           | 41      | 2       | 1 191   | 21      | 0       | 78      | 24      |
| Maldives                         | 15 619                   | 16 552        | 17 206  | 17 429  | 21 790  | 9 207   | 13 923  | 14 113  | 14 405  |
| Marshall Islands                 | 0                        | 20            | 8       | 21      | 22      | 251     | 16      | 76      | 190     |
| Mauritius                        | 370 822                  | 391 468       | 457 654 | 412 711 | 437 331 | 363 186 | 263 025 | 349 081 | 384 281 |
| Nauru                            | 130                      | 60            | 2       | 195     | 158     | 0       | 16      | 89      | 11      |
| Niue                             | 0                        | 0             | 0       | 0       | 0       | 0       | 0       | 0       | 0       |
| Palau                            | 0                        | 0             | 41      | 77      | 30      | 40      | 90      | 58      | 0       |
| Papua New Guinea                 | 163 109                  | 261 050       | 296 062 | 327 303 | 318 534 | 340 779 | 225 709 | 180 009 | 222 732 |
| Sao Tome and Principe            | 3 722                    | 4 673         | 5 941   | 6 874   | 9 515   | 8 979   | 11 173  | 4 654   | 5 155   |
| Seychelles                       | 52 824                   | 19 397        | 32 183  | 74 301  | 90 480  | 119 285 | 132 593 | 159 497 | 212 924 |
| Solomon Islands                  | 23 769                   | 36 658        | 31 378  | 35 250  | 39 128  | 29 632  | 11 534  | 3 928   | 983     |
| Saint Kitts and Nevis            | 10 769                   | 12 428        | 10 649  | 14 737  | 9 083   | 10 191  | 8 415   | 10 412  | 10 382  |
| Saint Lucia                      | 97 770                   | 74 387        | 80 031  | 54 627  | 58 135  | 55 205  | 48 652  | 22817   | 34 468  |
| Saint Vincent & the Grenadines   | 64 158                   | 34 057        | 35 439  | 27 638  | 36 220  | 32 884  | 29 774  | 20 440  | 22 544  |
| Suriname                         | 50 699                   | 45 904        | 38 906  | 54 674  | 54 084  | 58 864  | 58 735  | 51 976  | 43 393  |
| Tonga                            | 206                      | 358           | 650     | 407     | 183     | 644     | 347     | 154     | 1 105   |
| Trinidad and Tobago              | 106 881                  | 105 892       | 119 003 | 181 004 | 158 822 | 52 539  | 39 179  | 32 642  | 35 241  |
| Tuvalu                           | 125                      | 29            | 59      | 68      | 90      | 29      | 14      | 51      | 6       |
| Vanuatu                          | 13 582                   | 8 154         | 8 867   | 23 131  | 17 366  | 14 078  | 5 393   | 1 956   | 3 634   |
| Samoa                            | 1 101                    | 312           | 2 021   | 3 722   | 4 824   | 2 987   | 2 522   | 1 092   | 147     |

**Table 10: Commodities exported by SIDS to the EU**

| Product at HS-2 level                  | Export quantities tonnes |         |         |         |         |         |         |         |         |
|--|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
|  | 1990/92                  | 1993/95 | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    |
| 01. Live animals                       | 2 762                    | 4 551   | 8 164   | 5991    | 7270    | 6 536   | 10 129  | 11 557  | 13 989  |
| 02. Meat and edible meat               | 507                      | 866     | 818     | 493     | 286     | 1 335   | 255     | 354     | 199     |
| 03. Fish and crustaceans               | 124 382                  | 112 899 | 141 568 | 159 414 | 169 043 | 197 603 | 174 746 | 137 036 | 170 417 |
| 04. Dairy produce; birds               | 6 891                    | 4 503   | 4 543   | 5 756   | 7 150   | 5 248   | 5 514   | 6 312   | 5 667   |
| 05. Products of animal                 | 5 154                    | 4 714   | 5 578   | 3 507   | 3 380   | 3 555   | 2 530   | 2 951   | 2 353   |
| 06. Live trees and other               | 6 657                    | 6 687   | 6 993   | 6 515   | 9 711   | 5 338   | 4 202   | 3 952   | 3 848   |
| 07. Edible vegetables                  | 9 803                    | 11 735  | 12 347  | 12 560  | 13 908  | 12 847  | 11 904  | 13 220  | 14 769  |
| 08. Edible fruit and nut (ex. bananas) | 40 354                   | 36 150  | 47 544  | 40 791  | 34 699  | 35 920  | 27 688  | 35 438  | 27 716  |
| Bananas                                | 309 366                  | 302 363 | 301 868 | 251 228 | 241 663 | 239 729 | 220 076 | 172 879 | 183 461 |
| 09. Coffee, tea, maté                  | 115 658                  | 171 058 | 175 381 | 211 752 | 213 320 | 169 706 | 122 837 | 99 895  | 86 420  |
| 10. Cereals                            | 35 347                   | 18 815  | 2 366   | 36 268  | 53 563  | 47 822  | 40 885  | 38 915  | 38 631  |
| 11. Products of the mill               | 403                      | 530     | 812     | 844     | 593     | 263     | 204     | 186     | 171     |
| 12. Oilseeds and oleagi.               | 16 931                   | 18 196  | 26 775  | 44 784  | 49 625  | 36 933  | 27 694  | 9 963   | 7 886   |
| 13. Lac; gums, resins                  | 471                      | 214     | 4       | 131     | 433     | 478     | 1 117   | 539     | 367     |
| 14. Vegetable plaiting                 | 1 172                    | 719     | 541     | 796     | 490     | 218     | 48      | 53      | 91      |
| 15. Animal or vegetable                | 75 675                   | 126 144 | 158 721 | 148 846 | 162 635 | 196 601 | 121 444 | 108 365 | 148 819 |
| 16. Preparations of meat               | 102 082                  | 126 238 | 158 933 | 160 120 | 167 689 | 184 739 | 183 417 | 215 141 | 267 502 |
| 17. Sugars and sugar (ex. raw sugar)   | 44 340                   | 30 393  | 36 692  | 22 679  | 12 310  | 15 343  | 14 279  | 2 853   | 13 509  |
| Raw sugar                              | 732 864                  | 781 506 | 923 483 | 806 599 | 791 462 | 779 482 | 614 091 | 615 646 | 638 853 |
| 18. Cocoa and cocoa prep.              | 39 828                   | 35 320  | 34 487  | 33 328  | 40 654  | 27 990  | 21 059  | 29 091  | 37 977  |
| 19. Preparations of cereals            | 930                      | 373     | 384     | 1 941   | 1 788   | 1 852   | 2 015   | 1 923   | 2 484   |
| 20. Preparations of vegetable          | 12 831                   | 27 372  | 47 950  | 42 217  | 53 549  | 65 313  | 70 226  | 68 868  | 47 672  |
| 21. Miscellaneous edible               | 1 480                    | 1 972   | 3 336   | 3 893   | 5 046   | 4 419   | 5 515   | 4 815   | 6 902   |
| 22. Beverages, spirits                 | 159 466                  | 160 915 | 184 014 | 272 813 | 304 738 | 309 493 | 338 079 | 338 406 | 391 167 |
| 23. Residues and waste                 | 3 261                    | 2 182   | 1 322   | 4 518   | 2 168   | 7 548   | 5 799   | 7 975   | 4 230   |
| 24. Tobacco and manufactured           | 94 263                   | 81 969  | 89 517  | 117 116 | 128 391 | 114 064 | 110 306 | 119 019 | 124 864 |
| 41. Raw hides and skins                | 2 187                    | 3 227   | 1 299   | 5 341   | 2 811   | 1 162   | 7 559   | 10 618  | 12 138  |
| 44. Wood and articles of wood          | 6 755                    | 9 153   | 17 131  | 16 455  | 14 069  | 14 048  | 15 396  | 14 353  | 13 412  |

**Table 11: Commodities exported by SIDS to the EU**

| Product at HS-2 level                  | Export Quantities (000 \$) |           |           |           |           |           |           |           |           |
|--|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 1990/92                    | 1993/95   | 1996      | 1997      | 1998      | 1999      | 2000      | 2001      | 2002      |
| 01. Live animals                       | 39                         | 40        | 54        | 40        | 49        | 42        | 105       | 73        | 55        |
| 02. Meat and edible meat               | 178                        | 305       | 324       | 200       | 132       | 269       | 122       | 113       | 73        |
| 03. Fish and crustaceans               | 43 042                     | 29 025    | 38 066    | 39 691    | 39 825    | 62 056    | 59 440    | 39 374    | 43 821    |
| 04. Dairy produce; birds               | 6 810                      | 11 735    | 3 433     | 3 701     | 4 527     | 4 236     | 5497      | 5 967     | 4 432     |
| 05. Products of animal                 | 627                        | 297       | 470       | 416       | 333       | 392       | 316       | 318       | 327       |
| 06. Live trees and other               | 2 253                      | 2 270     | 2 463     | 1 999     | 2 475     | 2 268     | 2 172     | 2 161     | 2 433     |
| 07. Edible vegetables                  | 7 311                      | 7 602     | 11 953    | 8 597     | 9 385     | 9 174     | 9 668     | 10 718    | 11 377    |
| 08. Edible fruit and nut (ex. bananas) | 69 692                     | 72 419    | 81 394    | 75 619    | 58 829    | 58 314    | 56 036    | 60 158    | 49 648    |
| Bananas                                | 391 799                    | 423 156   | 426 441   | 345 267   | 329 862   | 320 807   | 348 238   | 293 710   | 282 877   |
| 09. Coffee, tea, maté                  | 58 624                     | 63 087    | 66 694    | 54 100    | 69 135    | 71 824    | 56 429    | 52 770    | 45 075    |
| 10. Cereals                            | 75 879                     | 47 287    | 5 030     | 91 867    | 138 209   | 135 598   | 135 043   | 132 499   | 136 310   |
| 11. Products of the mill               | 255                        | 420       | 321       | 300       | 230       | 160       | 168       | 37        | 30        |
| 12. Oilseeds and oleagi.               | 56 601                     | 43 678    | 55 309    | 91 632    | 86 708    | 62 360    | 69 837    | 28 567    | 23 545    |
| 13. Lac; gums, resins                  | 23                         | 41        | 1         | 156       | 560       | 802       | 750       | 989       | 291       |
| 14. Vegetable plaiting                 | 780                        | 441       | 403       | 763       | 366       | 248       | 30        | 46        | 91        |
| 15. Animal or vegetable                | 192 041                    | 241 085   | 245 689   | 245 323   | 248 523   | 324 744   | 308 877   | 381 679   | 389 935   |
| 16. Preparations of meat               | 28 651                     | 35 881    | 41 070    | 46 193    | 47 603    | 62 146    | 76 828    | 84 398    | 98 967    |
| 17. Sugars and sugar (ex. raw sugar)   | 410 781                    | 254 156   | 273 939   | 186 490   | 133 434   | 183 276   | 178 618   | 4 820     | 143 359   |
| Raw sugar                              | 1 247 449                  | 1 274 014 | 1 378 346 | 1 325 897 | 1 344 152 | 1 418 583 | 1 303 231 | 1 317 944 | 1 315 366 |
| 18. Cocoa and cocoa prep               | 30 086                     | 26 291    | 23 100    | 21 765    | 23 048    | 18 766    | 18 468    | 24 686    | 22 444    |
| 19. Preparations of cereals            | 611                        | 202       | 205       | 1 154     | 1 088     | 1 069     | 1 208     | 1 144     | 1 470     |
| 20. Preparations of vegetable          | 7 185                      | 18 254    | 35 693    | 47 006    | 56 673    | 65 187    | 67 576    | 72 695    | 45 272    |
| 21. Miscellaneous edible               | 789                        | 977       | 1 368     | 1 737     | 2 078     | 2 007     | 3 166     | 2 108     | 2 841     |
| 22. Beverages, spirits                 | 44 857                     | 45 470    | 41 258    | 57 018    | 64 365    | 70 107    | 69 808    | 70 182    | 81 610    |
| 23. Residues and waste                 | 18 930                     | 12 257    | 5 325     | 21 846    | 13 675    | 42 305    | 39 440    | 38 339    | 21 846    |
| 24. Tobacco and manufactured           | 19 579                     | 11 606    | 12 175    | 15 651    | 12 722    | 10 791    | 9 771     | 12 248    | 11 314    |
| 41. Raw hides and skins                | 547                        | 1 991     | 474       | 1 389     | 729       | 187       | 5 780     | 5 837     | 6 235     |
| 44. Wood and articles of wood          | 15 175                     | 22 450    | 33 076    | 30 931    | 25 370    | 26 356    | 32 435    | 29 931    | 29 200    |

## ANNEX IV

**Table 1: Value/rent of preference granted by the EU to SIDS by Product under EU/ACP trade preferences**

| Commodities                          | Values in US\$ 000 |                |                |                |                |                |                |                |
|--------------------------------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                      | 1990/91            | 1992/93        | 1994/95        | 1996/97        | 1998/99        | 2000           | 2001           | 2002           |
| Live animals                         | 202                | 239            | 373            | 482            | 401            | 500            | 585            | 15             |
| Meat and edible meat                 | 48                 | 125            | 244            | 251            | 74             | 59             | 43             | 16             |
| Fish and crustaceans, molluscs       | 14 703             | 7 512          | 13 863         | 16 065         | 16 187         | 15 715         | 12 921         | 14 964         |
| Dairy produce; birds eggs;           | 26                 | 20             | 245            | 228            | 102            | 4              | 85             | 8              |
| Products of animal origin,           | 47                 | 39             | 18             | 10             | 18             | 13             | 25             | 18             |
| Live trees and other plants;         | 816                | 834            | 875            | 751            | 682            | 284            | 242            | 275            |
| Edible vegetables and certain roots  | 695                | 844            | 1 441          | 1 204          | 749            | 669            | 739            | 752            |
| Edible fruit and nuts ( ex. bananas) | 1 111              | 1 857          | 971            | 1 505          | 1 234          | 987            | 942            | 1 024          |
| Bananas                              | 35 204             | 39 961         | 39 129         | 34 944         | 26 834         | 23 961         | 19 845         | 20 015         |
| Coffee, tea, maté and spices         | 6 538              | 5 278          | 9 116          | 6 343          | 3 598          | 668            | 1 288          | 1 325          |
| Cereals                              | 0                  | 0              | 3 877          | 10 743         | 19 343         | 11 806         | 11 666         | 15 355         |
| Products of the milling industry;    | 0                  | 1              | 43             | 14             | 6              | 12             | 2              | 2              |
| Oilseeds and oleaginous fruits;      | 39                 | 70             | 57             | 89             | 333            | 124            | 105            | 40             |
| Lac; gums, resins                    | 29                 | 6              | 8              | 1              | 3              | 25             | 1              | 8              |
| Vegetable plaiting materials         | 0                  | 0              | 0              | 0              | 0              | 0              | 0              | 0              |
| Animal or vegetable fats             | 3 540              | 5 546          | 7 860          | 8 826          | 7315           | 5 429          | 4 540          | 6 259          |
| Preparations of meat, of fish        | 17 508             | 19 096         | 28 418         | 33 464         | 48 307         | 45 255         | 51 666         | 63 925         |
| Sugars and sugar confectionery       | 39                 | 38             | 1 670          | 4 875          | 3142           | 2 261          | 1 319          | 26             |
| Raw cane sugar                       | 403 879.4          | 505 248        | 437 477        | 507 167.3      | 538 283        | 367 248.6      | 366 617.4      | 442 364.1      |
| Cocoa and cocoa preparations         | 1 260              | 1 140          | 1 040          | 784            | 419            | 87             | 92             | 90             |
| Preparations of cereals,             | 144                | 371            | 102            | 54             | 74             | 71             | 70             | 218            |
| Preparations of vegetables           | 1 515              | 2 041          | 5 336          | 7 449          | 7 826          | 4 439          | 4 417          | 2 830          |
| Miscellaneous edible preparations    | 210                | 235            | 315            | 612            | 585            | 591            | 540            | 305            |
| Beverages, spirits and vinegar       | 4 467              | 5 327          | 4 955          | 4 446          | 5 471          | 4 438          | 4 234          | 4 374          |
| Residues and waste                   | 6                  | 4              | 1 837          | 789            | 483            | 1 209          | 11 194         | 882            |
| Tobacco and manuf. tobacco           | 6 411              | 9 561          | 6 638          | 8 902          | 10 327         | 6 474          | 8 018          | 10 272         |
| Raw hides and skins                  | 38                 | 25             | 32             | 98             | 29             | 84             | 98             | 276            |
| Wood and articles of wood;           | 61                 | 129            | 353            | 717            | 536            | 630            | 388            | 324            |
| <b>Total</b>                         | <b>498 538</b>     | <b>605 548</b> | <b>566 292</b> | <b>650 810</b> | <b>692 364</b> | <b>493 044</b> | <b>501 682</b> | <b>585 961</b> |

**Table 2: Value of preferences granted under the United States GSP (000 US\$)  
by individual product for all SIDS**

| Product                            | 1996            | 1997         | 1998       | 1999       | 2000       | 2001       | 2002       | 2003       |
|------------------------------------|-----------------|--------------|------------|------------|------------|------------|------------|------------|
| Live animals                       | 0.12            | 0.91         | 0.32       | 0.04       | 0.10       | 0.86       | 0.97       | 0.26       |
| Dairy produce; birds eggs          | 0.05            | 0.00         | 0.14       | 0.02       | 0.00       | 0.00       | 0.00       | 0.00       |
| Products of animal origin          | 0.00            | 0.00         | 0.00       | 0.00       | 0.00       | 0.00       | 0.03       | 0.03       |
| Live trees and other plants; bulbs | 6.70            | 9.14         | 7.51       | 4.02       | 2.09       | 10.62      | 0.98       | 1.50       |
| Edible vegetables and certain      | 20.04           | 52.42        | 70.63      | 35.69      | 84.54      | 103.29     | 81.19      | 137.66     |
| Edible fruit and nuts              | 10.87           | 24.47        | 3.69       | 3.15       | 25.61      | 49.17      | 2.80       | 18.93      |
| Coffee, tea, maté and spices       | 0.33            | 0.17         | 2.40       | 3.61       | 1.09       | 2.92       | 0.97       | 0.64       |
| Products of the milling industry   | 0.00            | 0.00         | 0.00       | 0.00       | 6.20       | 9.32       | 5.43       | 6.71       |
| Oil seeds and oleaginous fruits    | 0.00            | 0.00         | 0.00       | 0.00       | 0.13       | 0.25       | 0.00       | 0.00       |
| Lac; gums, resins                  | 0.02            | 0.65         | 12.11      | 1.48       | 1.24       | 2.70       | 0.00       | 1.37       |
| Animal or vegetable fats and oils  | 0.00            | 0.68         | 0.38       | 1.64       | 0.00       | 0.69       | 0.00       | 3.39       |
| Sugars and sugar confectionery     | 2 475.10        | 2 112.11     | 175.97     | 454.18     | 264.39     | 283.98     | 325.97     | 245.01     |
| Cocoa and cocoa preparations       | 0.00            | 0.00         | 0.38       | 0.00       | 0.00       | 0.00       | 0.00       | 0.17       |
| Preparations of cereals, flour     | 16.87           | 37.03        | 11.93      | 31.97      | 53.57      | 71.98      | 3.62       | 27.35      |
| Preparations of vegetables, fruit  | 16.32           | 46.04        | 47.08      | 37.69      | 53.79      | 69.63      | 61.53      | 88.48      |
| Miscellaneous edible preparations  | 32.25           | 47.90        | 78.22      | 46.34      | 116.16     | 122.98     | 29.17      | 83.80      |
| Beverages, spirits and vinegar     | 26.12           | 36.34        | 45.62      | 47.65      | 52.10      | 116.18     | 117.37     | 228.93     |
| Tobacco and manuf. tobacco         | 1.41            | 1.05         | 0.66       | 0.33       | 0.00       | 9.38       | 0.00       | 0.04       |
| <b>Total</b>                       | <b>2 606.00</b> | <b>2 369</b> | <b>457</b> | <b>668</b> | <b>661</b> | <b>854</b> | <b>630</b> | <b>844</b> |

**Table 3: Value of preferences granted under CBERA by the United States in (000 US\$)  
by individual product**

| Product                                  | 1996          | 1997          | 1998          | 1999          | 2000          | 2001          | 2002          | 2003          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Dairy produce; birds eggs; natural honey | 172           | 147           | 193           | 165           | 185           | 173           | 214           | 187           |
| Products of animal origin                | 32            | 38            | 34            | 40            | 39            | 32            | 26            | 19            |
| Live trees and other plants; bulbs       | 249           | 181           | 148           | 131           | 117           | 119           | 140           | 105           |
| Edible vegetables and certain            | 1 808         | 1 717         | 1 872         | 1 635         | 1 492         | 1 641         | 1 400         | 1 239         |
| Edible fruit and nuts;                   | 3 871         | 4 749         | 2 822         | 3 973         | 3 870         | 3 711         | 4 552         | 4 292         |
| Coffee, tea, maté and spices             | 17            | 12            | 12            | 17            | 17            | 29            | 26            | 32            |
| Cereals                                  | 6             | 2             | 0             | 2             | 11            | 1             | 0             | 0             |
| Products of the milling                  | 37            | 23            | 20            | 16            | 7             | 2             | 1             | 1             |
| Oil seeds and oleaginous fruits          | 184           | 96            | 1             | 1             | 10            | 1             | 1             | 1             |
| Lac; gums, resins and                    | 14            | 10            | 14            | 33            | 51            | 61            | 72            | 60            |
| Animal or vegetable fats and oils        | 32            | 16            | 29            | 26            | 32            | 38            | 40            | 40            |
| Preparations of meat, of fish            | 90            | 82            | 5             | 0             | 0             | 0             | 0             | 0             |
| Sugars and confectionery                 | 4 201         | 5 409         | 4 661         | 2 779         | 2 974         | 3 058         | 2 756         | 2 712         |
| Cocoa                                    | 30            | 40            | 43            | 26            | 35            | 29            | 42            | 31            |
| Preparations of cereals                  | 133           | 109           | 131           | 86            | 100           | 98            | 140           | 226           |
| Preparations of vegetables               | 6 820         | 6 710         | 4 789         | 6 372         | 9 958         | 9 619         | 6 409         | 5 771         |
| Miscellaneous edible                     | 1 475         | 1 253         | 1 411         | 1 486         | 1 305         | 1 921         | 2 183         | 1 881         |
| Beverages, spirits and vinegar           | 2 143         | 2 205         | 1 552         | 2 282         | 2 465         | 3 479         | 2 796         | 2 425         |
| Residues and waste                       | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Tobacco and manufactured. tobacco        | 5 834         | 10 300        | 8 451         | 6 732         | 5 448         | 5 031         | 4 506         | 4 911         |
| <b>Total</b>                             | <b>27 100</b> | <b>33 100</b> | <b>26 200</b> | <b>25 800</b> | <b>28 100</b> | <b>29 000</b> | <b>25 300</b> | <b>23 900</b> |

Source: Authors' computation