A History of Political and Economic Relations between Europe and Former Pacific Island Colonies

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Submitted to the Faculty of Arts and Social Sciences in Fulfilment of the Requirements for the Degree of Doctor of Philosophy

2014

Certificate of Original Authorship

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.
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Shashi Meera Sharma
2014

Acknowledgements

My first thanks go to my supervisors, Kate Barclay and Devleena Ghosh of the Faculty of Arts and Social Sciences at the University of Technology, Sydney, for your guidance and endless comments, which have been very helpful in making the final product come together the way it has. Your patience, encouragement, and immense knowledge were key motivations throughout my PhD. I am truly thankful for your steadfast integrity and dedication to both my personal and academic development. I cannot think of better supervisors to have. My written work was returned promptly with helpful comments, and I was able to make an appointment or have an email conversation when I felt I needed guidance. You told me honestly if my work needed improvements and sent them back to me to try again, and praised me extravagantly when I got it right. I must also record my thanks to former supervisors, Sandra Tarte and Ian Campbell, of the University of the South Pacific, both of whom helped to formulate my early thinking on this topic. Also a thank you must go to Ron Duncan for inspiring me initially at the University of the South Pacific. I remember you telling me that the journey will be long testing my determination and patience. I am very grateful to the academics here in Australia and abroad for talking with me about my research and suggesting helpful readings and contacts. They are John Ravenhill, Edward Wolfers, Greg Fry, Stewart Firth, Kate Hannan, Roman Grynberg, Satish Chand, and James Goodman.

I am particularly indebted to all my interviewees. For reasons of confidentiality I cannot list your names but if you ever read this, you will know who you are; European Union officials, African, Caribbean and the Pacific (ACP) Secretariat officials, former and current Pacific Island government officials, Fiji's sugar industry officials, sugar cane farmers, and Australian and Fijian people. You generously gave your time and shared your views and knowledge. Special thanks must go to Fiji's sugar industry officials who helped me access the industry's files, and provided transport and meals during my stay in Lautoka. Your warm hospitality made my stay in Lautoka one I will never forget for personal, as well as professional reasons. Thank you Vinesh for arranging my interviews with the Fijian sugar industry stakeholders and government officials.

The thesis spent time gestating initially in the Department of Political Science and History at the University of the South Pacific in Suva, the Europe Centre at the Australian National University in Canberra and the National Centre for Research on Europe at the University of Canterbury in Christchurch. My sincere thanks to the academics and the fellow graduate students of these institutions. I acknowledge with thanks the provision of the University of the South Pacific's research funds, which assisted my trip to the University of Canterbury, and the scholarship provided by the Europe Centre of the Australian National University which assisted me in undertaking field work for this project. Special thanks to fellow graduate students, Ashwin and Avinash for looking after me during my stay at ANU.

My gratitude also goes to my fellow PhD students at the University of Technology Sydney: Ben, Nipa, Barbara, Sameer, George, Amina, Irna, Sandriz, Shaonee, Vassiliki, Adam, Bong, Huong, Jean and Mai. Thank you for your continued friendship, support, motivation, hugs, chats, laughs, lunches and cups of tea along the way. Thanks Barbara, Ben and Sameer for editing parts of the thesis, for being thorough in giving me valuable insights. Thanks Ben for your kindness and motivation, and your willingness to listen to me whenever I wanted to talk. Your personal cheering is greatly appreciated. Adam your kind support in assisting in the tidying up process of the whole thesis is greatly appreciated. Meaghan, I am so grateful to your generous support in neatening several parts of the thesis. Thanks Nipa for preparing fantastic salads. Your sense of humour remains unmatched at this university. Sameer, thanks for brewing the aromatic tea and steaming carrots and asparagus for lunch. Shaonee and Amina, thanks for preparing the authentic cuisines during our "breaking the shackles" lunches. Irna and Sandriz, you have so much drive and motivation and made sure that Level 8 was always high in spirit. I wish you all good luck with your PhDs. On a more personal note, I would like to particularly thank John for not only the commenting and editing that helped me improve my work, but also for the more personal and practical discussions that greatly increased my work pleasure and significantly eased the challenge of finishing this thesis. Your support and encouragement during some of the most unhappy and low-spirited times is greatly appreciated. You have immense patience and are truly amazing. Thank you.

Special thanks to my sisters, Priya, and Kiran, my brother, Prakash, and brother-in law, Anish. You have been encouraging and enlightening. Thanks for the champagnes and wines and dinners. Avanee, Daivya, Aqib, and Isha, I hope this thesis will be of much inspiration to you all. Huge thanks to my adoptive Australian parents, Fae and Ralph. You have been so concerned and loving. Fae you have been eagerly waiting to see the end of it. Here it is! I would also like to thank my close relatives and friends for their love and encouragement throughout. They are Nileshni and Kris, Shobna, Sashi, Gyanendra, Navin, Tui, and Robin. The *Ramayan* club has been incredible. I always look forward to the gatherings. It gave me immense tranquillity and serenity. Thank you, Rakesh and Anita for hosting every month, the hospitality and the great dinners you have been providing. I must single out Soni, Kamal, Vishi, and Anita for your kindness and constant support for helping my family settle here in Sydney.

This acknowledgment would not be complete without giving thanks to my parents, Ram Asre and Sant Kumari. Both have instilled many admirable qualities in me and given me a good foundation with which to meet life. You have taught me about hard work and self-respect, about persistence and about how to be independent. Dad, especially, was a great role model of resilience, strength and character. Although you spent your entire life on the farm and struggled to meet our schooling expenses, the importance of education never slipped off your mind. You were incredibly ahead of your time with unstoppable determination. Mum, had you not been there babysitting, I would not have come this far academically. I am grateful to you both and for the "smart genes" you passed on to me. I am proud to be your daughter. Sadly, you are not here to see me finish this book. Mum you said "goodbye" suddenly when I was preparing for my doctoral assessment during my second year. Coming to terms with your departure took a while. Today, you would have been so proud.

Finally, many thanks to my family for their patience, support and impetus to finish this task. The transition from Suva to Sydney to commence this project at UTS was not easy. It was even harder leaving home for good with the plan to take up residency in Australia. My hands were already full with my three little angels, Sonali, Shyamli, and Sylvie. Many times, I was torn, in juggling to balance my role as a mother with that of a demand of the doctoral degree. It was difficult to provide you with every support you needed and fulfil all your wishes. But it was equally difficult to relinquish control over you and go off to work as detached as possible. I was not always there to receive you from school, listen to your proud achievements, and help you with

your homework. I was not with you at the dinner table most evenings. The most difficult of all challenges was the emotional challenge. I have felt guilty. Guilt was the biggest problem, guilt about not being physically present and emotionally available. Your unwavering support and zeal kept me going. Sonali, you have been such a responsible little girl. Shyamli, you have been such a handy-person throughout in keeping the sink clean and empty to “Bob the Builder” stuff. Sylvie, I have missed going through several of your drawings from school, but the one that exhilarated me most is the equation you invented: “computer + brain = PhD”, which heralded the end of “mummy’s book”. Thank you for all your love, and for putting up with my moods and grumpiness at times, and for allowing me time away from home to get this thesis completed. This PhD is a testament to your faith in me. I hope I have made you proud. I must acknowledge with tremendous and deep thanks my husband, Satya. I am aware of the fact I could not even have started this PhD-project - and much less finish it - without your rock-solid support and endurance. Without you beside me, I would certainly not have made it to this point.

Most of my fellow PhD students will agree that the pursuit of a doctoral degree is a process that is marked by alternating periods of good and bad fortunes. It is an exhilarating, satisfying, horrible, and frustrating process. You will be poor for years and your supervisor will probably kick your ego around a bit. About half way through the research, doctoral students become confused and want to give up. This “getting nowhere syndrome” needs to be overcome. I sometimes see it is the darkest before dawn. I did not allow my frustration to let me deviate from the pursuit of the PhD. It can be a great experience. I cannot say it was easy, but I am glad I did it. I look forward to the possibility to share these experiences with my fellow PhD students and future candidates.

Dedication

Sonali, Shyamli, and Sylvie

With pride and affection

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List of Abbreviations

AAMS	Associated African and Malagasy States
ACP	Africa, the Caribbean and the Pacific group of States
ADB	Asian Development Bank
ALA	Asian and Latin America
BET	Basic Export Tonnages
c.i.f.	cost, insurance, freight
CA	Competent Authority
CAP	Common Agricultural Policy
CARIFORUM	Caribbean Forum
CEEC	Central and Eastern European Countries
CET	Common External Tariff
CFA	African Financial Community
CFP	Common Fisheries Policy of the EU
CSA	Commonwealth Sugar Agreement
CSR	Colonial Sugar Refinery of Australia
DG MARE	Directorate General Marine Affairs and Fisheries
DG SANCO	Directorate General foe Health and Consumers
DG Trade	Directorate General Trade
EAC	East African Countries
EBA	Everything But Arms
EC	European Community
ECHO	European Community Humanitarian Office
ECOWAS	Economic Community of West African States
ECU	European Currency Unit
EDF	European Development Fund
EEC	European Economic Community
EEZ	Economic Exclusive Zone
EIB	European Investment Bank
ENSO	El-Niño-Southern Oscillation
EOI	Export Oriented Industrialisation

EP	European Parliament
EPA	Economic Partnership Agreements
ESA	Eastern and Southern Africa group of states
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FFA	Forum Fisheries Agency
f.o.b	free on board
FPAs	Fisheries Partnership Agreements of the EU
FSC	Fiji Sugar Corporation
FTA	Free Trade Agreement
G77	Group of 77 Developing Countries
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
HACCP	Hazard Analysis Critical Control Point System
HDI	Human Development Index
IEPA	Interim Economic Partnership Agreement
IFC	International Finance Corporation
IFIs	International Financial Institutions
IMF	International Monetary Fund
IPE	International Political Economy
IR	International Relations
ISA	International Sugar Agreement
ISI	Import Substitution Industrialisation
LDCs	Less Developed Countries
MFN	Most Favoured Nations
NGO	Non-Governmental Organisation
NICs	Newly Industrialising Countries
NIEO	New International Economic Order
NIP	National Indicative Programs

OCTs	Overseas Countries and Territories
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
OPAGAC	Spanish Organisation of Producers of Frozen Tuna Vessels
OPEC	Organization of Petroleum Exporting Countries
PACER	Pacific Agreement on Closer Economic Relations
PACP	Pacific Island members of the ACP grouping
PAFCO	Pacific Fishing Company
PANG	Pacific Network on Globalisation
PICTA	Pacific Island Countries Trade Agreement
PIF	Pacific Island Forum
PMIZ	Pacific Marine Industrial Zone of PNG
PNA	Parties to Nauru Agreement
PNG	Papua New Guinea
RoO	Rules of Origin
SOEs	State-Owned Enterprises
SSOP	Standard Sanitation Operating Procedures
SSTC	South Seas Tuna Company
STABEX	System for the Stabilisation of Export Earnings
STL	Solomon Taiyo Limited
SYSMIN	System for the Promotion of Mineral Production and Exports
TMNP	Temporary Movement of Natural Persons
TPF	Trade Policy Framework of Fiji
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
VAT	Value Added Tax
VDS	Vessels Day Scheme
WCPO	Western and Central Pacific Ocean
WTO	World Trade Organization

Abstract

This thesis is a study of the political economy of the relations between Europe and the Pacific Island former colonies. The relations have been formalised through legally binding trade and aid agreements starting in 1975 and continuing into the current era. The main aim of this thesis is to examine changes in the relations over time and to explore how these relations have developed from a colonial situation through to the decade post-independence. Second aim is to examine the national interests of both the European and the Pacific Island countries in shaping their relations. Third is to examine the impact of these relations on the economic and political development trajectories of the Pacific Island countries. This thesis finds that changes to the relations have been largely influenced by events in the wider global political economy. The agreements instituted between the regions were, to a significant extent, devised by the European parties to pursue their political and economic interests in the former colonies since the period of decolonisation. In responding to global events since then, the European countries have redefined the content of the relations but continued to safeguard their own interests. Due to Europe's power in the international political economy the Pacific Island countries have acted within the framework provided by the Europeans in pursuing their national interests to facilitate development. Nonetheless, the Pacific Island countries have influenced the content of the agreements to maximise their benefits when they see them as contributing to their own economic development, and refused to commit to agreements when they see them as not in their own development interest. The trade and aid provisions in the relations over the years have impacted the economic development trajectories of the Pacific Island countries through encouraging exports of certain primary commodities that the Europeans have required for the benefit of their industrial sectors. This approach did not encourage diversification or industrialisation of Pacific Island economies, but resulted in development of particular sectors, such as sugar production and tuna processing. In the last decade, Europeans have been pushing for a free trade agreement, which the Pacific Island countries have resisted, arguing that liberalisation will adversely affects their small developing economies. Finally, drawing on a case study of Fiji, this study reveals how the relations have not had a discernible impact on the political development trajectories of the Pacific Island countries. In sum, the Pacific Island countries' relations with Europe, have not brought the significant changes to their position in the global economy as was intended when the two parties initially committed.

CHAPTER 1: Introduction

1.1 Significance

Relations between former European colonisers and their former colonies remain difficult even many decades after independence. During the colonial era colonisers dominated political and economic relations which were set up to benefit the colonisers at the expense of colonies. During the post-independence era things have changed somewhat, but former colonisers remain politically and economically powerful, and most former colonies have failed to improve their position in the global political economy. The empirical contribution of this thesis is to provide understanding of this phenomenon by examining the history of relations between a group of former colonisers – the European Union (EU) and its predecessor organisations – and the Pacific Island country members of the Africa, Caribbean, and the Pacific (ACP) grouping of the former European colonies.[1]

This study has taken an International Relations approach, especially International Political Economy (IPE) and International Development perspectives, to investigate the unequal relations between the European countries and their former colonies of the PACP group of countries. Theoretically, this thesis employs a realist approach of the IPE scholarship. This perspective of research engages in debates on the pursuit of national interests' of states in international affairs. Therefore, one most important reason for using a neorealist framework is to investigate the interests of the more powerful European countries in shaping the relations over the years and, the impact of their interests on the development trajectories of the PACP countries. Another

[1] Hereafter referred to as the PACP group of countries. For more information on the former colonisers of the PACP countries, consult Figure 13 of the Appendix II.

important reason is to find out if the PACP countries as the less powerful parties also pursued their national interests to influence the relations to benefit their development.

The EU has been the largest trading bloc in the world and is currently the largest integrated economic zone. The years since the European Economic Community (EEC)[2] was created have seen the evolution of increasingly complex relationships with the developing countries in all parts of the world – the most highly structured and long-standing relations are with the former colonies of African, Caribbean and Pacific (ACP) group of states since the early the 1960s until the present day; its relatively new and more relations with Asian and Latin American states; its relations with former colonies in North Africa, other Mediterranean non–EU members and members of the formers Eastern bloc; and the role of European Community Humanitarian Office (ECHO) in the developing world. Knowledge of the role of the EU in the PACP region contributes to understanding the role of the EU as a powerful actor in the global political economy arena.

Europe and the PACP group of countries have had formal trade and aid ties starting with the Lomé Convention in the 1970s, through to Economic Partnership Agreements (EPA) in the current era. These trade aid arrangements are legally binding contractual agreements. Europe-PACP relations are a subset of broader relations between Europe and the ACP countries. The broader framework of Europe-ACP relations dates back to the European Community's (EC) Association Policy which was instituted after the creation of the EEC in the late 1950s to deal in a

2 In discussing the historical period encompassing both the EEC and the EU or the period preceding the EEC, the research uses the term "Europe", denoting EU member states. The research also uses the acronyms EEC, EC, and EU where historically appropriate. The EEC was founded in 1957 by the "Six": France, West Germany, Italy, Belgium, Luxembourg and the Netherlands. It has undergone several enlargements since their inception. Major European integration under the 1993 Maastricht Treaty established the European Union under its current name. The EU is an economic and political union of 27 member states and operates through a system of supranational independent institutions and intergovernmental negotiated decisions by the member states. The key EU the institutions are the European Commission, the Council of the European Union, the European Council, the Court of Justice of the European Union, the European Central Bank, the Court of Auditors, and the European Parliament.

common fashion with the diverse countries and territories still under European jurisdiction (Grilli 1996, p. 1). The EC Association was followed by two Yaoundé Conventions (1963-1969), four Lomé Conventions: Lomé I (1975-1980), II (1980-1985), III (1985-90), IV (1990-2000), and the Cotonou Partnership Agreement (2000-2020). The key objective of the Cotonou Agreement is to provide the framework for transition to a World Trade Organization-compatible Economic Partnership Agreements (EPAs), which were purported to take effect from 2008. Figure 1.0 charts the evolution of membership from the Yaoundé Convention relations and its successors, the Lomé Convention, the Cotonou Agreement, and the EPAs. The Lomé Convention period had a total of eight PACP states as signatories and the membership in the Cotonou Agreement increased the number of signatories to fourteen. Those fourteen are also members of the regional group, the Pacific Island Forum (PIF). Negotiations on EPAs with the enlarged ACP started in 2002 with the hope to conclude at the end of 2007. Negotiations have been slow and long, exceeding the initial conclusion date. Only two PACP members, Fiji and Papua New Guinea (PNG) have signed an “interim” EPA (which entails liberalisation of goods only) in 2009. Negotiations with the rest of the PACP states have been ongoing since 2002 and no common position has yet been reached. Negotiations with Fiji and PNG are current. These negotiations aim to conclude a comprehensive EPA including liberalisation of goods as well as service and investment agreement. Negotiations with several African countries of the ACP group are also current. Of the 15 Caribbean states of the ACP group, 14 have signed a comprehensive regional EPA in 2008. The last remaining state, Haiti signed in 2009.

Figure 1: EU-ACP Conventions and Agreements

Number of Signatories

Conventions/ Agreements	**Year signed**	**European Countries**	**ACP countries**	**Pacific ACP**
Yaoundé Convention I	1963	6	18	n.a.
Yaoundé Convention II	1969	6	19	n.a
Lomé Convention I	1975	9	46	3
Lomé Convention II	1979	10	57	7
Lomé Convention III	1984	12	66	8
Lomé Convention IV	1990	12	69	8
Lomé Convention IV *bis*	1995	15	70	8
Cotonou Agreement [a]	2000	15 [b]	77	14
Economic Partnership Agreement	2008	27	[c]	2 [d]

Notes

a. The Cotonou Agreement is for 20 years duration, expiring in 2020.

b. EU membership on 1 May 2004 increased to 25 and on I January 2007 to 27.

c. For negotiating and the formalisation of Economic Partnership Agreements, the EU has subdivided the ACP group into six negotiating groups (see Chapter 4**,** Figure 12 for grouping membership).

d. Only Fiji and PNG from the PACP group have initialled an interim EPA (IEPA) in 2007.

n.a. not applicable

The Lomé Convention had its origins in the attempt to manage the transition from a colonial relationship to a post-colonial one. Its predecessor, the Yaoundé Convention I and II, between the EEC and former colonies in Africa grouped as Associated African and Malagasy States (AAMS), embodied the first formal relations following the independence of the African colonies. The Yaoundé Conventions offered trade preferences and financial aid to the former African colonies. Each AAMS and the EEC formed in practice a free trade in which the trade arrangements entailed reciprocal obligations under Yaoundé Convention. The AAMS kept the right to preferential access to the European markets that had gained in the EC Association Policy, and also continued to grant European goods the same right of access to their domestic markets. This was substantially expanded due to the accession of Britain to the EEC in 1973 and the subsequent need to incorporate Britain's Commonwealth. This brought the Lomé Convention in 1975 and was renewed three times, Lomé IV being signed in 1989, revised in 1995 and lasting until 1999. The signatories increased in number from nine to fifteen EEC member states and 46 to 71 ACP states (see Figure 1). The main attribute of Lomé Convention was the aid provision for supporting primary commodity exports of the ACP countries called the System for Stabilisation of Export Earnings (STABEX), preferential trade access to European market for ACP countries without having to grant the same access to their markets, and commitments to a whole range of development cooperation issues. With the onset of the 21st century, the EU decided to end all non-reciprocal arrangements of the Lomé Convention in 1999 and opted for WTO-compatible relations thereafter. To continue relations, the EU formalised the WTO-compatible Cotonou Agreement in 2000 which is for a period of twenty years. The Cotonou Agreement allows transition to EPA which is also WTO-compatible. The move to Cotonou Agreement and EPAs is part of making all EU external relations conform with the WTO regime to enforce trade liberalisation.

The study of the history of the Europe and PACP relations is significant because the EU continues to be an important economic partner for the PACP countries. The European countries continue to be an important market for the PACP countries primary commodities and a key aid donor. The understanding of the Europe-PACP group trade and aid relations is crucial as it is one of the most longstanding and important relations that continue to impact on PACP countries' development. PACP countries continue to act within the framework set by the Europeans to push their countries interest to facilitate national development. However, European geopolitical and economic interests are dominant in shaping the content of the relations. The knowledge of

European interests in the relations and impacts of trade and aid arrangements in shaping the economic and political development trajectories of the PACP countries over the years will, assist PACP countries and policy-makers in planning their development strategies in order to maximise benefits and minimise and costs.

While the non-reciprocal Lomé Convention was crucial in facilitating post-independence development of certain primary commodity sectors, the trade and aid policy guidelines were not systematically coherent in terms of encouraging the overall development of the PACP countries because of the prevalent European resource access interest and political interests within a bipolar context. The EPA calls for extensive trade liberalisation. The PACP countries have been rejecting the EPA due to the extent of trade liberalisation it entails, which they do not see as being in their development interests. Once concluded, the EPA will enforce significant transformations to PACP countries' development trajectories. This knowledge is fundamental for policy-makers, professionals and practitioners of development planning—primarily to understand how and why the agreements have influenced PACP countries' development plans.

The understanding of EPA as a WTO-compatible agreement, and the PACP countries resistance so far is also important. These need to be situated within the broader global trading system for a wider understanding of the current relations. However, since WTO is a global organisation, the imbalances in WTO institutions favour interests of the developed countries. WTO largely serves the commercial and economic interests of powerful actors such as the EU which is key player in the organisation with powerful trading capacity. The WTO provides a global trade regime that requires countries to engage in free trade agreements internationally and regionally as in EPAs. This research brings to light that developed countries' interests such as the European countries' interests in the international trade negotiations are vexing problems at the heart of the global and regional trade agreements. While the WTO Doha Development Round of trade negotiation was successfully launched, negotiations immediately came to be deadlocked along North-South lines on several aspects of trade liberalisation not in the development interest of the developing economies. PACP states resistance to EPA is directly linked to this stalemate in WTO between developed and developing countries. Therefore, this research is also an important contribution on global trade agendas as well and a timely reminder of the enduring global political-economic imbalances. Significantly, the current WTO Doha round of negotiations remains stalled due to these problems and debates about power, wealth and inequity. It is important that the EU as a key member of the WTO try and remove the inequities at both the WTO level and in their trade agreements with the ACP developing world.

As relatively small states in the international system, PACP states have not had the capability to take the lead in deciding the outcomes of development in their relations with the EU, and within the broader trends in the North-South relations. Nonetheless, their resistance and opposition to the current neoliberal-driven EPA which is requiring extensive trade liberalisation and a politicised and securitised development agenda allowing European intervention in the domestic politics, has contributed to relations fraught with controversies. PACP countries are concerned about the impact of the conclusion EPA on PACER plus free trade agreements currently being with Australia and New Zealand. The prospect that Australia and New Zealand will get whatever the PACP gives to Europe means that concessions that might be insignificant when made to Europe would take on much greater consequences under PACER plus.

There is no doubt whatsoever that the environment within which the EU-PACP relations have existed and will continue to exit has profoundly changed since the former colonies became independent. The relationship is more than four decades old. The shape and the content of the relations have changed significantly from its beginning. The Europe-PACP group relations are part of the EU's myriad external relations nowadays and have been remodelled in order to coexist with the other EU and developing country accords.

1.2 Research Question and Summary of Thesis

The overarching research question is how relations between the European countries and the PACP group of countries have changed over the period since independence? Underneath this are two sub-questions: 1) How have national interests of both the parties shaped the relations; and 2) How relations have influenced the economic and political development trajectories of the PACP countries?

Europe's relations with the PACP countries within the broader framework of the Europe's relations with the ACP group have undergone several changes. These changes were produced by the international political and economic events. Firstly, the interplay of the decolonisation process and the Cold War, and secondly, the 1973 oil crisis as a new event in the international system engendered the furtherance of relations similar to those of the colonial period. Thirdly, the post-Cold War dynamics transforming the nature of the international system, produced more changes to the Europe-PACP relations as European priorities and capabilities also shifted. In particular, relations have been affected by: 1) Europe's shift in focus away from former colonies to its own region; 2) Europe's rising faith in market principles of the "Washington Consensus", democratisation and the "good governance" agenda; 3) the establishment of the WTO international trade regime; and 4) the War on Terror. The EU responded to these changes by re-arranging the content of the relations, and adding new elements to ensure that the relations continued without significant disruptions to European geopolitical and economic interests.

The national interests on the part of European countries in the relations have shifted over time. European states' interests to maintain their spheres of influence and secure supplies of key raw materials are clearly visible in the early phase of relations. This had strong and clear roots in European colonialism. Britain's economic and industrial interests for continued supplies of cane sugar from Fiji were key in shaping the Europe-PACP relations in the span of the Lomé Convention. British interest to continue trade in cane sugar was part of the former coloniser's resources access interest in the former colonies. Britain saw resource access as economically significant at the time when primary commodities experienced shortages during the 1973 oil crisis which had caused economic crisis in the 1970s. More recently, Spanish interests for fisheries access within the PACP countries are shaping EU approaches to negotiations over the EPA. Due to the importance of the tuna processing facilities in the Spanish, the governments and their fisheries sector officials are seen as playing key roles in the negotiations of the fisheries chapter of the PACP EPA. The aim is to ensure that any fisheries agreements concluded in the EPA do not jeopardise European tuna fish processing industries at home that occupy a significant position in their respective economies. In addition to individual European state interest, different European and Pacific Island agencies and regional institutions have emerged to influence the EU policies in the relations. The EU is not a single monolithic actor, and neither the PACP. In some issues of EPA negotiations, the member states are at the fore. At times different agencies representing both groups become more prominent players such as DG Trade, DG MARE for the EU, the PIF, PNA and PACP secretariat for the PACP countries. While involvement of these organisations may help explain the contradictions and inconsistencies in formulating and implementing EU polices towards PACP countries, this is left for future research as space in this research does not allow in-depth examination.

The national interests of the PACP countries in their relations with Europe since independence have largely been to pursue national economic development. Individual PACP countries at different stages in the relations have exercised their agency to influence relations when it offered improved opportunities and to reject EU plans when they considered them not to be in their development interest. In the context of the New International Economic Order (NIEO), the PACP countries pushed to maximise their benefits within the Lomé Convention in the 1970s, when they saw it as contributing to their economic development, and struggled to maintain those benefits over time. Since the ACP countries were newly independent and their new development plan primarily focused on economic growth, on the whole they were pleased with the EU's trade and aid arrangements with the hope to build their primary sector and strengthen export markets for their commodities in Europe. However, the type of planning the EU is currently offering in the EPA is not seen by many PACP countries as being in their interests, and most have so far refused to sign, dragging the negotiations on for years past the purported deadline. In the 1970s, Fiji played key roles in both, regional and international level to maximise the benefits under the Lomé Convention for sugar exports to the European market. In the post-Lomé Convention period, Fiji no longer perceives EU its important trade partner and aid donor and its more recent foreign relations indicate its interest has shifted towards China, Malaysia, Indonesia, and Russia as evident in the country's 'Look North' Foreign Policy. However, PNG's relations with the EU remain important for fisheries exports and development of its fisheries sector. In the 2007/2008, PNG government officials persistently debated with the European parties and convinced them to provide special concessions for tuna exports in the interim EPA and be transferred to the comprehensive EPA when concluded.

European interests to facilitate trade with the ACP countries only insofar as it had no negative impact on its own economies have arguably limited the development benefits the relations may have given the ACP countries. The focus of trade and aid on exclusively primary commodities meant no further encouragement to diversify the economy, or to industrialise. Nonetheless, PACP countries economic development trajectories have been significantly influenced by trade and aid of the Lomé Convention, in that development activity was focussed on specific commodity sectors receiving benefits – namely cane sugar production in Fiji and tuna fishing and processing in Fiji, Solomon Islands, and later PNG. These sectors became significant commercial activities and key export sectors of these countries. This has meant localised benefits for those sectors for as long as the aid and trade benefits continued to flow, but has not led to transformations of whole national economies towards overall improved standards of living.

The preferential price system of the Lomé Convention was pivotal in development of these sectors. Fiji's sugar industry became the key export earner of the country and was crucial in raising the socio-economic status of the vast majority of the rural population that engaged in cane farming. By 2000, the changes in EU sugar policy, the waning of British interest in Fiji's sugar over the years, and Fiji's domestic problems and politics have affected the viability of the sugar industry bringing a bleak future. However, the instruments of the Lomé Convention have been of greater value in the long-term in terms of developing the fisheries sector in the PACP region which holds potential for a sustainable long-term policy of canning and processing. Changes in the PACP IEPA on the continuing preferential price for exports of processed tuna to European market is now encouraging industrialisation and diversification in the PACP countries. Therefore, in the past decade, the dramatic expansion of fisheries sector and its influence in the national development planning of the PACP countries is clearly evident. Of all the commodities, processed tuna exports have now surpassed all other PACP primary commodity exports to the EU market making the European countries the key partner of the PACP countries' fisheries resources. The Europe-PACP trade in fisheries products has thus come to dominate relations. This tuna related focus in the Europe-PACP relations has filled that status of the relations left by the decline in Britain-Fiji link rooted the colonial sugar trade.

While the conclusion of comprehensive EPA is deemed to include benefits on fisheries already granted in the IEPA, of utmost concern is the free market-driven agenda of the EPA that would pose immense challenge to the PACP countries development. The EU's aim is to liberalise all trade with PACP countries by 2015, so that they become fully integrated into the liberalised global trading system. PACP countries are concerned that the trade liberalisation focus of the agreement will bring significant policy reforms which would be irreversible and to which they have to adjust to in a short span of time and are unclear of its future impacts. There are doubts that the current format of the EPA will actually prove beneficial as it is not compatible with the development needs of the PACP countries' economies. PACP leaders still believe that their small and vulnerable island economies need some level of protection and the necessary infrastructures in place to become mature economies in order to integrate in the global economy. Europe-PACP group negotiations on a comprehensive EPA ongoing for almost a decade have been heavily conflicted on various aspects of liberalisation. Only PNG and Fiji have signed the IEPA in 2007. PNG's aim is to benefit from the continuing trade preferences and the improved Rules of Origin (RoO) for processed tuna fisheries included in the IEPA. Fiji was more obliged to sign to maintain cane sugar exports to European markets in order to maintain stability of its economy.

On the political development trajectories of the PACP countries, the relations have not had a discernible impact, even though the EU has been stressing on the need for democratisation norms in the political system since the end of Cold War and on the importance of the nexus between security and development since the post 2001 War on Terror. In line with international donor moves to expand the structural adjustment conditionality to aid to include political elements were included in later versions of the Lomé Convention and strengthened in its successor the Cotonou Agreement. Fiji, with its succession of coups, is the only PACP country that might have had such conditions applied, but for various reasons the EU did not attempt to apply them until the 2006 coup. However, Fiji has rejected EU efforts to intervene in the aftermath of the 2006 military takeover.

In sum, PACP countries relations with their former colonies have not brought significant transformations to their position in the global political economy as it was intended when the two parties committed in the early phase. The relations have not facilitated full development of export capacity, industrialisation and diversification of economies since the trade and aid instruments aimed to support exports of those primary commodities which have been of particular interest to European countries. European interests in resource access continue, and PACP countries remain interested in exporting to Europe. However, the current form of relations prescribed by the EU in the EPA is not accepted by most PACP countries as being in their development interests, because of the magnitude of trade liberalisation entailed. The lack of progress and the PACP countries' resistance to EPA together with Fiji unwillingness to cooperate on the EU's plan on political issues of the country since the 2006 coup is indeed a strong indication that PACP states are exercising their agency in the relations and demonstrating a willingness to refuse engaging with the EU on its plan.

1.3 Methodology

For data collection, a combination of a range of different primary source materials has been consulted. No one type of resource provides answers to the research questions, so I pieced information together from various sources. Documentary data from archives and offices, and interviews with past and present negotiators of the agreements of the Europe-PACP relations, was supplemented with published literature on related topics. This method of data collection in qualitative research, using a blend of sources, is called "montage" (Ezzy 2002; Lather & Smithies 1998; Van Maanen 1988). Montage helps explain gaps and overlaps, consistencies and inconsistencies inherent in social understanding of things, people and events (Barclay 2001, p. 25).

Materials consulted were archived and non-archived documents, technical reports, and media reports from a number of institutions: University of the South Pacific library, Pacific Island Forum library, Australian National University library, Pacific islands government departments, the EU Delegation office in Canberra and Fiji. Online documents and media reports available on the website of these institutions were also useful. Interviews were conducted with informants who are known to have an overview of the Europe-ACP relations (see appendices for the list of interviewees). I conducted in-depth interviews using a semi-structured method. This involved a combination of conversational methods, set questions and spontaneous questions which followed from the informants answer. I had a series of questions in a general form on the key themes of the research, but the further questions asked in response to what I saw as significant replies were valuable data informing my research. Informants were asked to identify other informants that were knowledgeable on the topic, using chain sampling to obtain a saturation of informants in most areas of investigation. Informants were consulted more than once often following up via emails, using new information discovered since the first interview to elicit clarification and deeper responses upon re-interview. Interviews were conducted with government officials of the PACP countries (Vanuatu, Solomon Islands, PNG and Fiji), Fiji's sugar industry stakeholders including sugar cane farmers, EU officials from the Delegation of the EU to Australia based in Canberra, Delegation of the European Union for the Pacific based in Suva, and European Union's Delegation to Papua New Guinea. Interviews with EU officials and Pacific Island officials based in

Brussels were also conducted via email due to financial constraints preventing travel to the EU headquarters in Brussels. Most data for the research was obtained in the period from 2008 to 2012.

In addition, the interview data is supplemented by data from my own lived experience, which inform this research on investigations on Europe-Fiji relations. The relations have shaped my ancestors and my family background. My paternal grandparents were part of the 60,965 Indians from British India who were brought to colonial Fiji under the British indenture system from 1879 to 1916 to work in sugar plantations. Since then sugar cane cultivation and processing became the key economic activity in Fiji generating livelihoods for thousands. My grandparents served their indenture contract on a plantation in Coqeloa[3], about 30 km from Labasa[4] town. When the indenture system ended in 1920, like all the other Indian labourers, they were provided with a plot of land from the subdivided plantation land to continue sugar cultivation as the sugar cane milling operations continued and required cane for milling. They earned their living from cane cultivation and remained on the plantation site for the rest of their lives. My parents took over the sugar cane farm and cultivation from my grandparents and they too spent most of their lives as cane farmers. I was born in 1970 and spent the first 20 years of my life on the same cane farm. Then I settled in the capital Suva in 1990 to begin tertiary education. In 2008, I migrated to Australia with my own family to commence work on this project at the University of Technology Sydney.

Data from my experience provides insight on two areas of Europe-Fiji relations: (i) the impact of Europe-Fiji relations in defining the shape of Fiji's sugar cane industry as key export which significantly contributed to socio-economic development in country; and (ii) Europe's attempt to shape Fiji's political development plans during Fiji's political crises. Data of personal experience is

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[3] Pronunciation is *Dongeloa*
[4] Pronunciation is *Lambasa*

widely used in cultural studies, history, anthropology and feminists Scholarship and (Creswell 2007, pp. 53-5). As a qualitative research practice, individual experience constitutes a source of data in a single or multiple episodes, private situations, or communal folklore (Denzin 1989). It usually assumes the form of one's personal narratives about events in the authors life, their feelings about those events, and their interpretations of them (Creswell 2007, p. 55). Many accounts that source from personal experience provides information of unique value, because there is no other way one can collect this information (Thompson 2008, p. 330). In using the data from personal experiences as evidence, Le Guin (1989, p. 150) reminds us to "[o]ffer your experiences as your truth".

These data collection methods are combined with the historical revisionism methodology in order to capture a fuller understanding of the history of the Europe-PACP relations. Historical revisionism takes into account the ever-changing shape of the past, through critical re-examination of past events and facts, using newly discovered information or a re-interpretation of already existing information. The research does not simply focus on a static perspective of specific Conventions or Agreements which over the years have been managing Europe-PACP relations. Rather, the relations are viewed as a historical process whose interpretation varies according to the time period and the specific geo-political context. I critically re-examined the literature available on Europe-ACP and Europe-Africa relations. This literature assists in providing insights into developing a relatively new study on the political economy history of Europe-PACP relations, from an International Relations perspective.

There were three limitations which have potentially impacted on the quality of the findings of the research. First, information on the IEPA/EPA was difficult to gather due to confidentiality reasons of the ongoing negotiations between the EU and the PACP countries. The interviewees involved in negotiations did not release crucial information required for the research. As a result, most information in this area was collect from news media and press releases of the relevant organisations. Second, the inability to secure funds to travel to EU headquarters in Brussels and the PACP countries for interview and to access relevant documents to some extent affected the proposed data collection plan. An alternative approach was to rely on email correspondence to gather information. Third, due to the interim military regime in Fiji since December 2007 to September 2014, which suppressed freedom of speech, those government officials and policy-makers approached for interview were alarmed by researchers and were not willing to provide relevant data and allow access to government documents. Some were not even approachable. To overcome this, the research considered academics as participants in providing information.

1.4 Overview of Literature on Europe and the ACP Relations

Europe-PACP relations are part of broader Europe-ACP relations managed by the Yaoundé and Lomé Conventions, Cotonou Agreement and most recently the EPA have inspired scholars largely to relate them to the development of the ACP countries. There is a plethora of literature on Europe-ACP relations in general and also more specifically on Europe-Africa relations concentrating on the Yaoundé and Lomé Conventions. Europe's relations with the Caribbean and Pacific countries of the ACP group are understudied. Until now the determinants, overall logic and the evolution of the Europe-PACP group relations at large has not been the subject of systematic analysis. Therefore, one aim of this project is to systematically provide understanding of the Europe-PACP relations from the inception agreement to the current time.

The literature on the long-running Lomé Convention is divided into two broad camps. Firstly, the Neo-Marxist perspective, particularly the Dependency School, argued that Europe and ACP relations were in large part the historical product of colonial patterns of economic relations between the impoverished ACP and the developed metropolitan European countries. Secondly and conversely, Liberal camp scholars argued that there has been substantive cooperation between Europe and the ACP states. The trade and aid instruments of the relations according to Liberals have created a greater economic independence of the ACP countries through growing equality between the two partners. With the signing of the Cotonou Agreement in 2000 and the gradual signing of the EPAs from 2007, more literature has emerged on these specific agreements. This literature also has two perspectives, the neoliberal and the critical view. The negotiation of EPA with the ACP states starting from 2004 has gained the attention of scholars on the EPA's economic and trade related aspects.

1.4.1 The Dependency Approach

Scholars in this approach draw directly from the traditional Dependency theorists Frank (1966), Amin (1976), Baran (1968), and Cardoso and Falleto (1979). Dependency Theory was popular in the 1960s and 1970s. Dependency theorists are concerned about the growing inequality and poverty caused by the capitalist system between the developed and developing countries and claim that resources flow from a "periphery" of poor and underdeveloped states to a "core" of wealthy states, enriching the latter at the expense of the former. The central contention of Dependency Theory is that the poor states are impoverished and rich ones enriched by the way the poor states are integrated into the "World System", which according to Wallenstein (1979) is divided between the core, periphery and the semiperiphery. Dependency theory focusses on the understanding the periphery by concentrating on the core-periphery relations (Martinez-Vela 2001). Dependency theorists rejected the earlier Modernisation Theory,[5] and have argued that

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[5] Dependency Theory arose as a reaction to Modernisation Theory, an earlier theory of development based on W.W. Rostow's Five Stages Growth Models of 1960 (Latham 2003).

underdeveloped countries are not merely primitive versions of developed countries, but have unique features and structures of their own, which have in part arisen due to their situation of being the weaker members in a global market economy.

They propose that colonialism and neo-colonialism, in terms of continuing economic dependence on and exploitation of former colonies, are the main causes of global poverty and inequality. Core countries have developed at an even rate because wealthy countries have exploited poor countries in the past and continue to do so today through foreign debt and foreign trade (Grandcolas 2004). Baran (1968) and Amin (1976) argue that the unequal exchange has to do with the manner of incorporation of the poor countries into world capitalist markets especially through trade, where the poor countries specialise in exports of raw materials, while developed countries concentrate on the export of manufactured products. Prebisch's early work in the 1940s, which significantly influenced dependency theorists, contended that the explanation for the phenomenon was very straightforward: poor countries exported primary commodities to the rich countries who then manufactured products out of those commodities and sold them back to the poorer countries (Baigent et al. 2007). The "value added" by manufacturing a usable product always costs more than the primary products used to create those products (Grandcolas 2004). Therefore, poorer countries which are resource rich would never be earning enough from their export earnings to pay for their imports. Prebisch's solution was that poorer countries should embark on programs of import substitution industrialisation (ISI) development strategy which advocates the replacement of foreign imports with domestic production in order to reduce purchases of manufactured products from the richer countries (Baigent et al. 2007). The poorer countries would still sell their primary products on the world market, but their foreign exchange reserves would not be used to purchase their manufactures from abroad (Grandcolas 2004).

The Dependency Theory was in vogue at the time when the Yaoundé Conventions of the 1960s and Lomé Conventions of the mid-1970s came as the first international agreements in the post-colonial period between the developed and developing countries. These international agreements between European colonisers and their former colonies led several critical scholars to take the Dependency line of thought to explore the relations. Several commentators such as Dolan (1978), Shaw (1979) and Mytelka (1977), Antola (1976), Amoa (1976), Nabudere (1979), Galtung (1976), Martin (1982), and Lister (1988) claimed that EEC countries' relations with former colonies did not transform the colonial relations, and therefore represented a neo-colonial model further increasing dependency on the metropole. They asserted that the Lomé Convention provisions enforced a dependent relationship in ways such as through an emphasis on ACP countries' raw material exports to the European countries, through a lack of promotion of industrialisation, and through promoting a reliance on aid from the EEC which only aimed to support production of primary commodities. Lister (1988, p. 2) argues that the Lomé Convention drew on the traditional ties of the colonial era, and argues that the European countries provisions in the Lomé Convention were not a totally new policy but preserved as much as possible of the international prestige and benefits which had accrued to European colonial powers.

Although a popular theory in History and Sociology and Development Economics, Dependency Theory became discredited for a number of reasons. Firstly, the Dependency arguments were challenged by the rising neoliberal ideology which privileges the market above the state in the necessary functions of fostering economic development. Secondly, the rapid growth of the Newly Industrialising Countries (NICs) discredited dependency arguments. The NICs growth has been based on export oriented industrialisation (EOI) in the 1970s and the 1980 contrary to what Dependency Theory proposed in the Import Substitution Industrialisation (ISI) program, transformed them into high income economies (Grandcolas 2004). Thirdly, since Dependency Theory advocated an inward looking approach to development, the considerable inefficiencies associated with state involvement in the economy and the growth of corruption, have been dramatically exposed in countries that have followed this view of development, earlier on in Latin America and also in African economies (Grandcolas 2004).

However, several critical scholars have continued to share dependency line of thought on the Europe-ACP relations after the theory became discredited. Gruhn (1993), Twitchet (1981) and Cosgrove (1994) note the persistent inequality in the Lomé Convention period due to European countries motivation to preserve the ties that has existed in the colonial era. In addition, McQueen & Steven (1989) and Davenport & Hewitt (1995) argue that the Lomé Convention trade pattern locked the ACP countries into sectors of primary commodity production thus discouraging industrialisation and leading to contemporary underdevelopment of the ACP. They observed no significant changes in the trade pattern in the Yaoundé and the Lomé Conventions. Gibb (2000), Moss & Ravenhill (1982), Asante (1981), Cosgrove (1994) find that the ability to capitalise fully the Lomé Convention was inhibited because rules governing the trade and aid were clearly to protect the European countries' economic interests in the former colonies.

For the purpose of this research, the Dependency approach is useful in understanding the ongoing asymmetries in the relations between the two partners. Asymmetries have originated from the heterogeneous historical, economic and political context of the Lomé Convention and its predecessor, as well as from global power relations between the industrial European countries and its former colonies. The core-periphery idea of the theory is valuable in investigating the

European geopolitical and economic interests in relations for resource access in the ACP countries, and its impact on the PACP countries their development trajectories.

Nonetheless, what the Dependency perspective fails to recognise is that, nation states, whether weak politically and poor economically can capitalise on their foreign economic relations to reduce their vulnerability to the uncertainties of the global political economy. The ACP intention in the relations was to take advantage of dependency, that is, to exploit their dependence on and special ties with the former colonisers, in order to gain resources that facilitate a future lessening of dependence (Ravenhill 1985, pp. 22-3). As the poorest of the world, the ACP countries were content to engage in economic relations with their former colonisers in the Lomé Convention. They were seen exercising their agency to pursue interest to facilitate post-independence development in the Lomé Convention within the broader NIEO framework in the early 1970s. More recently in the last decade, the PACP states exerted pressure on EU to get them agree on better provisions for their fisheries exports in the IEPA that could facilitate diversification. Furthermore, while the Dependency approach emphasises the interdependence of economic and political relations, it does so in an overly economic way. Its analysis does not recognise underdeveloped states' political autonomy of action (Sanchez 2002). Rather, developing country policy-makers are depicted as allied and puppets of developed world economic interest. This may not always be the case. International Relations scholars recognise the sovereignty of the states in the international system. Realism and Neorealism insists on the absolute centrality of the autonomous state international politics (Hobson 2000, p. 19). Realists and neorealists argue that all states whether weak or powerful are functionally alike in an anarchical international system in pursuing interests and exercising their power and agency in international relations (Hobson 2000, p. 23). Therefore, the vigorous political demands made by ACP country leaders in the 1970s for the NIEO, and in particular, the PACP leaders' capability to exercise their negotiating power at different points in relations to obtain benefits when it appeared to be in their development interests and stall negotiations and reject conclusion of agreements when not in their favour, cannot not be squared with Dependency argument.

Though Dependency Theory became discredited, it had a significant influence on Wallenstein's World Systems approach. The World Systems perspective would be useful to analyse asymmetrical EU-PACP relations as it is a strategy for explaining social change and emphasises the social structure of global inequality (Ahearn 2011). The World System can be understood structurally as stratification composed of economically, culturally, and militarily dominant core societies (themselves in competition with one another), and dependent peripheral and semiperipheral regions (Ahearn 2011). As a basis for comparison, Wallerstein proposes all the regions of the world can be placed in these different categories. The categories describe each region's relative position within the world economy as well as certain internal political and economic characteristics. The insight is that important interactions such as trade, information flows , and alliances have woven polities and cultures together since the beginning of human interaction (Ahearn 2011). These interactions to a great extent explain the political and economic underpinning of the trade and aid relations between the former European colonisers and ACP former colonies

The modern World System is driven primarily by capitalist accumulation and geopolitics in which states and businesses compete with one another for power and wealth (Ahearn 2011). This is clear in the Lomé Convention relations which provided the platform for Britain and France to compete with one another in the core category during decolonisation, for power and sphere of influence in their former colonies. This is clear in the continuation of the two countries political and economic relations of the colonial period in giving rise to Yaounde and the Lomé Convention.

Further the modern World System approach proposes that competition is shaped by the resistance of semiperipheral and peripheral peoples to domination and exploitation from the core (Ahearn 2011). This was certainly not the case in the Lomé Convention period as vast majority of the ACP former colonies were pleased to become signatories of the Lomé Convention with the hope to pursue their post-independence development. They intended to capitalise from the European trade and aid arrangements and improve their status (from periphery to semiperiphery category of the World System theory) Ravenhill (1985, p. 3) argues that the ACP countries, among the weakest in world in terms of economic development had few viable options available to them in their efforts to overcome the pressures imposed by their economic weakness. So collaboration with the most important economic partner, the EEC was a practical solution to their economic problems. The World System argument that the core exploited semiperiphery and periphery does not fit in the Lomé Convention relations as the ACP countries did not perceive the Lome Convention relationship as exploitative.

1.4.2 The Liberal and Neoliberal Perspectives

Liberal scholars on Europe-ACP relations have been influenced by Modernisation Theory of Development Studies. Modernisation theory was in vogue in the 1950s and 1970s when it appeared that the way to development was when societies move from being traditional to modern. Modernisation Theory held that all societies progress through similar stages of development; that today's underdeveloped areas are thus in a similar situation to that of today's developed areas at some time in the past, and that therefore the task in helping the underdeveloped areas out of poverty, is to accelerate them along this supposed common path of development, by various means such as investment, technology transfers, and closer integration into the world market (Anderson & Bosworth 2000). Industrial society was the goal, where society was driven by the demanding logic of industrialism.

Several liberal scholars argue that the arrival of the Lomé Convention as the first international agreement in the post-colonial period between the two unequal parties represented a growing equality in the North South relations (Babarinde & Faber 2005; Brown 2000, 2002b; Gruhn 1976; Hewitt 1993; Mishalani et al. 1981; Ravenhill 1985; Zartman 1976). They argued that Lomé Convention relations expressed shared interests of both parties and moved away from dependence in traditional ties to interdependence through development cooperation. In addition, they applauded the Lomé Convention as an advanced system of North-South development cooperation and a model for the New International Economic Order (NIEO) which the Group of 77 (G77) forum achieved in the United Nations Conference on Trade and Development (UNCTAD) to facilitate their national development.[6] Writing in the early years of the Lomé Convention, Gruhn (1976) and Zartman (1976) saw the signs of mutual interest and growing equality which they hoped would drive the two parties towards interdependence. This, they argued, would give rise to developments emerging from the growth of complexity in economic fields, and linked this international manifestation of interdependence to the modernisation of the ACP countries.

Ravenhill's (1985) work, in particular, is an important piece of work on Lomé Convention relations. He was writing in the 1980s, a crucial time in the international political economy when:

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[6] The G77 is a developing country caucus founded on June 15, 1964 by the "Joint Declaration of the Seventy-Seven Countries" issued at the United Nations Conference on Trade and Development (UNCTAD). UNCTAD was established in 1964 as a permanent intergovernmental body. It is the principal organ of the United Nations General Assembly dealing with trade, investment, and development issues. The organisation's goals are to maximise the trade, investment and development opportunities of developing countries and assist them in their efforts to reform the world economy on an equitable basis. Therefore, the G77 coalition of developing nations within the UNCTAD aimed to promote its members' collective economic interests and create an enhanced joint negotiating capacity in the United Nations. Although still known as the G77, the organisation has expanded to 132 member countries as of 2012. NIEO was a set of proposals put forward during the 1970s by the G77 developing countries through the UNCTAD to promote their interests by improving their terms of trade, increasing development assistance, developed-country tariff reductions, and other means. Overall, the NIEO focused on restructuring of the international economic system to permit greater participation by and benefits to developing countries (also known as the 'North-South Dialogue').

the debt crisis was affecting several developing countries, the plummeting terms of ACP trade with their former colonies was becoming obvious, and the Lomé Convention was largely viewed within the dependency framework which in the 1970s until early 1980s was the dominant approach in the discussion of North-South relations. Ravenhill (1985) used the concept of "collective clientalism" to explore former colonies' relations with European countries. He defined "collective clientalism" as an attempt by the former colonies to capitalise on their traditional links with the European countries to establish a relationship that would provide them with exclusive benefits as a form of agency from their position as a less powerful group of countries. This they hoped to achieve through the trade and aid instruments of Lomé Convention (Ravenhill 1985) with the aim of facilitating post-colonial national development. While Ravenhill was mindful of the ongoing asymmetries in Europe-ACP relations, he was convinced that the ACP countries, as the weaker party, could pursue a strategy of vertical collaboration in order to take advantage of dependency, that is, to exploit their dependence on and special ties with the European powers, in order to gain resources that would facilitate a future lessening of dependency (Ravenhill 1985, pp. 22-3). However, his findings showed that the ACP was not able capitalise as hoped. Ravenhill highlights that while the European countries' and the ACP countries' interests coincided in their desire to reach an agreement for the Lomé Convention, they diverged on the form an agreement should take (Ravenhill 1985, p. 3). Ravenhill concluded that the "collective clientalism" approach for Lomé Convention failed in part due to changing European interests and also, in part, as a result of the inability of the ACP to negotiate effectively, although they had gained increased bargaining power when they achieved their political sovereignty.

Brown's (2002b) more recent work takes a liberal perspective in examining the Lomé Convention in the broader context of the evolution of North-South relations. He argues that the Lomé Convention certainly embodied shared interests as a viable relationship. He further argues that the signing of the Lomé Convention represented a move away from colonialism and a “step towards interdependence” between former colonies and their previously dominant colonial power (Brown 2002b, p. 5). Therefore, Brown perceives Lomé Convention as a post-independence agreement that demonstrates equality between European countries and the developing ACP countries (Brown 2002b, p. 5). Furthermore, Brown attempts to expand the liberal approach by incorporating strains of the interdependence framework of Keohane and Nye (1989). Two things emerge from Brown’s discussion on interdependence leading to cooperation which has importance for liberal analysis of the Lomé relationship.

The first is the confirmation of possibility and the certainty of growing equality between formerly very unequal states (Brown 2002b, p. 6). Brown argues that the existence of interdependence is affirmed in the context of cooperation between states, in the attempt to define the mutual interest of each party in the agreements and in the growth of new multilateral channels of connectedness between states (Brown 2002b, p. 6). In addition, the relations have moved away from the bilateral ties of the colonial period to that of multilateral ties between groups of countries; and in the expansion of issue areas of the relationship – from imperial economic linkages to issues of aid, economic support, political dialogue and regional support (Brown 2002b, p. 6). Gruhn (1976) similarly had argued that the Lomé Convention was seen as taking ACP countries towards interdependence in the global economy, and this was a major advancement in North-South relations. However, Gruhn (1993) in his later work observed that the claim about greater equality was challenged as Lomé Convention lapsed into its second and third phase. Gruhn (1993) admitted continuing inequality in the relations as he observed that the factors that had appeared to give greater cooperation in 1970s such as the NIEO principles had all vanished by the mid-1980s when debt crisis engulfed the developing countries.

Second, Brown (2002b, p. 7) affirms that Lomé Convention needs to be understood as a regime, therefore, should be placed within the wider context of regimes and international cooperation. The idea that Lomé Convention be classified as a regime was proposed earlier by Herbst (1987) and Lister (1997). They argue that Lomé Convention be classified as an "international regime" because it regulates interactions built on principles and rules, actor behaviour and expectations. The claim that Lomé Convention represents a regime has more credibility as it had key features of regimes, and rules were often detailed that governed trade and aid between the two groups (Lister 1997). It also had procedures and conditions for allocating aid and renegotiating the terms of the agreement, and institutional aspects in the form of joint committees of ministers and political representatives, and a functional role in a general sense of promoting development (Brown 2002b, p. 8). In support, Nepote and Occeelli (*circa* 2003) add that the Lomé Convention certainly expressed some kind of shared interests in the cooperation, demonstrated in the voluntary acceptance and promotion of the Convention by the two sides. Although the agreements express cooperation, as demonstrated by the voluntary acceptance and promotion of the Convention by two sides, the rule-making process is not a mutual commitment but primarily European dominated in deciding what it should entail for the pursuit of their interests.

Therefore, the liberal view provides understandings of the Lomé Convention as a relationship between two groups of states at either end of the spectrum of wealth and power based on the principle of sovereign equality to enhance development cooperation in the international system. The existence of interdependence, at least in the Lomé Convention, is affirmed by the existence of cooperation between the two groups of states, in the attempt to define mutual interests of each party in the agreement. This research shares these arguments as it is clear that both parties were convinced to pursue mutual interest in concluding the Lomé Convention based on its stated objective on development cooperation. The newly independent ACP countries' inspiration to commit with their former colonisers and negotiate an agreement was inclined to facilitate growth in their economies. The 46 ACP signatories of Lomé Convention I expanded to 76 in Lomé convention IV.

However, the liberal approach to analyse the cooperation and mutual commitment between the EU and ACP in the post-Lomé Convention period has dwindled. While the number of ACP signatories further increased to 79 in signing the Cotonou Agreement in 2000, between the two parties somewhat began eroding with the commencement of EPA negotiations. The EPA locates firmly in the neoliberal development approach whereby the globalisation and the role of the rules-based WTO is setting rules of the EPA and ensuring that signatories play by them.

This is so because the extent of trade liberalisation the EU has proposed in the EPA in all sectors of the economy is not compatible with the development strategies of several African and Pacific Island countries. The EU and the ACP no longer have mutual development interest. While the Caribbean countries of the ACP acted within the time-frame set by the EU and signed a comprehensive EPA in 2008, negotiations with several African and Pacific Island countries led to growing unequal power relations and collapse of cooperation and declining mutual interests. The Caribbean policy-makers have also realised the challenges their economies will face a system that promotes the general application of rules irrespective of differences in size, resource endowment and levels of development (Byron & Lewis 2007). As challenges of the EPA have become clearer to the PACP governments, the EU's dominating position in negotiations and its failure to address the PACP development plans in the EPA has led to tumultuous negotiations and a significant decline of cooperation.

Literature on the EPA has emerged recently, after EU started negotiating the agreement with the ACP groupings from 2004. The emerging body of literature centres on the likely impacts of an

EPA in the African regional grouping and the Caribbean group. Literature on the positive impact of EPAs in the PACP countries is rare.

Under the EPA, ACP must undertake reforms to allow trade liberalisation and integration with the world economy with the hope that it will boost growth in their economies. Authors such as Cali & Tevelde (2006), Eliassen & Arnesen (2007) and Gasiorek & Winters (2004) argue that generally the trade liberalisation driven by EPA will help create larger markets (through regional integration) which is hoped to expand the productive capacity of the ACP economies and will encourage diversification in the ACP economies. Collier and Gunning (2006) have been hopeful that economic reforms brought by EPA would encourage foreign direct investment (FDI). Meyn (2008) however stresses that an FTA is only a potential but not sufficient condition for deriving FDI. Studies undertaken by Hinkle & Schiff (2004a), Hinkle & Schiff (2004b), Bussolo (1999), McKay et al. (2000) and Schiff & Winters (2002) propose that trade liberalisation in a rapidly globalising world will lead to an increased inflow of foreign direct investment in the ACP. They contend that this will create jobs, encourage innovation and introduce new technology and skills, and bring access to overseas market and will promote competitions among ACP economies. They also discuss various policy options for ACP countries in the move towards implementing EPA.

Literature on the pessimistic view of EPA is burgeoning as negotiations on EPA between the EU and the PACP and several African countries ongoing for almost a decade have failed to meet the purported date for conclusion. In addition to the scholarly criticisms of EPA, regional and global civil society organisations have also shown disapproval to EPA. The civil society based NGOs are playing a significant role in debating the EPA in the PACP region and creating awareness of its consequence at the national and regional level. Some scholars focus specifically on a country by country basis as ACP countries have diverse socio-economic and geographical features. Some scholars have taken sector-specific studies to explain the impact of the EPA.

The more critical literature strongly proposes that the EPA, as a fundamentally neoliberal arrangement, idealises free markets, market friendly governments and privileges the private sector or corporate interests at that expense of public interest and welfare. Scholars argue that trade liberalisation between the most industrialised European and the relatively small and poor economies of the ACP have no significant benefits for the latter. Hinkle and Schiff (2004b, p. 1322) argue that EPAs pose a number of policy, administrative and institutional challenges in the ACP countries. These include replacing forgone tariff revenues, avoiding serious trade diversion,[7] appropriately regulating liberalised service industries, and liberalising internal trade within the regional bloc. Busse, Borrmann & Grobmann's (2004) examine the impact of some of these EPA reforms on Economic Community of West African States (ECOWAS) and Mauritania. These authors argue that significant trade and budget effects might occur if West African countries open their domestic markets for EU imports. Meyn (2004) examines the options, limits and challenges specific ACP countries like Botswana, Mauritius and Mozambique would face as a result of implementing the EPAs. He argues that European countries would potentially benefit by the trade creation feature of EPA since more competitive European suppliers of goods and services would replace ACP suppliers. Due to different endowment level of the European and ACP countries and the different industrial development level implies the risk for ACP countries that trade diversion will dominate under the EPA (Meyn 2004). In addition, infant industry protection would not be feasible for ACP under the free market access feature of the EPA (Meyn 2004). ACP

[7] In international economics, the term trade diversion means trade is diverted from a more efficient exporter towards a less efficient one by the formation of a free trade agreement or a customs union.

countries might not have the opportunity to support its domestic industries and become actors in the commodity chain (Meyn 2004).

Besides the scholarly literature, the civil society based NGOs are playing a significant role in debating the EPA that serious social and economic crisis and extreme inequalities will result from restructuring and implementation of market oriented policies in the ACP countries. Third World Network (2011) report examines the economic and social development implications of EPA in the CARIFORUM countries of the ACP group. The report argues that key issues in the EPA such as MFN (Most Favoured Nation) [8] clause, loss of revenue resulting from trade liberalisation and structural adjustment required, service liberalisation, and 'Singapore Issues'[9] of investment, competition policy and government procurement, will significantly impact negatively on the ACP economies. According to the report, these issues are not only of concern to the ACP states but seen intensely debated by the developing countries in the WTO Doha Trade talks causing stalemate in the conclusion of the Doha round. The report argues that the trade liberalisation agenda of the European countries addresses their economic interest at the expense of developing countries. This is reflected in the European Commission's "Global Europe: Competing in the World" document published in October 2006 (European Commission 2006). The document identifies that the European Commission is aiming to open new markets for European companies by targeting the developing countries cost of the overall regulatory environment, despite the

[8] MFN is one of the cornerstones of WTO trade law. In international economic relations and international politics, MFN is a status or level of treatment accorded by one state to another in international trade. The term means the country which is the recipient of this treatment must, nominally, receive equal trade advantages as the most favoured nation by the country granting such treatment.

[9] Ministers from WTO member-countries decided at the 1996 Singapore Ministerial Conference to set up three new working groups: on trade and investment, on competition policy, and on transparency in government procurement. Because the Singapore conference kicked off work in these four subjects, they are sometimes called the Singapore issues (World Trade Organization).

acknowledged problems this will cause to the development efforts of the ACP countries (European Commission 2006).

In the PACP region, the NGO called Pacific Network of Globalisation (PANG), a research and advocacy group on economic trade policy issue engaged the Auckland University law professor, Jane Kelsey, the leading critic of EPA and the WTO trade regime. Kelsey (2005) argues that the requirement to negotiate a WTO-compatible EPA draws the majority of PACP countries who are not members of the WTO within its web, at a time when countries of the South are debating at all levels that the economic and social cost of implementing WTO rules is too high. Kelsey points out a number of controversial elements in the EPA text including the Singapore Issues of investment, competition policy and government procurement which have been dropped from the WTO trade negotiation rounds, are pushed by EU policy-makers to benefit European business sector. Kelsey argues that this single agreement would mean the development strategies of the PACP countries are effectively governed by those rules for the indefinite future. She further argues that this linkage should not be conceded by treating an EPA as the price to pay for aid, especially as the PACP countries' share of European aid is likely to fall as the European Union focuses its attention elsewhere. Kelsey (2007) notes that the PACP states heightened concern about the effects of trade liberalisation and reforms in the draft text of the EPA which they prepared June 2006 and submitted to the EU. Kelsey (2007) argues that there are two intrinsic tensions in the EPA; one between its trade liberalisation and development agendas, and the other between the affirmation of sovereign integrity and supranational institutional arrangement for regional integration.

More recently, Kelsey (2010) provides a legal analysis of the most debated service and investments aspects of the EPA in the Caribbean Forum (CARIFORUM) of the ACP group. This work identifies legal risks arising from the text that CARIFORUM states have the opportunity to revisit in their forthcoming five year review. Kelsey (2010) argues that, more importantly, the report is a warning of similar risks for the rest of the ACP regions and other states that are considering, or already engaged in, negotiations on services and investment with the EU. Her work reveals five principal categories of legal risk: (i) asymmetry in favour of the EU; (ii) the unpredictable and unlimited multiplier effect of most-favoured nation and 'regional preference' obligations; (iii) an externally imposed regional integration model; (iv) closure of policy space; and (v) complexity, uncertainty and a heightened risk of errors with no structured opportunity to correct them (Kelsey 2010, p. i).

Furthermore, some scholars argue that a country-specific study on the impacts of EPA is important to understand the effects. Reports prepared by Stevens, Kennan and Meyn (2008) for the Overseas Development Institute (ODI) identify the broad features of the interim EPA that was signed by Fiji and PNG and the comprehensive EPA that was signed formally by most of the states of the CARIFORUM in 2008. They emphasise that in the CARIFORUM, a much more country-specific work remains to be conducted before a full development impact of the EPAs can be identified and quantified. They argue this is important because the changes are so numerous that focusing on individual countries is necessary to allow sufficient depth of analysis. In addition, some of the most substantial effects will arise from the clash of the agreed EPA rules and the current established practice in the signatory countries. The report therefore does not indicate views on whether the development impact of EPA will be positive or negative. However, the ACP negotiators have already noticed that tensions within the CARIFORUM group have grown over issues of trade and immigration (Pacific Island Economist C, 2012). Stevens, Kennan and Meyn (2008) note that PNG will undertake all (94 per cent) liberalisation on entry into force of the EPA.

Fiji's liberalisation timetable will continue until 2023. Some high tariff will be removed in 2018 but most can continue until 2023.

Moreover, some scholars have taken sector-specific studies of countries which have signed EPA or initialed the IEPA. Campling's (2008a) study reviews and analyses relevant fisheries provisions contained in the IEPA in the East African Countries (EAC), Eastern and Southern Africa (ESA) group IEPAs (which are identical), the PACP IEPA, and in the chapter on agriculture and fisheries in the CARIFORUM EPA. Campling's study draws out similarities and differences between the fisheries aspects of these IEPAs with the aim to offer some perspective on their implications for the ongoing negotiations of comprehensive EPA. However, the study does not provide analysis on whether IEPA or EPAs would be effective instrument for development of ACP fisheries sector. Campling accentuates that while the one key provisions of the fisheries cooperation in the EAC and ESA IEPAs is to promote sustainable development and management of fisheries, the provisions are rigid, imprecise and the EU offers a weak commitment to the sustainable management fisheries resources (Campling 2008a, pp. 2-5). Another report compiled by Hamilton, Lewis & Campling (2011) examines the implementation of the derogations to the standard of Rules of Origin (RoO) for processed fish often referred to as "global sourcing". This provision has removed the strict RoO on PACP countries' fisheries exports that has existed since the Lomé Convention. The reformed RoO in the IEPA now provides some prospects for commercial expansion in the fisheries sector. Hamilton, Lewis & Campling (2011) argue that PNG's decision to submit a notification to EU for use of the global sourcing will bring development effects on PNG's economy in terms of attracting new onshore investments to PNG and long-term income and employment generation.

Therefore, critics such as Kelsey (2005, 2007, 2010) in her successive works raises the concerns that the EPA's focus on trade liberalisation will bring significant challenges to the ACP countries' development strategies. European countries' interest to enforce trade liberalisation with developing country partners aims to enhance the European private sector as reflected in the 2006 "Global Europe" document (European Commission 2006). The EPA requires the ACP to take on major macro-economic and structural policy reforms, the long-term economic and legal impact of which is unclear to ACP policy-makers and developmentalists. Critics find the EPA principles such the MFN status of WTO rules, service liberalisation and the Singapore Issues most controversial, as these will not address the development needs of their countries. Therefore, these arguments provide insights that EPA will significantly challenge the development trajectories of the PACP economies and will produce no significant benefits.

1.5 Theoretical Framework

The existing literature on Europe-ACP relations has largely focussed on whether the ACP can gain economic development benefits from the trade and aid relations. That focus is pertinent to the objectives of this thesis, but a thorough history of these relations must be broader. It is useful to step back and consider these relations as a form of international relations, in which national interests and relative power capabilities play a formative role. This research therefore adopts the theoretical framework of Gilpin's (2001) "state-centric realism". Gilpin like other realists such as Morgenthau and Waltz is engaged in the development of grand or general theories that entails analysing, evaluating or predicting the states foreign policy (Feng & Ruizhuang 2006, p. 118).

Given the prominence of realist and neorealist approaches in the International Relations discipline, surprisingly very few studies of European relations with the ACP such as Montana (2003) uses an IR lens to provide full analysis of state interests in the relations and the extent to which the arrangements in the relations reflect those interests. One reason is that realist approaches tend to be concerned with relations among the powerful actors in international affairs and not with positioning the developing countries in international system. Another reason why the examination of state interests in the Europe-ACP relations is overlooked by scholars, is that the relations have been viewed primarily as an example of cooperation by liberal scholars who have been keen to analyse areas of international cooperation and interdependence endeavours such as Brown (2000, 2002b) and Ravenhill (1985) rather than power relations and pursuit of national interest. Therefore, using the state-centric realism approach as a realism lens for the study of Europe-PACP relations is a potentially fruitful approach for the study of this area. The relations are viewed as a historical process whose interpretation varies according to the time period and the specific geo-political context.

State-centric realism like other IR realism and neorealism approaches has been concerned with powerful states' interests (Gilpin 2001, p. 16). In deploying the state-centric realism theory, this study aims investigate to what extent the former colonisers political and interests apparent in the colonial period have continued in the post-colonial period. In addition, this study contributes to the field by applying the approach to examine the interests of the former colonies which are politically less powerful and are economically weak states in the global economy. The study intends to explore if there realist models for small states to engage in the international relations systems? Small states as units of analysis have been presenting political science researchers with challenging research puzzles for several decades (Park 2005, p. 229). While varied research concerned with modern statehood, sovereignty, economic development of the small states has been undertaken during decolonisation period particularly from the 1950s to the late 1970s, the zeal to study small states began to fade away in the early 1980s (Park 2005, p. 229). Attempts to learn more about small states' behaviour was given up, primarily due to the loss of interest in the subject by American political scientists who continue to define the interests of the political science discipline (Christmas -Moller 1983). Moreover, research on the small states of the PACP countries only started from the early 1970s as colonialism continued in the region, until the 1970s such Lal (1977), Corris (1973, Crocombe (1971) and in some cases as late as the 1980s such Bartlett (1981), Bennett (1987) and Siegel (1985). Political scientists have long been unable to position the less powerful countries in power politics. As a result, to examine the political and economic interests of the states from both parties in the EU-PACP relations, Gilpin's state-centric realism is a theoretically a suitable approach.

Gilpin's state–centric realism theory borrows from the realists and realists scholars of international relations such as Morgenthau (1978), Waltz (1979), Wight (1995), Mearsheimer (2010) and Bull (2002) who share fundamental ideas such as the primacy of the state in the international system, and that states' power and self-interest are central to international politics is their power and self-interest. It is important to briefly outline variants of realist and neorealism that inform the Gilpin's state-centric realism theory before delving into detail on the specific ideas of state-centric realism. First, realism argues that states are the dominant actors in the anarchical international system and to survive in a self-help international system, states must pursue power (Hobson 2000, pp. 17-8). Second, it proposes that states as principal actors pursue power to achieve more powerful positions at the expense of rivals and by defending themselves against the encroachments of these rivals (Nicholson 1998, p. 95). Third, it emphasises that inter-relationship of states with each other is dependent entirely on their power relationship with each other and has nothing to do with internal structure of state or the type of regime. Internal politics and external politics are therefore totally separate (Nicholson 1998, p. 95). However, Gilpin argues that the national interests and policy priorities of states are also influenced by broader international dynamics (Gilpin 1987). His 1987 work analysed the international economy as if domestic economic developments were of only minor importance (Gilpin 1987). In part, this neglect according to him was due to his desire to help advance an autonomous, self-contained international political economy (Gilpin 1987). However, in his 2001 work, he attempts to overcome this weakness through a focus on what he calls ‘national systems of political economy’ and their significance for both domestic and international economic affairs (Gilpin 2001).

Last, realists believe that there is no scope for cooperation between states except pragmatically in alliances which are in conflict with other states (Nicholson 1998, p. 97). They argue that under the anarchy situation which they see as characterising the international system, cooperation is not possible, given the survival imperative which dictates that states must prioritise relative gains (self-help) over absolute (international cooperative) gains (Hobson 2000, p. 38). Realists such as Bull (2002), Buzan (1993), and Buzan, Jones & Little (1993) however argue that states can cooperate on the grounds that they have certain common interests and values. While state interests in the form of economic interests are equally important for state survival in the international system and the intricate link between politics and economics in policy-making for state-survival are clear, realism as a mainstream theory ignored the economic aspects of International Relations or relegated to subordinate position (Nicholson 1998, p. 98). Gilpin’s state-centric realism which considers the importance of economics in International Relations holds a more relevant approach for the study of state interest in the relations between European countries and their former colonies.

With the changing context of the international relations system, at a more general and theoretical level, Gilpin saw the need to incorporate economics into the international relations scholarship in subsequent (1987) and (2001) works. Gilpin situates his framework within the context of global political economy of international relations, where the interactions of market and states as powerful actors, multinational firms and international organisations provide a rather inclusive and comprehensive alternative to the state-centric realism approach. He is of the view that understandings of the issues of trade, monetary affairs, and economic development involves the integration of theoretical insights of the disciplines of economic and political science (Gilpin 1987, p. 3) . International Political Economy (IPE), therefore is a more holistic approach to the understanding of the social world, although one in which understanding of relationship between politics and economics requires that we place such analyses within an international (or perhaps more appropriately a global) context. Like Gilpin, other prominent scholars such as Strange (1994) have presented IPE as a discipline concerning the study of the relationship between the state and the market. This framework is a suitable approach for this research which is about inter-state relations between European countries and their former colonies focused on trade and aid arrangements that have political and economic underpinnings. This topic clearly requires situating the study within the broader global political economy context.

Gilpin's (2001) theory of state–centric realism has four key arguments. Firstly, the state is a central actor in an anarchical international system and is concerned with its national interests defined in terms of materials power (Gilpin 2001, pp. 16-7). State-centric realism explores explanation for international relations phenomena and state behaviour from the vantage point of individual states (including national attributes, national interest and domestic politics). It is generally thought that realism does not concern domestic aspects of politics of consideration of such domestic issues represents a step away realism's core concern.[10] In the field on international political economy, Gilpin contends that state interests and policies are determined by the governing political elites , the pressure groups of powerful groups within a national society

[10] For an explication of this type of view, see Legro amd Moravesik, "Is Anybody Still a Realist,' pp. 5-55.

and on the nature of the 'national system of political economy' (Gilpin 2001, p. 18). Gilpin (1981) argues that economic and foreign policies of a state reflect the nation's national interest as defined by the dominant elite of national society. He further contends that apparent state behaviour reflects the rulers and political regimes interests that transcend the more narrowly defined interests of the governing elute of the moment (Gilpin 2001, p. 18).

This argument is useful in examining the national interests of the economically and politically powerful European countries and how they hinge on the governing elite and powerful pressure groups in shaping the relations over time. But it also raises questions about small states interests in international affairs. Is it that small states cannot play important roles in the international affairs as they generally have less control over resource and capabilities? The thesis contributes to this strand of the state-centric realism theory by examining small states' national interests and the role of political and economic elites more generally in the ACP and then takes a step further to examine PACP countries interests in the asymmetrical relations. The research examines how the PACP countries have tried to push their national interest at different points in the relationship when they saw trade and aid beneficial for their economic development and when the external environment could be used in their favour. The research explores how the different national interests and perspectives of the PACP governments have influenced EPA negotiations and this has been the main difficulty for the PACP in achieving collective action in the EPA negotiations. Additionally, the research also aims to unpack the shifts in the relations by examining how Fiji in the early phase of the relations was concerned about its national interest and played a key role in influencing the Lomé Convention as evident in its foreign policy. However, in the post-Lomé Convention period, Fiji now longer perceives EU as an important trade partner and donor as it more recent foreign policy as shifted elsewhere to China, Russia and Middle Eastern Countries.

Secondly, the theory argues that non-state actors such as private firms, international institutions, and transnational advocacy networks and NGOs are also important actors in the international system but dismisses the dominance of its role. Gilpin does not contend that state is the only important actor. He emphasises the role of intergovernmental organisations in the international system such as the World Bank, the International Monetary Fund (IMF), and the Commission of the European Union (Gilpin 2001, p. 18). He argues private sector interests, especially, those of powerful business groups play an important role in efforts of powerful states to create an international economy. Gilpin is of the view that economic and technological forces are profoundly reshaping international affairs and influencing the behaviour of states. However, in a highly integrated global economy, states continue to use their power and to implement policies to channel economic forces in ways favourable to their national interest and the interest of their citizenry. These arguments are relevant in examining the involvement and influence of the British agribusiness multinational company, Tate & Lyle and the political and economic elites in the British-Fiji sugar relations. With reference to formal intergovernmental institutions, Gilpin argues that they have created to manage todays extraordinary complex international economy (Gilpin 2001, p. 83). The most important institutions are the Bretton Woods institutions such as the World Bank, the IMF, and the WTO (Gilpin 2001, p. 83). The world economy would have difficulty functioning without these institutions (Gilpin 2001, p. 83). Many realists would disagree with this belief that international regimes are important, at least in the area of economic affairs and insofar as they do not infringe on the security interest of powerful states (Gilpin 2001, p. 83). While international regimes are useful to provide solutions to technical, economic, and other problems associated with the world economy, they also invariably effect the economic welfare, national security, and economic autonomy of individual states (Gilpin 2001, p. 92). For this reason, states frequently attempt to manipulate regimes for their own parochial economic and political advantage (Gilpin 2001, p. 92). Liberal scholars of IPE hold that regimes are economically and politically neutral (Gilpin 2001, p. 92).These claims of Gilpin on international institution and regimes are useful to examine how the WTO and its trade regime have influenced content of the Europe-PACP countries relations and how this moderates the anarchical nature of the international system.

Thirdly, the theory argues that ideas, norms and values play important roles in interstate affairs (Gilpin 2001, p. 17). The argument is useful in examining how the dominance of neoliberal market ideas and liberal political ideas (such democratic principles and good governance agenda, and security and stability seen as necessary conditions) as necessary conditions for the new development orthodoxy in the post-Cold War has brought substantial changes to the economic and political domain of the relations respectively. This research contributes by arguing that the importance of the role of intergovernmental organisations and norms and ideas are not detached from powerful state interests in driving changes in the relations, particularly the most significant changes that occurred in the post-Cold War period. While Gilpin argues that states influence and control regimes for the pursuit of their political and economic interests, the ideas and norms that underpin the rules and regimes of international institutions are the paradigms of power states and constantly pushed by them in the international economy.

The fourth strain is that power and power-relations play important role in international affairs. Power can assume the form of military, economic and even psychological relationships among states (Gilpin 2001, p. 17). The European states since colonialism have remained economically and politically powerful actors. The research explores the extent to which the asymmetries continue in relations between former colonisers and former colonies. This research contributes by investigating the evidence of ACP states' agency and more specifically, the PACP stimulus in the attempt to challenge the unequal economic and political power relations.

1.6 Overview of Chapters

Chapter 2: From Decolonisation to Washington Consensus: Overview of Europe-ACP Relations

This chapter explains the evolution of the Europe-ACP relations within the broader global political economic context. To ensure that relations continued without significant disruption to their geopolitical and economic interest, European countries as powerful parties redefined the content of the relations in response to the events of the global political economy. The global events of the post-war period; the interplay of Cold War and decolonisation, and the 1973 oil crisis influenced the furtherance of the colonial pattern of relations instituted in the Lomé Convention. The beginning of the relations had clear and strong roots in European colonialism. It gave rise to the Yaoundé Convention (1963), the first formal agreement between the EEC and its newly independent African colonies, whose expansion in 1975 brought the Lomé Convention. This supports Gilpin's state-centric realism theory's main argument that powerful states in an anarchical international system are concerned about national interests in international affairs. My contribution is to show former ACP colonies as relatively weak and less powerful states were seen acquiring increasing negotiating power and were pursuing their national interests in the Lomé Convention to improve their status in the global economy within the New International Economic Order (NIEO) framework. The inter-state relations of the Lomé Convention were based on a mutual commitment in which there was confluence of interests of both parties.

The end of the Cold War marked a major change in the international system shifting the European countries interests and priorities and brought significant transformations in the Europe-ACP relations in the Lomé Convention. In particular, the ascendancy of neoliberal market norms gave rise to new development orthodoxy in the development community that brought a new focus in the economic and political domain of the relations. The EU embraced norms changing its perspective of its external relations with the aim of harmonising relations for greater resource access and investment opportunities. The EU's neoliberal market driven development perspective in the economic domain of the relations brought a complete restructure of the arrangements of the Lomé Convention. This took the relations to a new phase with the formalisation of a reciprocal free trade and WTO-compatible Cotonou Agreement in 2000 and the EPA since 2008. In addition, the post-Cold War environment brought a new political dimension to the EU-ACP relations. The new development orthodoxy also brought a consensus amongst Western donors that the offers of financial aid should be linked to the political situation of the recipient countries. This led the EU to incorporate a complex political framework consisting of political dialogue and conditionality in the Cotonou Agreement with the aim to transform political development trajectories of the ACP countries.

Chapter 3: Why Pacific Joined the ACP: Britain, Fiji and Sugar

This chapter explores the shape and content of the Europe-PACP relations through British colonial and industrial history which involved cane sugar trade. PACP states' inclusion in the ACP group for committing in the Lomé Convention was centred on Britain-Fiji economic link established in cane sugar trade since the colonial era. The intention of both sides was purely about advancing their interests for their national development. British interests to continue the trade in cane sugar was part of the former coloniser's resource access interest in the former colonies. Britain saw the resource access as economically significant at the time when the primary commodities experienced shortages during the oil crisis which had caused an economic crisis in the 1970s. This and the declining British status globally drove Britain join to the European

Economic Community (EEC) in 1973. The aim was to bring all its trade with former colonies under the EEC umbrella. Within these inter-state relations were substantial British multinational agribusinesses, Tate & Lyle Group interest in the maintenance of cane sugar imports from the former colonies. British government allowed Tate & Lyle play a decisive role in all stages of the commodity as it was crucial in keeping the British economy buoyant in key cities. Fiji's interests, on the other hand, in exporting cane sugar to Britain are clear in its foreign policy from the 1970s to early 1990s. The Fiji-Britain link based on the importance of cane sugar trade therefore brought 'P' in the ACP group and became the basis of the Europe-PACP relations throughout the Lomé Convention. Europe-PACP relations in the Lomé Convention from European perspective clearly demonstrates the maintenance of colonial pattern of trade but when seen from Fiji's perspective, Fiji committed in the relations to pursue its national interest within the NIEO framework hoping to facilitate post-independence development.

Chapter 4: Effects of the Relations on Economic Development of the PACP Countries

This chapter explores the impact of the trade and aid instruments of the agreements on the development trajectories of the PACP countries. While the Lomé Convention's stated aim was to assist ACP countries economic growth, the ability to capitalise fully was constrained by European interests couched in the aid and trade rules. Therefore, the ACP countries' effort in pushing the NIEO principles in the Lomé Convention became futile as the implementation of it was not supported by European parties. Nonetheless, the Lomé Convention arrangements were pivotal for the post-independence development of certain primary sectors of the PACP countries, explicitly cane sugar farming and production in Fiji and tuna fishing and processing in Fiji, Solomon Islands, and later Papua New Guinea. The preferential price system of the Lomé

Convention was crucial in facilitating the development of these sectors transforming them into main economic activities and export sectors. The Lomé Convention arrangements focus on primary commodity trade was in line with the development strategies of PACP states at the time. However, in terms of long-term benefits, they did not encourage PACP countries' industrialisation and diversification efforts.

The Cotonou Agreement, as a transition to EPA aims to make all trade WTO-compatible. EPA among other things requires the liberalisation of all the trade in with the ACP would eventually replace the Cotonou Agreement when it expires in 2020. European interest continues in securing resource access and investment openings, and PACP countries' interest in EU as market and development donor continues. However, the PACP countries are not willing to conclude the EPA. They are concerned that EPA will produce immense challenge to PACP countries development strategies as it aims to enforce significant economic and sectoral policy reforms, the impacts of which are unclear. For Fiji's sugar industry, the termination of trade preferences, in addition to the EU decision to terminate large amounts of sugar industry aid due to the 2006 coup is bringing enormous challenges to its future survival. As a result, Fiji-EU relations have waned. In the post-Lomé Convention, Fiji no longer perceives the EU as its important trade partner and donor and its more recent foreign policy indicates its interest has shifted towards establishing relations with China and Russia. However, the European countries' decision to continue trade preferences and provide improved RoO in the IEPA for PACP countries' processed tuna fisheries exports to European markets has some potential for diversification and industrialisation in Fiji and PNG which initialled the IEPA. These concessions are part of the EU's growing role as global fish power to access tuna resources further afield as European countries have exhausted their tuna stocks. PACP countries have the large tuna stocks. As a result, fisheries aspects are dominating the EPA negotiations. The tuna related focus of the Europe-PACP relations appears to fill that vacuum in the relations left by the decline in Britain-Fiji sugar trade relations. If in the future, the EU decides to withdraw the trade preferences for the rapidly growing fisheries sector, as it did for ACP sugar exports, the PACP tuna fisheries sector will no doubt face a bleak future too.

Chapter 5: Effects of the Relations on Political Development of the PACP Countries: Case-study of Fiji's Political Crises

While the previous chapter focuses primarily on the economic impacts, this chapter examines political implications. The chapter investigates how the EU focus on the importance of political norms and ideas such as the need for democratic norms, human rights, security and stability principles have transformed political developments in Fiji during the political crises of 1987, 2000, and 2006. While these normative ideas are widely considered fundamental to political development, clearly European countries decision for its enforcement and non-enforcement at different times throughout the relations was driven by their interests in the former colonies. Given the widespread politically motivated violence in some of the African countries of the ACP group, former coloniser's could not arrive at a collective agreement on the inclusion of a human rights clause in the Lomé Convention for several reasons. As a result, Europeans did not engage in facilitating peace and reconciliation when Fiji's ethnically-driven military coup in 1987 overthrew an elected regime causing much instability.

The post-Cold War brought greater focus on the democratisation of political systems. The new development orthodoxy for offers of aid demanded that recipient countries must adopt democratisation practices. Western aid became linked to political reforms, affecting ACP countries' governing systems, requiring democratic principles and respect for human rights and fundamental freedoms as political conditionally. By the time of the second political crisis in Fiji in May 2000, the Cotonou Agreement, which included a new and complex political dimension framework to deal with crises, was already negotiated. It was signed by Fijian officials at the height of 2000 crisis when the country had no government. Although this framework allows the EU a more resolute involvement in the politics and policies of the ACP countries, its approach during the 2000 civilian coup was sporadic despite the widespread politically motivated crimes. Commercial interests seem to have been the primary reason for shifting the EU focus to other countries in crisis with which the EU has stronger economic relations than Fiji. It largely appears that the 2000 crisis in Fiji did not raise concern because European countries no longer had any important trade link with Fiji.

However, the changed security context after the 9/11 incident significantly changed the EU's inconsistent approach in dealing with developing countries' crises. The strong nexus between security and development recognised by the EU brought the expansion of the political conditionality with the securitisation of development in the Cotonou Agreement in 2005. Immediately after the 2006 military over throw of the Fijian government, the EU acted swiftly and intervened within the Cotonou Agreement framework trying to play an effective role in bringing democratisation back. However, the interim Fijian government rejected the EU's proposed plan of action and began implementing its own plan. To punish Fiji for non-compliance, the EU imposed tough negative conditionality. Fiji government's decision to challenge the EU instructions illustrates the complexity of power relations. The EU is the bigger partner with great deal of economic power over Fiji, yet has not been able to change Fiji to conform to its directives.

CHAPTER 2: From Decolonisation to the Washington Consensus: Overview of Europe's Relations with the Former ACP Colonies

2.1 Introduction

Before focusing on Europe's relations with the PACP countries, ground work is required to explain the overall framework of Europe's relations with the ACP at large, and the global political and economic events that have shaped these relations. In responding to these global events, European countries have been re-arranging the contents of the relations, and adding new elements to ensure that the relations continued without significant disruption to their ongoing geopolitical and economic interests in the former colonies. The prevalent European interests in these relations support the main idea of the state-centric realism theory that states as principal actors in the international system are concerned with their national security defined in terms of economic and political interest. In addition, the research argues that relatively less powerful ACP states were also pursuing their national interests and had influence on the relations.

The chapter argues that by establishing relations with the ACP countries, first in the Yaoundé Convention and later in the Lomé Convention, European countries were creating an institutional basis for continuing relations similar to those existing under colonialism. This is evident from the colonial policy of European Associationism being instituted as the EC Association Policy in 1957 upon founding the EEC in the same year. Although the European Community (EC) Association Policy was pushed by France to bring its colonial relations under the newly formed EEC, it provided the framework for all the former colonial powers of the EEC to associate their colonies under the EEC. The EC Association Policy framework provided the basis for the Yaoundé Convention in 1963 as the first formal agreement between the EEC and its newly independent

African colonies. The Yaoundé Convention, however, required expansion when Britain gained accession to the EEC in 1973 and pressed to incorporate its former colonial ties in the EEC framework of relations. The accommodation of Britain's relations with its former colonies brought the successor, the Lomé Convention in 1975. The beginning of the Europe-PACP group relations in the Lomé Convention therefore emerged from this historical context.

As Europe's relations with the former ACP colonies evolved they were influenced by events within the external political economy. Relations were significantly influenced by post World War II events; the decolonisation process, the Cold War, the 1973 oil crisis and the ongoing New International Economic Order (NIEO) talks in the United Nations Conference on Trade and Development (UNCTAD) at the time. In particular, the ACP capability to push the NIEO was significantly increased by the primary commodity supply power they had acquired in the 1973 oil crisis context. They attempted to overturn unequal power and economic relations to become more equal players. ACP states at the time were happy with arrangements promoting mutual interests on primary commodity trade.

Significant transformations to the relations started with the end of the Cold War, initially bringing an end of the twenty five year Lomé Convention in 1999, then formalising the Cotonou Agreement in 2000, and the EPAs, which the EU has been negotiating with the African and Pacific ACP states at the time of writing. Changes to relations were wrought by the influence of the rising dominance of ideas and norms in the development community. Changes in the economic domain of the relations were brought by the European countries decision to adopt new a development orthodoxy having faith in neoliberal market ideas. In the political domain, changes were produced by the EU's emphasis in external relations on the importance of democratic and good governance practices and principles, and upholding rule of law and human rights as necessary conditions for development. Finally the fallout of the 9/11 incident profoundly changed the global security context and brought in a strong emphasis on security and stability conditions as additional political elements necessary for development. Unlike the Lomé Convention, several ACP states, including all PACP states and a number of African countries have been contesting for almost a decade not to conclude EPA. EPA is enforcing market-driven development which is bringing immense challenge to their economies. They believe that they need some level of protection in the global trade. However, the EU believes that trade liberalisation will integrate the ACP economies in the global trade and increase the volume of trade and investment in ACP.

Here state-centric realism is valuable in explaining how ideas and norms, and international institutions influenced the move from the Lomé Convention to Cotonou Agreement and EPAs. I argue that the importance of the role of the WTO and neoliberal ideas in international affairs are not delinked or detached from the powerful state interests in the international affairs which is the core argument of the theory. To bolster European interests, the EU plays a central role in the WTO. The EU and other industrialised states have come to a consensus to embrace the neoliberal market principles, and the WTO trade regime is the way to enforce a new trading policy strategy. It is clear that the interplay of power state interest, the role of the norms and ideas and the role of international institutions have influenced the formalisation of the Cotonou Agreement and the EPAs.

2.2 The Colonial Legacy in the Origins of EEC-ACP Relations

The origins of the EEC-ACP relations have been a much-debated subject among scholars. One group of scholars argue that the beginning of the EEC-ACP relations reflected the international economic situation of the 1950s and the 1960s as a period of economic growth. The second group take an anti-colonial perspective arguing that the underlining motive of the European states in the relations was to keep their former colonies linked to their continuing geopolitical and economic interests which had existed since colonial times. The findings of this research support the second view that the European colonisers desire to maintain their spheres of influence in their former colonies was key in the founding of the EEC relation with the ACP group. The chapter demonstrates that the continuation of a colonial link is a necessary point of departure for a systematic study and proper understanding of the establishment of European relations with the PACP group of states in the Lomé Convention within the broader framework of the EEC-ACP group relations.

The former coloniser's key intention to advance their interests in the relations supports the state-centric view that the central concern of powerful states are its national interests as defined in terms of economic and military security and political interdependence. These national interests according to Gilpin are determined by political and economic elites. Successive French governments were the hegemons in the EEC and the key political actors in the establishment of EEC relations since the Association Policy to Lomé Convention. In particular, French Present de Gaulle was a nationalist political figure who ensured the French interests prevail in the early phase of the EEC relations with the former colonies. Since France was a founding member of the EEC, de Gaulle was keen to maintain French dominance and leadership in affairs of EEC and its external relations. During his political career, he continually reminded the French of the greatness of France in the international affairs. Successive French governments have continued with de Gaulle's legacies to pursue French geopolitical and economic interest in the relations. De Gaulle was significantly influential in the blocking of British accession to EEC for twelve years and the British interest to bring its former colonies under the EEC umbrella. British accession to the EEC in 1973 and the subsequent need for the expansion of the Yaoundé Convention into the Lomé Convention in 1975 was permitted by de Gaulle's successor, George Pompidou who was a

Gaullist Prime Minister but saw advantages in altering the EEC policy established by his predecessor. The British government political and economic interest in the Lomé Convention to a great extent was influenced by the narrow interest of the sugar sector. This is discussed in the Chapter 3 where Gilpin's argument on the role private firms as economic elites influencing national interests is further explored.

European state's and their elites' motivation to continue their geopolitical and economic interests in the relations were further influenced by the new events in the international system, the interplay of Cold War and decolonisation, and kept shaping the relations. The following section provides a brief overview of the two views, and then takes second view to delve deeper in examining the specifics of the colonial underpinnings of the EEC-ACP relations.

Proponents such as Van der Lee (Grilli 1996; Grimmett 2011; 1967) and Glasser (1990) argue that EEC-ACP relations emerged in the post-war boom context. It was the international economic context of the 1960s, the decade when the world experienced considerable economic growth that determined the form of the EEC-ACP relation (Van Der Lee 1967, p. 197). During the post-war rebuilding period in Europe, the founding members of the then EEC, also referred to as "the Six" experienced unprecedented economic growth (Montana 2003). The unprecedented growth in Europe drew the attention of some developing countries to the EEC's trade and aid provisions (Glasser 1990, p. 25). In addition, the economic boom of the 1960s attracted Britain to join the EEC in 1973 (Glasser 1990, p. 25).

The opportunities of the post-war boom of Europe in the 1950s and the 1960s caught the attention of many who were wishing to engage in world trade as part of bringing about the NIEO of the post-colonial period (Montana 2003; Moss & Ravenhill 1982). The economic link between the industrialised North and the developing countries during the post-war boom was seen to be mutually beneficial (Ravenhill 1985). The newly independent African countries entering into trade and aid relations in the Yaoundé Convention in 1963 were seen to capitalise on their link with European countries during the boom period (Ravenhill 1985). The African countries benefitted from the free trade access given to their exports to the EEC market (Bangura 1983, p. 138). Feld (1967) therefore notes that during this time, other developing countries had also established economic relations with the embryonic EEC. For example, Nigeria signed the Lagos Convention in 1966 and the East African countries of Kenya and Uganda and Tanzania opted for Arusha Convention in 1969 with the EEC (Bangura 1983, p. 138). Then the signing of the Lomé Convention in 1975 was hailed as the first comprehensive agreement between the industrialised countries and the developing countries representing a model for the NIEO.

However, some scholars such as Lister (1988), Montana (2003), Holland (2002), Grilli (1996), Cosgrove (1969) and Bretherton and Vogler (2006), in taking an anti-colonial perspective, argue that the major colonial powers desired to continue those political and economic arrangements with their former ACP colonies which were evident in the colonial times. They contend that the former colonisers, in particular France and Britain, pursued their ongoing strategic and commodity access interests in their former colonies. As a result, critics of colonialism and neo-colonialism argue that there is little significance to relate the EEC and ACP relation's origin to the post-war economic boom. France as the founding member of the EEC and a major colonial power was seen playing a key role in maintaining in the Yaoundé Convention its economic and political interests that existed in the colonial times. As empires crumbled in the post-war period, France fervently practiced its old-style colonialism and was most reluctant to abandon its colonies, being forced to leave Indochina[11], Algeria, Tunisia and Morocco due to widespread anti-colonial activism. In order to preserve its influence, France responded to the challenge of decolonisation with its Association Policy. On French insistence the Association Policy became part of the Treaty of Rome that governs EEC relations with its dependencies and colonies (Grilli 1996; Lister 1988). This chapter highlights that French colonial policy retained in Africa through the EC Association Policy was continued in the Yaoundé Convention in 1963. This formed the framework for the successor Lomé Convention in 1975 when Britain gained accession to the EEC and decided to bring its association with the former colonies under the EEC umbrella. Lister (1988), Grilli (1996), Kahler (1982) and Greenidge (1997) consequently asserted that the Yaoundé and the Lomé Conventions were neo-colonist successors of the Association Policy incorporated as Part IV of the Treaty of Rome.

11 French Indochina was formed in October 1887 from Annam, Tonkin, Cochin China (which together form modern Vietnam) and the Kingdom of Cambodia; Laos was added after the Franco-Siamese War of 1893. The federation lasted until 1954.

2.2.1 French Colonial Policy in the EC Association Policy

When decolonisation began challenging the affairs of the empire, to preserve its political and economic interests in the colonies, France insisted on incorporation in the EC Association Policy, the three key interrelated elements of the French imperial system; the trade system, the Franc Zone, and the political relations for French security interests. European interests to pool their colonial relations under one umbrella significantly influenced the formation of the EEC (Grilli 1996, pp. 1-3). With this policy France managed to combine its colonial empire and the rest of the EEC members' empires. The Association Policy provided the fundamental structure for continuing the former coloniser's trade and aid arrangements with their former colonies within in the Yaoundé Convention and the Lomé Convention. France's role as a powerful actor in the EEC and its interests shaping the relations clearly supports state-centric realism.

The French colonial administrative system was built on two main ideas; assimilation and association. Until the end of the 19th century, assimilation gave France the responsibility for civilising its colonies by absorbing them both administratively and culturally (Betts 2004). In the 20th century this gave rise to the theory of Association which held that France's empire could be better served when the colonised became partners in the colonial project (Betts 2004, p. 3). However, the colonial face of Association claimed the overseas possessions as outlets, the necessary market, for French goods, and as areas for investment of capital (Betts 2004, p. 3). This was fundamentally shaped by French imperial economic policy and was retained in the EC Association Policy.

The key element of the trade system in the imperial economic policy was the system of support prices or tariff preferences on key colonial primary commodities entering France. This was called the Surprix System initially introduced as an emergency response to the 1930s recession and lasted until the 1950s (Fieldhouse 1999, p. 99). With the Surprix System, colonies were encouraged to export raw materials to France while imports from non-French colonies were strictly controlled (Ravenhill 1985, p. 48). Key French industries producing cotton textiles, paper, silk, soap, matches, mass-produced clothing, and refined sugar, were reliant on colonial markets (Ravenhill 1985, p. 48). In addition, according to Ravenhill (1985) and Brown (2002b, p. 39), the trade system involved a protective trade area provided by the Surprix System whereby French importers were obliged to pay above world market prices for the exports of the colonies and received above world market prices for their manufactured goods. For instance commodities like cotton were imported at 15 per cent higher price and coffee was bought at 60 per cent higher prices (Ravenhill 1985, p. 48). This allowed France to maintain a positive balance of trade with colonies and gave guaranteed markets for manufactured goods exports (Ravenhill 1985, p. 48). This is why France wanted to transfer the Surprix System trade with the colonies to the EC Association policy, and then in the Yaoundé Convention.

This tariff system gave rise to the franc zone, the next important element of the imperial system. The franc zone was a monetary union between France and its colonies in Africa, set up in 1948 due to the weak French franc. According to Kahler (1982), this unified monetary system allowed easy investment, and the repatriation of profits and wages meant that colonies provided the main export market outside Europe during the post-war period (Brown 2002b, p. 39). This monetary association tied the currencies of most francophone African countries to the franc zone. These were collectively designated as the African Financial Community (CFA). This arrangement created a free flow of French capital in and out of African countries within the franc zone, without being subject to risks of exchange rate instability or prohibition against repatriation of profits (Keylor 1994, p. 416). Even until the 1980s, many French sectors continued to benefit from the franc zone and obtained enormous profits from sales in the countries of franc zone (Brown

2002b, p. 39). The monetary union between France and its Africa colonies which allowed the free flow of capital for investment and trade was pursued in the EC Association policy and continued in the Yaoundé Convention.

The third element of the French imperial system was the political relationship of the dependencies and former colonies that involved French security interests. In the immediate post-war period, France’s relationship with its colonies was governed by the French Union which was established by the 1946 French constitution (Lister 1988, p. 4). The French Union redefined the political status of its colonies which it referred as the Overseas Departments and Territories, and Associated States and Territories. According to Kahler (1982) these colonies were part of the French ideal of “assimilation” which aimed for a long-term French influence, and to eventually create a “Greater France” (Brown 2002b, pp. 39-40). This underwent considerable change in the post-war period when France was faced with pressure to decolonise which it vehemently resisted. The demands for independence, the financial burden of administrating the colonies and the decline of the trade system had put France in a vulnerable situation both economically and politically in the 1950s and 1960s. The French assimilation agenda to create a “Greater France” was therefore, crucial in supporting France’s security interests with continuation of various military outposts in the former colonies of Africa (Keylor 1994). French President, General de Gaulle (in office from 1958 to 1969) wanted to preserve, as much as possible, the political and economic relations of the French imperial system in Africa (which had existed since 1830 and continued to 1960) in another form. This he pursued by two means.

First, while negotiating for founding the EEC by the Treaty of Rome in 1957, he insisted on establishing a formal relationship between the new EEC and their African colonies (Grilli 1996; Holland 2002; Lister 1988; Ravenhill 1985). French colonial relations were instituted in the Treaty of Rome as the EC Association Policy (Holland 2002; Lister 1988; Ravenhill 1985). Second, de Gaulle offered a new political relationship to the colonies, based on the notion of 'Association' in the French Community (Brown 2002b; Lister 1988). However, due to the intensification of political activism and struggles for independence in the 1960s and the subsequent Algerian War, the French Community imposed on the African colonies failed (1958-1960). The other strategy, that of Association to the EEC in 1957, was successfully achieved (Brown 2002b; Lister 1988). Eventually, to preserve French interests, the trade arrangements, the Franc Zone, and the political relationship of the imperial system were put together in the Association Policy in the Part IV of the Treaty of Rome, and provided the framework to also manage the rest of the EEC members' economic and political relations with the colonies.

2.2.2 The Incorporation of the Association Policy within the EEC Framework

The Association Policy governed the EEC member's colonial relations which with the beginning of decolonisation institutionalised the basis and rationale for subsequent arrangements in the Yaoundé and Lomé Conventions. However, while negotiating for Association to be included in the Treaty of Rome under the EEC umbrella, the rest of the EEC members were unwilling to commit themselves in Association because they saw it as a French external affair (Grilli 1996, p. 7). The Dutch and Germans were most critical and did not want to be seen as supporting, economically and politically, the main colonial power of the continental Europe (Grilli 1996, p. 7). Nonetheless, France as the most powerful colonial power and founding members of the EEC was able to exercise its political superiority leaving no option for the rest of the founding nations. "[I]n order to save the emerging Community, the rest had to accept with minor modification, France's Associationist framework" (Grilli 1996, p. 7). The French colonial ties predominated in the establishment of the Association Policy incorporating the states of French West Africa, French Equatorial Africa as well as island dependencies in the Pacific and elsewhere (Holland 2002, p.

26). France eventually transferred to the EEC members some of the cost of the colonial relation which France had insisted on maintaining. The mechanism to provide aid came to be known as the European Development Fund (EDF), a principle innovation of the Treaty of Rome (Ravenhill 1985, p. 51). Since then EDF has been the hallmark of the EEC's aid to ACP and continues to the present.

The Association contained two main elements: rules regarding trade between the EEC and the Associates, and aid from the EEC to the Associated territories. The specific elements of the Association Policy built directly on the trade system, Franc Zone, and the French imperial political system of France contained: (i) gradual removal of duties on imports between the EEC members and the associated territories but the latter was allowed to keep or establish tariffs to support infant industries; (ii) the EDF to supply financial aid to the territories; (iii) free movement of labour from Associates between the two groups; and (iv) the provision that businesses from the EEC countries could establish themselves in the Associated territories and vice-versa (Treaty of Rome 1957). Grilli (1996, p. 8) argues that the Association thus tied French possessions in Africa into a free trade area with the EEC, and at the same time lightened the economic burden of the colonies that was shouldered by the French Treasury. The rest of the EEC members remained at disadvantage in the markets of Francophone countries by virtue of the continued discriminatory monetary arrangements of the franc zone (Ravenhill 1985, p. 51). More generally, the Association Policy created a trade agreement between EEC states and their dependencies as well as among the dependencies themselves (Grilli 1996, p. 8). The importance that the Treaty of Rome Association brought was the significance it held for future EEC external policy at a time of increasing pressure on the imperial system (Brown 2002b, p. 40).

However, in the face of unstoppable decolonisation of Africa, the newly independent states, formerly associated to the former colonial power, became no longer bound by the contents of the Association Policy. The EEC opted for the continuation of the trade and aid relations with the newly formed states. New arrangements were necessary. Therefore the renewal of Association Policy occurred between the EEC and the eighteen newly independent African states, grouped as the Associated African and Malagasy States (AAMS) in the capital Yaoundé in Cameroon in 1963 and lasted until 1969.

2.2.3 French Interests in the Yaoundé Convention Relations

The Yaoundé Convention (or Yaoundé I) trade relations came to be built on the strong financial connection between France and her former African colonies which had existed in the franc zone monetary union. It maintained the preferential trade between the EEC and the eighteen AAMS, but on a bilateral basis in which each of the AAMS and the EEC formed in practice a free trade area (Grilli 1996, p. 19). The AAMS also entered into a similar trade agreement vis-a-vis each other (Grilli 1996, p. 19). The AAMS were allowed the preferential access to EEC market that they had already gained under the Treaty of Rome (Grilli 1996, p. 19).

The franc zone invited French investors particularly countries like Senegal and the Ivory Coast. These countries became tax free havens for French multinational corporations. Preferential trade access to the EEC market and the continuing aid from the EEC was attractive to the newly established states. Overall, the preferential commercial nexus of the Yaoundé Convention and the franc zone ensured that France's membership in the EEC would not oblige her to sacrifice raw materials such as cobalt, uranium, phosphates and bauxite and tropical goods, mainly coffee and cocoa (Keylor 1994, p. 415). The aid component of the Yaoundé I was allocated through the EDF, the foundation of which was laid in the EC Association Policy. The EDF rose rapidly from

581.25 million dollars in 1958 to nearly 1000 million dollars for the EDF III of 1970-75 (Lister 1988, p. 27).

In trade, the EEC imposed what was called “reverse preferences” (Brown 2002b, p. 42). In return for preferential access to the EEC market, participating African countries had to grant better terms of access for EEC products than they gave to imports from other countries (Brown 2002b, p. 42). The reverse preferences’ enhanced the continuation of the French imperial trade regulation whereby the close economic link between the two groups retained the economic benefit to the EEC of access to the AAMS’s markets (Brown 2002b, p. 42). Yaoundé I rolled-over as Yaoundé II in 1969, with Madagascar and Mauritius becoming the additional two African States to be signatories. The former colonies found continuing dependence on France in both trade and monetary fields in the Surprix system and the franc zone attractive for their post-independence development.

In addition to France’s economic interest, its policy of maintaining political relations with former colonies for security purposes is also evident in the Yaoundé Convention. Keylor (1994) observed that the Yaoundé Convention as an economic agreement complimented French security interests in francophone Africa. France was able to exercise a more overt form of neo-imperial power in the post-independence period of the continent (Keylor 1994). France protected its security interests in Africa by a series of bilateral mutual defence pacts granting the former colonial power the right of military intervention (Keylor 1994, p. 414). Furthermore, to strengthen its position as Europe’s “gendarme” in the region, Paris obtained the right to maintain military posts and troops in half a dozen West and Central African states (Keylor 1994, p. 414). The extensive network of security agreements, combat units, and military installations in Africa enabled France to launch a number of military interventions in support of its own interests or those of African protégés (Keylor

1994, p. 414). For instance, in the 1960s, French troops were mobilized in Cameroon, Gabon, Niger, and Chad to defend client regimes from dissident elements (Keylor 1994, p. 414).

It is clear that in the post-colonial period France overtly supported authoritarian regimes in Africa in order to preserve its interests. On several occasions behind the scenes, French influence was exercised to speed up the downfall of the long-time opponents such as Modibo Keita of Mali (1968), N'garta Tombalbaye of Chad (1975), Moktar Ould Daddah of Mauritius (1978), and Jean-Bedel Bokassa of Central African Republic (1979) (Keylor 1994, p. 414). France also intervened in Zaire's Shaba province in 1977 and 1978, to rescue resident European nationals but also to protect Zairian strongman Mobutu Sese Seko against exiled security forces that returned from their Angola sanctuary to challenge his authority (Keylor 1994, p. 414). The French saw Mobutu as the Western powers' "most reliable client in Africa", and "[t]he brainchild of the Francophile president of Senegal, Leopold Senghor". The multinational army was dominated by contingents from the pro-French states of Morocco, Gabon, and Senegal and depended heavily on French technical and management support (Keylor 1994, pp. 414-5).

The French involvement in Africa raises questions about Ravenhill's (1985) and Grilli's (1996) claims about the significant rise of the EDF from $800 million in Yaoundé I to $1 billion in Yaoundé II, which they argue was aimed at the economic development of the African countries. The generous EEC aid program under the EDF may be a self-interested policy connected to European countries political and strategic policy (Keylor 1994, p. 415). Aid allocation depended upon the subjective decisions of the EEC member states which clearly reflected that political bias or patronage were at work in the allocation of aid. The effect of the system was that the distribution of EDF aid was more in keeping with political than strictly development criteria (Lister 1988, p. 49). For instance the increase of EDF in Yaoundé II was utilised to finance infrastructure and agricultural projects, with most of the appropriation going to sub-Saharan states with close ties to France such as the Ivory Coast, Morocco, Senegal and Cameroon (Keylor 1994, p. 415).

The Yaoundé Convention eventually had to be expanded when Britain gained accession to the EEC in 1972. Britain this time pushed for bringing its Commonwealth relations under the EEC umbrella. The French and British compromise in continuing their political and economic relations evident in the colonial period therefore brought the Lomé Convention, a far more comprehensive international agreement than the Yaoundé Convention. Although the former British colonies were not signatories of the Yaoundé Convention, the Convention became a fundamental framework for the Lomé Convention. Therefore, the European relations with its former colonies of the Pacific Island countries emerged from Britain-Fiji sugar trade relations due to a combination of British national interest driven by its corporate sector interest, and Fijian national interest as expressed through the leadership of Sir Kamisese.

2.2.4 British Interests Influencing Expansion of the Yaoundé Convention

The first expansion of the EEC from the Six to Nine in 1973 marks the fundamental beginning of comprehensive EEC-ACP relations instituted as the Lomé Convention. After many turbulent negotiations, and following a change in the French Presidency, Denmark, Ireland and the Britain joined the EEC on 1 January 1973. This was the first of several enlargements. The original Six, particularly France, had a number of issues with Britain that kept Britain out of the common market for almost thirteen years since its first application in 1961. This section explores why it took so long for Britain to gain accession to EEC, providing understanding of the two colonial powers' competing interests within the EEC regarding their link the former colonies. Their compromise eventually led to the formalisation of the Lomé Convention. The section then brings to light that the decision to expand the Yaoundé Convention into its successor, the Lomé

Convention, was another fundamental attempt in the continuation of former coloniser's ties with the former colonies. State-centric realism is again useful in arguing that British desire to bring its ongoing geopolitical and economic interest in its former colonies under the EEC was key in shaping the EEC-ACP relations under the Lomé Convention.

Britain's accession to the EEC was not an easy one. The then French President, General de Gaulle, blocked Britain's membership of the EEC twice. Britain's first application to join EEC with Ireland, Denmark and Norway was vetoed by de Gaulle in 1963, despite the greater willingness of the rest of the five EEC members to accept enlargement. In 1967, de Gaulle again held strong and vetoed the second British attempt. For de Gaulle, the reason for excluding Britain was vital to ensure French leadership in Europe (Young & Kent 2004, p. 205). In geopolitical terms de Gaulle wanted France to dominate the EEC as a third force in international affairs (Young & Kent 2004, p. 205). As a founding member, France wanted to maintain its dominant role in affairs of the EEC. Britain's accession however meant a major rival to French authority. Such reaction by de Gaulle is not surprising as he was a nationalist who continually reminded the French of the greatness of France. With his return to power in 1958, French interests were asserted more powerfully (Young & Kent 2004, p. 205). He was vehemently determined that France's superiority and greatness should be reflected in the EEC and its external relations.

As a result de Gaulle became the main architect of the EEC policies in the 1950s and 1960s. He had no desire to open French markets to countries outside the EEC. Pedersen (1993) observed that De Gaulle's conception of EEC integration was based on an intergovernmentalist approach rather than supranationalism**.** This was contrary to what was been envisaged by Jean Monnet, the chief architect of the European Community in the immediate post-war years. Monnet wanted a strong supranational body with the ability to pool vital war materials across frontiers and make binding decisions which would help to suppress any sentiments of re-Germanisation. Another prime cause for France's blocking of British accession was related to conflict over nuclear matters amongst the Europeans powers. France was deliberately excluded from the Anglo-American cooperation in nuclear matters, and therefore Britain's decision to purchase US nuclear weapons rather than French, proved Britain's commitment to the "special relationship" between the two nations (Rauf 1995; Young & Kent 2004, p. 321). De Gaulle became suspicious of this relationship regarding the two countries military dominance in Europe. In particular, he was infuriated at the prospects of US domination of Europe, with exclusive control of nuclear weapons, and this made him determined on an independent French deterrent (Young & Kent 2004, p. 205). De Gaulle therefore asserted that Britain did not have the "political will" to become committed to the EEC as its transatlantic ties were more important than those of Europe (Holland 1993, p. 35).

Moreover French and German policy-makers were of the view that Britain's more open free market policies would be detrimental to EEC's Common Agricultural Policy (CAP) created in 1957 when the EEC was founded. EEC states strongly intervened in their own agricultural sectors, in particular with regards to what was produced, maintaining prices for goods, and in terms of how farming was organised. The CAP became the core element of the European institutional system. Intervention in the CAP was incompatible with Britain's free trade policies while the rules continued to differ in EEC members as free trade interfered with the intervention policies (Moravcsik 2000, pp. 17-8).

Besides French reasons for vetoing, during the 1950s, the period prior to its first accession application, Britain chose to remain isolated from the European common market because British policy-makers were of the view that the EEC would not bring significant benefits. Successive

British governments believed that Britain should maintain a strong position, and not participate in a supranational organisation that could undermine its sovereignty (British Diplomat A). Another reason for Britain's decision to remain isolated was that its economy, at the time, was in a better shape than its European neighbours (Young & Kent 2004, pp. 205-6). Successive British governments felt that the EEC would not bring any greater benefits than its transatlantic and Commonwealth ties. Britain's political, economic, and psychological ties with the former colonies integrated within the Commonwealth, were more significant at the time (Young & Kent 2004, p. 205). Moreover, Britain was against the customs union of the EEC with , British governments preferring a free trade area, where internal customs were abolished, but the governments could maintain their competencies to enact their own tariffs in the case of Third World countries (Brinkhorst 1977, p. 27). In this way, Britain could maintain privileged access for its Commonwealth partners and did not see the need to join the EEC.

However, by the 1960s, the situation had completely changed. A number of new factors brought change in Britain's attitude. With considerable surprise, Britain witnessed the development of a rival economic market and its own potential isolation from Europe (Holland 1993, p. 32). Britain's desire to join the EEC emerged from its declining politico-economic status. The rapid cohesive development of the European market through the EEC during the 1950s and 1960s, and Britain's growing realization of its reduced role in the global political economy finally brought some logical conclusion to the then Macmillan conservative government of the need for accession (British Diplomat A, 2009). British diplomats reveal that the Suez Crisis in 1956 caused a severe blow to Britain as a world actor, demonstrating that it was no longer a great power (British Diplomat A, 2009; British Diplomat B, 2009). In addition, the sudden and immense pressures for decolonisation meant that British mercantilists had to abandon their economic ventures and investments in the colonies due to the new states' desire for nationalisation (British Diplomat A, 2009; British Diplomat B, 2009). The decolonisation campaign brought an immense challenge to British investors abroad seriously affecting the overall British business and investment sector which was dependent on the colonies. These events not only contributed to the waning of Britain's political strength, they also played a part in economic downturn as well. As a result, Britain became exhausted with managing its huge and far flung empire, and was ready to abandon many of its colonies (British Diplomat A, 2009; British Diplomat C, 2010).

Such a slump in Britain's political and economic situation provides good evidence that EEC option was the last-ditch (though by no means easy) way out for Britain:

> By mid 1960s the Commonwealth was nearly in ruins over the Black-vs.-White Africa issue and Britain's sad default in the Indo-Pakistan border dispute, as well as over the situation in Aden; patterns of trade had changed considerably within the Commonwealth, and the armies on the Rhine and Suez had become an uncomfortable burden for a Socialist government; and 53 per cent of persons questioned (58 per cent of the 21-34 age group) agreed that: 'Britain is a third class power nowadays' (Frey 1968, p. 197).

The rapid decline of Britain on the world stage, and within its own public opinion, left with it with the only solution, that is, to join the EEC. According to Tom Soper, who served as the Director of Studies at the British Overseas Development Institute in the 1970s, Britain clearly was seeking membership to particularly exploit opportunities inside the European common market (Report of International Conference 26-27 April 1971, p. 4). Britain was apparently willing to pay £500 million per annum in support of the European agricultural system which itself was highly controversial and subject to criticism from both within and outside the EEC (Report of International Conference 26-27 April 1971, p. 4). This figure was more than twice the amount dedicated to the gross British aid programme to the Least Developed Countries (LDCs), which reflects the relative order of priorities that the British government had in these matters (Report of International Conference 26-27 April 1971, pp. 4-5). However, accession to EEC was impossible without bringing the Commonwealth countries to be associated with the EEC. According to British policy-makers, close political connections and support for the Commonwealth countries were crucial for Britain in the international arena, in order to hold onto political and economic status. However, according to Lord Campbell of Eskan, in each of the Britain's accession negotiations with the EEC, the problems of the developing Commonwealth countries had always constituted a significant factor in the negotiations (Report of International Conference 26-27 April 1971).

Britain's struggle for accession came to an end twelve years after its first application only after de Gaulle left office in 1969. De Gaulle's departure from office removed the obstacle to the expansion of the EEC and substantially reduced French opposition towards the supranational development of the European Community, liberating the EEC to make quicker progress (Young & Kent 2004, p. 322). De Gaulle's successor, George Pompidou was a Gaullist Prime Minister but had good reasons to alter European policy established by his predecessor. Pompidou saw that Britain's membership would be a counterweight to growing German influence in the EEC (Stirk 1996) in (Young & Kent 2004, p. 322). Britain, Ireland, Denmark and Norway were allowed membership on the third and final application in 1970, and at this time the principle of enlargement came to formality. Eventually, on 1 January 1973, almost sixteen years after the signing of the Treaty of Rome, the Six expanded to 'Nine'.

Therefore, the change in the French leadership and attitude, and the mind-set of British policy-makers during the negotiations for accession finally permitted the EEC to make a "historic plunge", into a comprehensive EU-ACP agreement (Whiteman 1998, p. 30). Britain's accession to the EEC changed and expanded the Yaoundé Convention. It brought British former colonies of Africa, Caribbean and the Pacific to join the AASM signatories of the Yaoundé Convention to form the "ACP" group. The wider reaching Lomé Convention I (1975-80) between 46 ACP countries and the 9 EEC member states was based on a combination of aid and trade aspects, and took a long-term perspective (5 years each for Lomé I, II, and III, and ten for Lomé IV).

After years of tumultuous negotiations for its accession in the EEC, Britain was faced with its second test, negotiating the terms and conditions to be included in the Lomé Convention. Formal negotiations began in September 1973. There was a tough eighteen months of negotiations before the multi-dimensional trade and aid arrangement was finally signed (Whiteman 1998, p. 31). Detailed negotiations followed about Britain's Commonwealth ties, particularly regarding trade relations (EU Official E, 2009). This difficult negotiation process is obvious from the number of meetings that had taken place to unravel the Franco-British divide. According to Kazakevicus (1979), the eighteen months of intensive negotiations comprised of 183 ACP-EEC negotiating sessions, 350 joint documents, and 453 ACP coordinating meetings (Lister 1988, p. 74). Britain's position involved careful negotiations not to dissatisfy the interest of the Six (EU Official E, 2009). Although it was clear that there were differences in emphasis and method in the ways Britain and the EEC dealt with the countries of the Third World, there was no doubt that both Britain and the EEC were moving in the same direction, sharing a similar approach in dealing with the relations with their former colonies to continue. The negotiations reached agreement shortly after the expiration of the Yaoundé II Agreement on 31 January 1975.

The former colonies were key sources of raw materials. They were suppliers of sugar; coffee, cocoa, tea, pineapples, palm nuts and kernels, ground oil, ground nuts, sisal, wood, rubber, hides and skin, diamonds, aluminium ore, copper ore, iron ore, manganese, tin, zinc, lead, cobalt, nickel, chrome, wolfram, crude petroleum, beef/veal, rum, bananas, palm oil, raw cotton, tobacco leaves phosphate and many more commodities (Lister 1988; Ravenhill 1985). Of all these, cane sugar has always been the most important commodity in British trade with its former colonies (Abbott 2009; Ravenhill 1985). Britain's sugar needs were supplied by imports primarily of cane sugar from the former colonies. The negotiations on the importation of sugar from the former colonies featured most prominently in several months of rigorous talks on the Lomé Convention (Pacific Island Economist A, 2009).

Britain's sugar trade dates back to the European expansion in the 16th century through to the 19th centuries incorporating of the Caribbean and the Pacific Islands into the world economy (Ravenhill 1985, p. 219). Cane sugar and rum became the two key commodities of the slave trade that provided the initial links between Europe, Africa, and the Caribbean (Ravenhill 1985, p. 219). In most imperial and colonial histories cane sugar became the icon of emerging globalised economies. Then during the second half of the twentieth century when most sugar colonies became independent, they continued large scale production, and Britain continued to be the main importing country (Drummond & Marsden, p. 83). As a result of these developments of the colonial period, sugar became incorporated within a global capitalist economy (Drummond & Marsden, p. 83). Cane sugar as an international commodity became one of the most political commodities in the world market place by expanding its presence not only in a widening variety of foods but in a broad range of economic areas from foods to fuels.

The global importance of cane sugar therefore led Britain to continue its colonial importation arrangement of the resource in the post-war period through to the Lomé Convention and the Cotonou Agreement. (Lister 1988, p. 82). In addition the high demand for sugar as a natural sweetener in a wide range of products in the manufacturing and chemical industries of Europe further encouraged imports from the former colonies (Pacific Island Economist A, 2011). The British government had limited beet production and relied instead on imports of cane sugar (Ravenhill 1985, p. 237). In contrast the original Six EEC countries were basically self-sufficient from beet supplies as the government heavily subsidised the beet farmers under the CAP (Ravenhill 1985, p. 90). Britain and the original Six members had pursued totally different policies in the sugar sector over several decades (Ravenhill 1985, p. 89). The EEC was therefore reluctant to accept British demands for bringing cane sugar trade within the EEC umbrella. Eventually however, due to the importance of cane sugar in international trade with its highly volatile price system in the international market (Drummond & Marsden 1999; Ravenhill 1985), particularly during the resource crisis and the extreme high sugar prices of the early 1970s, the EEC and Britain compromised to include ongoing British imports from the former colonies in the Lomé Convention. British industries' dependence on cane sugar led the British government to consult some thirteen Commonwealth producers to assess the production capacity in the former colonies—Antigua, Barbados, Fiji, Guyana, Trinidad and Tobago, India[12], Jamaica, Kenya, Mauritius, Swaziland, Uganda, St Kitts-Nevis-Anguilla, and British Honduras as shown in Figure 2. Britain's 1.4 million tonnes of cane sugar traditionally imported from its former colonies under the Commonwealth Sugar Agreement (CSA)[13] of the post-war period became part of the total EU quota of 8.4m under the Lomé Convention (Ravenhill 1985, p. 224). As a result, the former sugar colonies' dependence on sugar cane as a mono-crop and on the European market for exports remained high (Ravenhill 1985, p. 219). The export quotas allowed in the Lomé Convention to Mauritius has the largest quota (37.9%), followed by Fiji (12.8%), Guyana (12.3%), Jamaica (9.2%) and Swaziland (9.1%) (Laaksonen, Maki-Franti & Virolainen 2007, p. 8). Britain's sugar trade relations with its former colony of Fiji became the basis of the Europe-PACP relations in the Lomé Convention. As evident form Figure 2, Fiji was an important supplier of cane sugar to Britain. Britain-Fiji sugar trade relations were not a new relation. It is a continuation of the relations that existed in the colonial period when Britain developed the sugar industry in Fiji

[12] India, the largest Commonwealth producer, was given a quota for sugar exports to the EEC outside the Lomé Sugar Protocol (Lister 1988, p. 82).
[13] See chapter 3 on the establishment of the CSA and its continuity in the Sugar Protocol of the Lomé Convention.

through the plantation system. This area of Europe-PACP relations is examined in the next chapter.

British interest, for sugar access was part of the European countries' primary resource access in the former colonies, similar to those of the colonial era initiated the expansion of the Yaoundé Convention into and Lomé Convention. This also caused the enlargement of AAMS (which mostly included French former colonies) with the creation of the ACP group of former colonies (which has expanded to include British former colonies). The Lomé Convention in 1975 came as a result of European enlargement (with British accession to EEC) and the key former European colonisers' intention to pursue their economic interest under the EEC umbrella. This was the beginning of the comprehensive EEC-ACP relations. Britain became keen to join the EEC only when its global economic and political status experienced sustained decline. To revive its global status, Britain's accession to the EEC also meant negotiating with the EEC for bringing its economic relations with its former colonies under the EEC umbrella. Without undermining each other's interest in the former colonies, France and Britain's compromise expanded the Yaoundé Convention by incorporating British interests. The resource access interests of Britain and France in their former colonies in the Lomé Convention relations therefore support the state-centric realism view that powerful countries are concerned about pursuing their interests in international affairs.

Figure 2: Fixed Country Quotas for ACP Sugar Protocol Countries in the Lomé Convention Period

ACP Sugar Producers	Tonnes (raw weight)	Percentage
Mauritius	491031	37.9
Fiji	165438	12.8
Guyana	159410	12.3
Jamaica	118969	9.3
Swaziland	117845	9.2
Barbados	50312	3.8
Tobago	43751	3.4
Belize	40349	3.7
Zimbabwe	30225	3.5
Malawi	20824	1.6
St. Kitts and Nevis	15591	1.2
Madagascar	10760	0.8
Congo, Rep. Of	10186	0.8
Cote d'Ivoire	10186	0.8
Tanzania	10186	0.8
Trinidad and	10186	0.8
Kenya	8557	0.6
Total ACP Sugar Protocol	1294700	

Source: Laaksonen, Mark-Franti & Virolainen (2007, p. 4)

2.3 Decolonisation and the Cold War Dynamic

While French and British continuing colonial economic and political interests were key in shaping the EEC relations with the former colonies of the ACP countries during the period from 1960s to 1970s, the interplay of the two major post-war political events, the decolonisation process and the Cold War, also had significant influence on unfolding relations between Europe and its colonies. The post-war political and economic reconstruction of the non-communist international system led by the United States was fundamentally liberal and multilateral (Brown 2000, p. 369). It was liberal in terms of the character of the leading states as constitutional, capitalist polities, and in respect of the principal economic relations established and pursued in the post-war period and enshrined in the main international organisations (Brown 2000, p. 369). This was profoundly challenged by Soviet ideology, which not only limited the geographical scope of the liberal order but affected the conduct of relations with the Western powers (Brown 2000, p. 369). The Lomé Convention economic relation served a fundamental political purpose during the Cold War period. The Lomé Convention was negotiated in the early 1970s, the high point of the Cold War conflict engulfed by the Vietnam War (EU Official A, 2008). It acted as a key political instrument for European countries to curtail Soviet influence in their former colonies.

The decolonisation process was rapidly giving rise to a large number of new states entering into an international system, which became an issue for capitalist countries in a bipolar world. The new states were forming non-aligned and anti-colonial groups in the developing world, therefore, producing a new dimension of international relations that ran counter to liberal capitalist development and the multilateral international order created after World War II under the US leadership (Brown 2000, p. 368). To protect the capitalist liberal hegemony from being challenged, the European powers engaged with their former colonies more closely in new forms of relations. European policy-makers at the time were concerned that large numbers of new states in the international system could easily fall under Soviet control, fearing that the USSR would take advantage of decolonisation to redirect the new states towards Soviet ideology (EU Official H, 2010). The EEC's key concern in this unstable political context was to let the major powers continue colonial relations uninterrupted into a far more comprehensive trade and aid relations in the Lomé Convention to prevent the colonies from extending relations with the USSR (Grilli 1996, pp. 40-1)

However the liberal capitalist camp had little unity. European countries of the capitalist bloc were not keen on all US agendas during the Cold War as its role in pushing for decolonisation was disturbing the European powers ongoing colonial interests. The US effort to speed up the dismantling of the empires was clearly reflected in its message of the "right to independence"' for all nations and peoples in the Third World. This was instituted in the United Nations Charter, and was subsequently reinforced in the 1960 UN General Assembly declarations (Brown 2000, p. 370). Since this was seen to be undermining European colonial interests, France and Belgium responded to the challenge of decolonisation with their own Associative policies, which already had strong clear roots in European colonialism (Grilli 1996, p. 1). Decolonisation, therefore, was paradoxical insofar as it represented both an extension of a liberal international order on one hand, and produced impediments and challenges to such an order on the other (Brown 2000, p. 369). Therefore, one key intension of European powers to commit in the trade and aid arrangement in the Yaoundé and the Lomé Conventions was to ensure that the large number of new states remain aligned with the liberal capitalist framework. Grilli (1996, p. 40) supports this by arguing that the continuation of the relations in the Yaoundé and Lomé Conventions was a form of "defensive policy". The Lomé Convention's preferential trade arrangements, for instance, encouraged the new ACP states to maintain linkages with their former colonisers and confirmed markets for ACP countries' commodities with the EEC, therefore, limiting the temptation to venture outside of the Western fold (Wright 2009, p. 2). In addition, to ensure that the newly Associated countries did not become attracted to the Soviet's aid policies, the EEC agreed to provide substantial levels of aid through the EDF in a variety of forms within the Lomé Convention.

In the Pacific Islands, the East-West confrontation brought interesting developments. Soviet exploitation of the decolonisation in the Pacific region became a concern to former colonisers, as most of the islands gained political independence at the height of the Cold War. Britain, which had the longest commitments in the region, could not afford to see its traditional relations with its former colonies under jeopardy. Britain's aim has been to keep all the former colonies within the Commonwealth of Nations (EU Official A, 2009; EU Official I, 2010).

The Soviet Union was carefully watching events unfolding during the negotiations and the signing of the Lomé Convention in 1975 (EU Official I, 2010). Soon after the signing of the Convention, the Soviets focused on setting up diplomatic missions in the South Pacific region. Soviet involvement in the fisheries sector became a major concern for the European powers in the region. In 1976 the Soviet Union negotiated with Tonga to set up an Embassy and a fishing fleet, and to gain landing access for its national airline Aeroflot in order to facilitate crew changeovers (Anderson 2002, p. 98). They proposed to build a dock and to develop Tonga's airport (Anderson 2002, p. 98). However the Soviet Union found it difficult to make progress in formalising its relations with the Pacific states and could not easily influence them as they were wary about the Soviet motives underlying offers of aid (Henningham 1995b). Then in the 1980s, Cold War geopolitics helped to define the parameters of tuna fishing in the region (Anderson 2002, p. 90). In 1985 the Soviets were successful in signing a fishing agreement with Kiribati, and later with Vanuatu (Teiwaki 1988, pp. 96-7). In 1985, Fiji, Tuvalu and Papua New Guinea were also approached regarding fishing access arrangements.

Matters escalated when the Soviet Union set up a South Pacific Branch within its Foreign Ministry in 1986, and signed a fishing agreement with Vanuatu in 1987 which 'granted port access to Soviet vessels and landing rights to the Soviet national airline' (Sutherland & Tsamenyi 1992, p. 68). This development raised concern in Brussels, Washington, Canberra, and Wellington. In response, in the same year, Washington concluded a Multilateral Fisheries Treaty with the Pacific Islands states of the in the Forum Fisheries Agency which became a vital component of the political and economic relationship between the two parties (U.S. Department of State n.d). Then in 1990, the Russian Federation set a diplomatic mission in Port Moresby, Papua New Guinea, and negotiated a fisheries arrangement (Dorrance 1992). However the deal could not be finalised because of national suspicion regarding Soviet intentions (Henningham 1995b).

The Soviet Union/Russian Federation intervention from the 1970s was short-lived but had a substantial impact in the Pacific region, especially in financial terms. Pacific Island states allowed Soviet fishing activities in the region when they realised that Cold War politics would work in their favour financially (Anderson 2002, p. 99). These new Soviet initiatives revived the debate over

Soviet fishing interests in the region (Tsamenyi & Blay n.d.). The suspicious nature of the Cold War geostrategic environment meant an increased level of interest in the region by European metropolitan powers through the Lomé Convention in order to consolidate a secure alliance.

2.4 1973 Oil Crisis

While bipolar politics and decolonisation processes were necessitating a strengthening of Europe's relations with the colonies gaining independence, the 1973 oil crisis produced new dynamics, speeding up the restructure of the Yaoundé Convention to a more comprehensive international trade and aid agreement between the European powers and its former colonies. The oil crisis had two clear effects in international relations which influenced the Lomé Convention. First, the oil crisis became a crucial factor shaping the thinking of the European policy-makers in relation to ACP countries' resources. It plunged the world into a deep economic crisis lasting until the beginning of the 1980s and was responsible for recessions, periods of excessive inflation, reduced productivity and lower economic growth (Barsky & Kilian 2004). The recession and the accompanying fears of resource paucity made Europeans realise the importance of its former colonies as key resource suppliers, and strengthened their resource access interests.

This significantly influenced the Lomé Convention negotiations and its contents in terms of a primary arrangement. The developing former colonies, as resource suppliers, acquired primary commodity power and the agency to negotiate, from which it appeared that balance of power had shifted. These colonies aimed to negotiate with the developed countries and in international forums for a fair distribution of global wealth to facilitate their developmental goals. The ACP countries as suppliers of resources acquired commodity power and increased negotiating power in pushing their national development interests in the Lomé Convention negotiations (Whiteman 1998). The negotiations gained momentum by the ACP states involvement in the G77 for the

NIEO talks in the UNCTAD, the provisions of which the ACP states pushed in the Lomé Convention to facilitate their post-independence development (Whiteman 1998). The ACP, therefore, had brought much disequilibrium to the negotiations in the attempting to turn over the unequal power and the economic relations hoping to become more equal players in the global resource distribution (Whiteman 1998). In positioning the ACP states in the state-centric realism theory, the increase in the ACP commodity power and their negotiation capability contributes to the theory's emphasis on the focus of the importance of power for powerful states and power relations in playing a major role in international affairs.

The 1973 oil crisis induced widespread anxiety over raw material paucity and brought dramatic changes in the primary commodity trade which affected several bilateral and multilateral relations involving the developed and the developing world. The oil crisis produced such anxiety that it appeared that Europe was going to experience primary resource paucity, potentially leading to severe commodity crisis like that of the Great Depression. The Arab members of OPEC used their natural resources to exert pressure on the US, cutting off all oil shipments to the US and European countries who were supporters of American foreign policies (Ravenhill 1985, p. 73). Hence, days after the war ended with an Israeli victory, OPEC placed embargo on oil supplies to the West. This was the first time "Europe physically sensed its high exposure to, and dependency on, the suddenly hostile developing world" (Grilli 1996, p. 26). Americans and Europeans both experienced high prices and shortages which contributed to a widespread economic panic. Although the reasons for the oil crisis were based on particular circumstances, it contributed to growing concerns in the industrialised countries about the supply of raw materials in general.

According to past trends, primary commodity prices have been generally volatile due to abrupt changes in the global political economy (Winters & Sapsford 1990).. As a result, when the 1973 commodity price problem and uncertainties over security of supplies became widespread so did European concerns about relations with the former colonies. For the first time, Europeans recognised their dependencies on their former colonies' resources, and this became a constant factor in their policy-making process. France and Britain, as the world's largest importers of raw material needed their former colonies to secure guaranteed imports of primary resources for their industrial development (Pacific Island Political Scientist C, 2009). France's fears over commodity scarcity invigorating its neo-colonial interest strengthening its economic and political involvement in Africa (Pacific Island Political Scientist C, 2009). France's military co-operation pacts with its former African colonies were seen to protect its economic alliance. French former colonies had significant proportions of world reserves of such minerals as copper (20 per cent), uranium (30 per cent), and platinum (40 per cent) (Brown 2002b, p. 51). EEC imports from Africa made significant proportions of supplies of the following crucial minerals: 79 per cent Iron ore; 81 per cent copper; and 60 per cent aluminium (Frey-Wouters 1980, pp. 84-9).

In addition, the ACP countries were important hosts of European investment in the field of energy minerals. For Britain, France and Belgium, their share in total foreign direct investment in Africa exceeded their average shares in total FDI in all Third world countries (Long 1980, p. 131). In many cases European multinational and national corporations enjoyed monopolies in mineral wealth exploitation in the former colonies. According to Corbett (1972), in the Francophone ACP countries, the French government was often the major partner. For instance, it owned 70 per cent of the capital of the Equatorial Africa Oil Company which exploited deposits from Congo and Gabon, and the French Atomic Energy Commission had a share in the Air Mines Company to exploit Niger's uranium deposits for defence purposes (Ravenhill 1985, p. 37). The French government mined bauxite in the Cameroon, manganese in Gabon, and potash in the Congo

(Ravenhill 1985, p. 37). Britain relied heavily on imports from its Commonwealth. Several important foodstuffs and raw materials including wheat, crude rubber, raw fibres (e.g. cotton and jute), metallic ores, unwrought metals, tea, coffee, cocoa, sugar and tropical hardwoods were imported from the ACP Commonwealth (Ravenhill 1985, pp. 38-42). For instance, more than 90 per cent of Britain's cane sugar imports came from ACP.

In addition to the widespread resource scarcity fear, the oil crisis presented the resource rich developing countries with primary commodity power and politics. It brought a turning point in the political economy of North-South relations, reflecting that the balance of power had tilted. For the oil producing Arab countries, the quadruplicating of oil prices became an essential political tool in wider global politics. The success of OPEC in gaining control of world oil markets had strong and demonstrable effects on all commodity producers (Grilli 1996, p. 25). The effects of this event lasted for a decade, during which time enormous fears of a permanent power shift prevailed (Whiteman 1998, p. 31). It is clear from OPEC's decision that it was a period of "commodity politics when producer power was the rage," and countries that had raw materials to sell thought that they had the commodity power (Whiteman 1998, p. 31). This momentous event suddenly pushed prices of oil and other non-oil primary commodities to unexpected levels, that "rode the uncertainties of a newly-acquired commodity power" which the developing countries were overwhelmingly keen to exercise to achieve their aims of a "new international division of labour, that is, redistribution of wealth on a global scale" (Grilli 1996, pp. 25-6).

As a result, the oil crisis and the potential that it could spread to other commodities was the most important new factor in the relation between Europe and the ACP countries that brought disequilibrium to the negotiation process. Since the actual beginning of the oil crisis, the ACP negotiating power had been strengthened by developments in the international commodity environment. When the rest of the developing countries saw OPEC rocking the world, the Caribbean and the Pacific and Anglophone Africa forged an alliance with the AASM group of the Yaoundé Agreement in 1973-74, giving birth to a cohesive and an aggressive ACP negotiating group in the Lomé negotiations. The increased bargaining power of the developing countries establishing the ACP group at Georgetown surprised the Europeans envisaging parallel negotiations with the three regional groups (Ravenhill 1985). This unexpected solidarity of the ACP intensified the European anxiety at the oil crisis and the quest for security in primary commodity supplies increased manifold (Ravenhill 1985). Europe felt most vulnerable to commodity power during those years (Ravenhill 1985). Kaye Whiteman, who spent time in Brussels from 1973-82 in the Information Directorate General of Commission, recalls how the oil crisis became a central concern for the European policy-makers as Europe was surrounded with fears of a permanent global power shift (Whiteman 1998, p. 31). He observed that the negotiation unfolded faster in the stirring context of the oil price shock when the Western countries thought they were being held to ransom (Whiteman 1998, p. 31). The European Commission admitted that its relations with the developing countries was an outcome of the oil crisis that produced an upheaval in Western thought about future resource scarcity (Commission of European Communities 1977). A similar view was exposed in the 1990 European Commission report expressing on European anxiety at the first oil crisis (McGregor 1998, p. 132). The European Commission report of 1996 clearly reveals the rationale behind the first Lomé Agreement was:

> ... [concern] to defend their economic and geopolitical interests in the age of the Cold War… In the mid-1970, the international situation… European anxiety at the first oil crisis, i.e. a fear of raw material shortages and a desire to hold on to valued overseas markets united with geostrategic interests….(Commission of European Communities 1996, p. 9).

This was the broader uncertain context in which Lomé Convention was negotiated and which strengthened the Convention's role as a primary commodity agreement. Therefore, in this commodity crisis situations, Fiji's capacity to export large volumes of cane sugar to Britain and the need to secure long term supplies was seen by Britain and the rest of the European policy-makers as crucial for their economies. The former colonisers realised the importance of the resource supplies from their colonies and their heavy dependence on it.

2.4.1 The ACP Commodity Power and the NIEO Framework

Within the broader international context since 1964, the developing countries of the South tried to reduce their dependence on the North by being active in the UNCTAD, where the framework was established for a set of demands for new arrangements on world trade to increase their export capacity. Given the developing countries' involvement in global trade as primary resource suppliers, the oil crisis provided impetus to the G77 to push the NIEO agenda within the UNCTAD which they had advanced since the early 1960s. This significantly influenced the negotiations of the Lomé Convention and its core provisions. ACP countries, therefore, appeared high on the EEC agenda and old colonial trade preferential ties were given a renewed prominence (Brown 2002b, p. 51). They used their primary commodity supply power to try to overturn unequal power and economic relations to become more equal players aiming to redirect more of world's wealth to them. The 48 countries of the G77 caucus were going to sign the Lomé Convention. Their contribution in the G77 to push for the recognition of NIEO in the UNCTAD then led them to influence EEC policy-makers to incorporate the core principles of the NIEO into the Lomé Convention.

One longstanding and important goal for the G77 was the stabilisation of receipts from primary commodity exports. Other goals were the non-reciprocal trade concessions (Grilli 1996, p. 27) and increased levels of development aid to the developing world. However, for many years industrial countries refused to take the developing countries development concerns and the growing North–South conflict seriously (Lindemann 1976, p. 260). The oil crisis induced anxiety over resource paucity in the North led to the politicisation of the international economic relation that subsequently permitted the advancement of the NIEO to a central place on the international agenda (Ravenhill 1985, p. 16). It took the global oil crisis to bring changes to North-South relations (Lindemann 1976, p. 260). Moss and Ravenhill (1982, p. 841) argue that had it not been the oil crisis and the European anxiety over fear of raw material paucity, the Lomé provisions would not have taken a form so generous in terms of providing ACP countries preferential access to European markets but would have continued with little alteration as per the terms laid in Yaoundé II Convention.

The G77 role in NIEO talks on the other hand was providing empowerment to the ACP and significantly influenced the overall negotiation process of the Lomé Convention. The G77's fairly united front in proposing the NIEO surprised the North. Robust talks on NIEO only began in the month when OPEC imposed its oil embargo. During the negotiations, the developing countries tried to follow OPEC's example by establishing more commodity cartels, particularly in areas of agricultural produce such as sugar, cocoa and bananas (Ravenhill 1985, p. 87). At the time of the 1962 Cairo Conference on economic cooperation amongst developing countries, the G77 demands for the core principles of the NIEO had already been articulated, and were subsequently elaborated at the first two sessions of the UNCTAD (Ravenhill 1985, p. 15). In the first UNCTAD meeting of 1964, agreements were reached on the principle of preferential treatment. This emphasised that agreements on liberalising trade barriers requiring reciprocal actions (as per GATT rules) would be waived from developing countries, so that they could develop their domestic industries while still benefitting from industrial country liberalisation (Brown 2002b, p.

48). This was further discussed in the second 1968 meeting, where industrialised countries agreed to offer general preference system to the developing countries, however no concrete commitments were made (Brown 2002b, p. 48). The 1960s proved to be an era of little progress for the developing countries, as the issues of most concern to them appeared to fade away in the peripheral organs of the UN system, where the UNCTAD stalemate prevailed (Ravenhill 1985, P.16). The industrialised North did not see why such concessions were necessary when the overall international economic environment of the time was very much in their favour. It took the oil crisis which caused widespread fear of economic crisis before the G77 could capitalise on their what Baumgartner and Burns (1975) call "metapower meaning control over agendas" (Ravenhill 1985, p. 16). A world in recession from the commodity crisis confirmed to several G77 members that the "balance of international power had tilted in their favour" (Bair 2007, p. 489). The commodity power euphoria in the UNCTAD session had significantly increased the ACP countries negotiating power. The developed countries eventually realised the need for better engagement over a broader range of development issues (Bair 2007, p. 489). These NIEO talks were occurring concurrently with Lomé Convention negotiations.

In April 1973, six months before the actual energy crisis, Mexican President Luis Echeverría had proposed a Charter of Economic Rights and Duties of States, which included, among other codes, proposals which would ensure that states had the right to full control over their natural resources (Blair 2007, p. 489). The proposal not only compounded the OPEC's action, but together with the oil crisis aggravated European anxiety. Therefore the Sixth Special Session of the General Assembly in 1974, opened with a far more radical and strengthened G77 (Bair 2007, p. 489). The session opened with an address by the President Boumedienne of Algeria, an active player in OPEC, who epitomised the North's anxiety over the oil crisis (Bair 2007, p. 489). He argued for "a profound reorganisation of economic relations between rich and poor countries" as essential to overcome the continued dominance of “colonialist and imperial powers” in the Third World (Bair 2007, p. 489). Such criticism and an overall solidarity in the G77 eventually led the North to declare the establishment of a NIEO as a UN resolution, and permitted its advancement to a central place on the international agenda.

The G77 role can explain by the strand in Gilpin theory which argues that policies and national interests can be influenced by pressure groups. The individual member states of the ACP countries would never have able to push the NIEO principles in the UNCTAD had they not come together as a united group in the G77 forum. The G77 power emerged from the commodity power of the OPEC which significantly changed the international political economy of the time. Concerned about their economic development in the post-independence period, the G77 emerged as a first and powerful Southern coalition to negotiate with the industrialised North in the UNCTAD to arrive to a set of new arrangements on international trade in order to increase their export capacity.

Consequently, from the end of 1974 to the beginning of the 1975, four resolutions were passed in the wake of the commodity crisis, outlining the G77‘s challenge to the status quo; (i) the Declaration of the Establishment of a New International Economic Order; (ii) the Programme of Action of the Establishment of a New International Economic Order; (iii) the Charter of the Economic Right and Duties of States, and (iv) Development and International Cooperation (Bair 2007, p. 490). These four documents provided the framework for the core principles of the NIEO agenda; (i) a commodity price stabilisation scheme, (ii) preferential tariffs and increased access to the Northern market for developing countries, (iii) increased foreign assistance; (iv) the alleviation of debt burden, (v) reform of multilateral institutions (in particular, the World Bank and IMF) in order to increase developing country participation in the world economy, (vi) various form of developing country protectionism to promote Import Substitution Industrialisation (ISI) including increased control of multinational corporations in the developing countries, and (vii) the enhancement of technology transfer from North to South (Bair 2007, pp. 490-1).

Once the NIEO resolution was approved in the UN, the ACP countries went on the next battle negotiating with the European countries for the inclusion of the core elements of the NIEO into Lomé Convention. The ACP position looked the strongest during these negotiations, and it appeared they were entering a brave new world (Whiteman 1998). In eighteen months of intense negotiation the African, Caribbean and Pacific groups, all speaking with "one voice", put aside their divergences, and pursued their common interests in order to recognize their common goals (Former ACP Negotiator A; Former ACP Negotiator B). The unity in the Anglophone and Francophone ACP countries increased the bargaining power, demanding proposals, which had been pushed by the G77 in the UNCTAD.

Immediately after the formalisation of these documents, the key NIEO principles; (i) a system to stabilise exports earning of certain products of the developing countries, (ii) the granting of preferential prices to the ACP exports, and (iii) increased levels of aid were put forward as provisions of the Lomé Convention. The Lomé Convention took responsibility for implementing the NIEO principles. Its arrival was seen by many observers (Frey-Wouters 1980; Gruhn 1976; Zartman 1976) as the model for future relations between the North and the South. Moss and Ravenhill (1982, p. 841) argue that the EEC and the ACP countries both perceived the Lomé Convention relationship, at least for a while, as the most advanced system of North-South development cooperation, and as implementing NIEO. The promising nature of the new Lomé Convention appeared not to have cut links with the colonial relations but brought former colonies' interests to the fore in these relations.

The increasing ACP commodity power and negotiating capability and the ACP national development interests advanced in the NIEO and the Lomé Convention clearly fits in the core assumptions of the state centric realism theory. The research therefore contributes by arguing that ACP states were also behaving like their European counterparts in pursuing their national interests in an anarchical international system. They were able to get the European countries to agree on the inclusion of the NIEO in the Lomé Convention. In addition, the ACP countries commodity power increasing their negotiating power and the clear possibility of balance of power being tilted adds to the theory's emphasis on the focus on the importance of power for states and power relations playing a major role in international affairs.

Although the content of the Lomé Convention was significantly influenced by the core principles of the NIEO and the subsequent UNCTAD session discussing it, the project became futile as developing countries had little means to implement such plans due to continued opposition by some Northern players. Frey-Wouters (1980) observed that key UN members including the IMF, the World Bank, five members of the EEC, and the USA declined to support the NIEO resolution (Brown 2002b, p. 49). The NIEO and the resource scarcity fears did not mean that the European countries power declined to get what they wanted from the former colonies but that they had to give more in return. In doing so they prevented the ACP countries from being able to leverage their resources. No consensus had been reached during the Lomé Convention period regarding the means by which development goals of the ACP might be pursued (even in those few cases where some agreements existed) about the proper ends at which policy should be aimed (Ravenhill 1985, p. 17).

The European intention in the Lomé Convention was to secure a "reliable flow of cheap primary products" within a globally volatile primary commodity market, and to maintain the European countries already established markets in the former colonies for manufactured and capital goods (Asante 1981, p. 668). Although the provisions of the Convention such as the System of the Stabilisation of Export Earnings (STABEX) and the System for the Promotion of Mineral Production and Exports (SYSMIN) schemes and the preferential trade preferences appeared generous, they have in fact been carefully worked-out and designed to guarantee the European countries' sources of raw material and energy resources following the oil crisis (Asante 1981, p. 668). The extensive trade regime of the Convention incorporated safeguards, clauses that secured European countries primary commodity access in the ACP countries. The deep recession of the 1970s and the accompanying fears of resource paucity further exacerbated European interests. This confirms the state-centric argument that powerful countries in anarchical system are concerned about their national security. This therefore affected implementation of the NIEO principles in the Lomé convention.

Although the NIEO agenda ultimately achieved very little, its influence was greatest during the period when the ACP countries were negotiating the Lomé Convention. During the 1970s a series of meetings and conference both in UNCTAD and under the wider UN patronage became the "North--South dialogue" which attempted to keep the demands of the developing countries high on the agenda (Brown 2002b, p. 49). The formalisation of the NIEO project, its implementation within the Lomé Convention, the solidarity in the G77 and their attempt to become equal partners in the international system, eventually initiated the UN to declare the 1970s a "development decade". However, the Lomé Convention was challenged by the 1980s debt crisis and subsequent "lost decade".

2.5 The 1982 Debt Crisis

The 1982 debt crisis initiated the first change in the European countries ongoing resource access arrangement sealed in the Lomé Convention. The perception of Western donors that aid assists the poor was challenged as the impact of debt crisis spread among the developing countries. The European focus on the Lomé Convention's development perspective began changing when a number of incidences of negative growth in the sub-Saharan Africa led to the worsening of the socio-economic conditions of the poor, stirred by the debt crisis. The debt crisis, therefore, brought consensus among western donors that the Lomé Convention and other aid institutions had failed to raise the socio-economic conditions in the ACP countries (Grynberg 1998a, p. 3).

The debt crisis was caused by the developing countries dependence on financial assistance from the Western donors. The roots of the 1982 debt crisis were already apparent from the economic conditions of preceding decades when the developing countries had borrowed heavily from the Western banks which had accumulated funds from the quadrupling of oil price (Cohen 1981, p. 32). The cost of international borrowings went up, following the increase in US interest rates for international loans from about two per cent to over eighteen per cent in the early 1980s (O'Brien & Williams 2004, p. 238)[14]. The consequence of this US government policy was the onset of recession. This substantially increased the interest charges to developing states on their international loans. As a result, in August 1982, Mexico announced it could no longer service its debt. This meant that it could no longer cover the cost of interest payments, much less hope to repay its debt. Mexico's announcement ushered in the debt crisis as banks and other private and public creditors recognised their exposure to a series of bad loans (O'Brien & Williams 2004, p.

[14] With the 1970s crisis context, the US government intention to increase interest rates, was to make credit more expensive so that people would have less money to spend or invest. This would reduce the amount of money spent on goods and services, reducing demand, leading to a slowdown in price rises (O'Brien & Williams 2004, p. 238).

238). Before long it was evident that countries such as Brazil, Venezuela, Argentina, Peru, and the countries of sub-Saharan Africa were in deep financial crisis (O'Brien & Williams 2004, p. 238).

The 1980s therefore brought a renewed deepening of the North-South divide, and the Lomé Convention became exposed to charges of neo-colonialism with the worsening socio-economic conditions of the ACP countries (Dolan 1978; Lister 1988; Shaw 1979). Concessions in trade and aid, as development instruments, made no significant progress towards development except in some specific primary sectors. Substantial amounts of aid did not succeed in developing and transforming sub-Saharan Africa (Grynberg 1998a, p. 3). In Western public opinion, where the perception of aid is that it is intended to assist the poor, there has been a sense that the Lomé Convention and other aid institutions failed (Grynberg 1998a, p. 3). In addition, the European trade with the ACP countries declined significantly. Grynberg (1998a, pp. 3-4) provides reasons as to why this was so. He argues, first trade in primary commodities became less important as wealthy countries shifted to trade in services. Second, the East Asian economies rise as trading partners for Europe meant a diminishing of the importance of the ACP states in European and global trade. Third, the inability of the ACP group to respond to market opportunities meant that many countries became less competitive over time and the net result was a decrease in exports to the European market. The overall effect of the Lomé trade preferences when combined with the ACP countries inability to adapt easily to changes, has been that the Convention has effectively confined the ACP states into sectors where trade significance was abating (Grynberg 1998a, pp. 3-4). This depressing situation in the ACP was further compounded by the debt crisis. Therefore, the Convention’s image and impact became problematic and unclear.

The economic climate of the 1980s consequently confirmed donor views that the developing countries inability to improve their socio-economic situation was primarily due to their state-led development strategies. International Financial Institution (IFI) policy-makers and liberal policy-makers of the Western countries attack developing countries' developmental state models that state, intervention and state institution failure contributed to the debt crisis (O'Brien & Williams 2004, pp. 237-40). As a result, widespread consensus among Western donors brought shifts towards neoliberal market-oriented development, which they hoped would boost the developing countries' economic growth. This change in development thinking arouse in the 1980s, which was not only a period of sluggish growth, but also the decade of the victory of market based economic thought as the Soviet bloc neared collapse (Raffer & Singer 2001, p. 48). The debt crisis, as a result, influenced Western donors to embark on development based on Washington Consensus ideas which in the post-Cold War gained further prominence. The EU policy makers then became keen to introduce these ideas to the failing Lomé Convention with the hope that it would provide a solution to the growing poverty and economic stagnation in the ACP countries. While, the European policy makers did not introduce the market reform policies in the Europe-PACP relation in the 1980s, they were constantly reminding the PACP governments and policy-makers of the need for future reforms in their exports sectors and the overall economy (Pacific Island Economist A, 2011).

2.6 Post-Cold War Dynamics

The end of the Cold War led to a major shift in the international system creating a new world order in which Western systems and Western influences, in general, started to dominate the world (Keylor 1994, pp. 476-8). Commentators such as Arts and Dickenson (2004), Bretherton and Vogler (2006), Lister (1997) and Parfitt (1996) confirm that the transformed post-Cold War geo-political environment had a profound impact on the EU's external relations. Post-Cold War dynamics shifted European interests and priorities bringing changes to the ageing relations by introducing new perspectives in the political and economic dimension of the relations. First, changes in the economic domain of the relations were brought by the dominance of the Washington Consensus which brought the new development orthodoxy advocating neoliberal market strategies. The ascendancy of free market ideas was met by the arrival in 1994, of the momentous WTO a powerful intergovernmental organisation which required all trade relations to become WTO-compatible. Second, in the political domain, changes were produced by the thinking that universalization of Western liberal democracy is the ideal form of political governance. Aid dispersals, therefore became linked to recipient countries' domestic political situations to ensure development competent and effective institutions consistent with democratic principles. This became a new feature of the Lomé Convention relations in the 1990s. It was strengthened in the Cotonou Agreement with the introduction of a new political dimension framework as a key pillar of the relations. Third, the European focus on the ACP states shifted as they sharpened their focus on the socio-economic and political transformation of a number of Central and Eastern European Countries (CEEC) freed from the collapse of Soviet Bloc.

State-centric realism is useful in explaining the important role of ideas and norms in engendering changes to the relations in the post-Cold War. The Washington Consensus ideas and democratisation principles are a set of dominant ideas and norms in the post-Cold War that brought significant changes in the relations. In legitimising and enforcing the neoliberal market ideas of the Washington Consensus, the WTO and its trade regime became the way to do so as membership of the WTO became mandatory for countries involved in global trade. The WTO, therefore, had significant impact on the restructure of the Lomé Convention. Here state-centric realism is useful in explaining the important role of intergovernmental institutions. The research contributes by arguing that the role of norms and ideas and international organisations in international affairs has clear connections with powerful state interests. Therefore, their roles are not divorced from the core argument of the state-centric realism theory, which is, the powerful state's concern about its national interests in international affairs. Since powerful states play a significant role in creating norms and ideas, and intergovernmental institutions, they are meant to be supporting their national interests through the norms to define and redefine the rules of the international institutions.

2.6.1 Washington Consensus

Although aspects of neoliberal ideas on development have been apparent since the 1970s, it gained prominence during the post-Cold War and became a widely accepted set of policy strategies for development when proposed as the Washington Consensus (Cohn 2010, p. 83). The key ideas of the Washington Consensus relating to economic reforms include the following: exert fiscal and monetary discipline to limit or stop inflation; reduce public expenditure and tax rates; broaden the tax base and cut marginal tax rates; ensure that interest rates are market determined; liberalise all trade; open countries to foreign direct investment (FDI); privatise state-owned enterprises (SOEs); deregulate markets except where compelling grounds exist for market intervention to ensure safety (Prasad & Tisdell 2006, p. 59).

The Washington Consensus ideas challenged state-led development and provided the theoretical impetus for market driven policies. It is enforcing new forms of globalised production relations and financial systems which are forcing governments to privatise with the belief of enhancing economic efficiency and international competiveness (Larner 2000, p. 6). This was based on the understanding that neoliberal policies would alleviate poverty and facilitate development in general by integrating developing countries into the world economy. At the policy level, neoliberals captured key international institutions and political actors in the push towards neoliberal economic ideas as a dominant world view (Larner 2000, p. 7). As a result, neoliberal market ideas came to be popularised by think tanks and corporate decision-makers, which were in turn backed by powerful international organisations and political players of the international system such as the IMF and the World Bank, the G8 bloc, and later the WTO. The WTO, in particular, through its trade regime is pushing market-driven neoliberal policy-making and enforcement in the developing countries.

These international institutions therefore translated the Washington consensus ideas into a set of conditions that developing nations were required to adopt to be eligible for financial assistance: repayment of debt, austerity in social and safety-net programs, openness to foreign investment and freer trade, and reliance on market-driven economies (Reeves 2012, p. 153). As economic reform strategies, they clearly favoured the development of the market-driven economies. Consequently, it was clear from the 1990s that the support from the international community and the rest of the Western donors and the convergence in donor thinking—the World Bank, EU, OECD, G8 forum and Australia and New Zealand—were significant in representing a meeting of minds amongst the key global economic players in facilitating the establishment of the economic reform agenda (Sutherland 2000, p. 464).

The IFIs therefore, began implementing their over ambitious “one size fits all” economic reforms based on market rational/neoliberal market ideology (Cohen 2010, p. 320) with the view to improve developing countries’ socio-economic wellbeing. The IFI policy-members were of the view that deeper intervention was necessary in developing country economies. Therefore, the Structural Adjustment Loans (SALs) from the IMF required the recipients to implement the conditions of Structural Adjustment Programs (SAPs) to control inflation, minimise government spending, balance their budgets, privatise state-owned enterprises (SOEs), deregulate financial and labour markets, and liberalise their trade and investment policies (Cohen 2010, p. 320). The IMF first applied SAPs in Africa to fix the deep-seated socio-economic problems created by the debt crisis. The PACP governments, however, were unwilling to accept the tough decisions on reforms which donors considered necessary (Sutherland 2000, p. 460). Keen on pushing the economic reforms, in its 1993 report, the World Bank policy-makers argued that despite the favourable natural and human resource endowments of the Pacific Island region, the levels of aid, sound economic management, and real per capita incomes were growing slowly (Sutherland 2000, p. 459).

In the report, the World Bank raised concerns about the low growth rate in the Pacific Island countries compared to other small island developing states of the Caribbean and Indian oceans, where development was subject to the same sorts of constraints (small internal markets, narrow production bases, high unit costs of infrastructure, heavy dependence on external trade, vulnerability to external shocks and natural disasters and isolation from large high-income markets) while enjoying the advantages of high levels of basic subsistence, favourable climate and sustainable concessional aid flows and remittances (World Bank 1993). As a result of the sluggish growth, the World Bank experts called this phenomenon 'The Pacific Paradox', the resolution of which required major reforms (Sutherland 2000, p. 459). The World Bank pressured the PACP countries to resolve the Pacific Paradox. The World Bank encouraged Pacific Island countries to abandon their inward-oriented development strategies, downsize public sector spending, and reduce trade protectionism. By the mid-1990s, these key aspects of neo-liberalism were in place in most PACP countries; there was a greater export orientation, increased deregulation, increased government support for a more dynamic private sector, reforms of the public sector and the labour market, as well as financial reforms.

The EEC policy-makers were of the view that that IFI's SAPs would enhance economic growth in the ACP countries and desired not to stray from IMF and World Bank leadership on market reforms (Brown 2004, p. 28). The European attempt in shaping the donor agenda, and its interventions since Lomé Convention IV, was designed to bring ACP countries reforms in line with global imperatives (Holland 2002, p. 128; Sutherland 2000, pp. 459-60). Despite the lack of evidence to the effect that such an approach was beneficial for development of many of the poorest countries of the world, the EC supported the World Bank view and incorporated it in Article 246 (2) of the Lomé Convention IV in the 1990s. As a result, aid for structural adjustment became a new feature of the EU-ACP relations.

The ACP countries, on the other hand, had hoped that the new Lomé Convention IV would mitigate the painful exercise of structural reform by addressing external factors such as protectionism, commodity price decline and fluctuations rather that pushing internal reforms (Lister 1997, pp. 115-6). The ACP countries actually rejected the EC proposal for closer coordination with IMF and the World Bank (Brown 2002b, p. 92). The EC understanding, however, was that the countries' deterioration was the consequence of weak internal structures and lack of competiveness (Brown 2002b, p. 92). The PACP policy-makers recall the EU emphasising informally in their negotiations since mid the 1980s that the ACP countries would require reforms in their economic sector if economic efficiency and global competiveness is to be achieved (Former PACP Negotiator A, 2009; Fiji Government Official B, 2009).

The introduction of economic reforms in the Lomé Convention IV required the establishment of a Financial Protocol (Brown 2002b, p. 92). However structural adjustment aid was not additional funding, but the ongoing EDF financial support targeted for this new purpose (Lister 1997, p. 115). The Financial Protocol explicitly earmarked financial resources coming from the EDF scheme for SAPs reform. It provided 1.5 billion ECUs of aid for ACP countries which introduced macroeconomic policies (Lister 1997, pp. 115-6). To privatise ACP state owned enterprises, the EC policy on structural adjustment focused on the explicit commitment to the development of private sector and the growth of export industries rather than infrastructural development projects as in the previous Lomé Convention (Haggard 1995, p. 102). For increase in corporation implementing reforms, the Lomé Convention IV included sections on commodities (Article 69-76), enterprise development (Article 110-3) and services (Article 114-34) as these areas reflected the growing importance attached to the private sector (Brown 2002b, p. 91). The principles of financing in the Lomé Convention IV stressed the expansion of those who receive aid to include businesses, financial bodies promoting investment in the ACP, trade union and NGOs. Some 35 per cent of the Lomé IV aid to Fiji was earmarked for reforms (Dearden 2004, p. 10). In 1989, the Fijian government announced a comprehensive structural reform programme, aimed at improving the long-term growth prospects of Fiji's economy. (Dearden 2004, p. 9). However, serious public sector reform in Fiji started from the mid-1990s when the government adopted the Public Enterprise Act (1996) to provide a clear directive for privatisation of state-owned enterprises (Appana 2003, pp. 62-3)

Since it is clear that the Washington Consensus ideas framed the new developing thinking, in deliberating on about the overhaul of the Lomé Agreement, the European policy-makers had in mind three main dimensions, which they viewed should function as integrated; politics, trade and development. The EU incorporated ideas of the Washington Consensus as part of external policy changes in the comprehensive Maastricht Treaty of 1992, also known as the Treaty of European Union which established the enlarged EU. The specific provisions for changes in EU external relations were not clearly stated in the Maastricht Treaty; however, the broader changes to translate the Washington Consensus principles into the trade and aid policy areas of the external relations are evident. Article 130u of Title XVII of the Maastricht Treaty gives clear indication of the perceived political and economic changes the EU embarked on for a comprehensive re-examination of the EU's external policies on trade and aid in developing countries:

Community policy in the sphere of development cooperation, which shall be complementary to the policies pursued by the Member states, shall foster: the sustainable economic and social development of the developing countries and more particularly the most disadvantaged among them; the smooth and gradual integration of the developing countries into the world economy; the campaign against poverty in the developing countries. Community policy in this area shall contribute to the general objectives of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms (Treaty on European Union 1992).

Therefore, to set out its position in ending the Lomé Convention, in May 1992, the European Commission compiled the document called "Development Cooperation Policy in the Run-Up to 2000", more commonly referred to as the "Horizon 2000" document. In this document, the European countries consolidated their trade and investment interests by highlighting that economic development consists of:

> … a further reaching operation to restructure the economic fabric, the main component of which is the liberalization of economic activities, which must be achieved in a coordinated way at a domestic level. Although the state is called upon in this way to drop its role of direct investor, it must not neglect its role in creating the physical and regulatory environment which business needs in order to invest (Parfitt 1996, pp. 54-5).

The beginning of the change in the EEC-ACP relations, therefore, started since the debt crisis which led Western donors to shift the development thinking away from the state-oriented model to a neoliberal development strategy proposed by the Washington Consensus. The neoliberal strategies for development were packaged by the IFIs as SAPs for developing countries which the EC found inspiring and incorporated in the Lomé Convention IV. The Washington Consensus ideas then stimulated the overhaul of the Lomé Convention by linking the areas of politics, trade and economics to development as an integrated approach for the European trade and aid policy.

2.6.2 Shifting European Interests

The European motivation to restructure the Lomé Convention coincided with its shifting interest from the former colonies to its own region and the loss of significance of the Lomé Convention. First, with the end of the Cold War the Lomé Convention's political significance to European powers lost importance. The political and ideological foundations for the provisions of aid to developing countries effectively vanished with the dismantling of the Berlin Wall (Grynberg 1998a, p. 2). This reduced substantially the European intervention in the former colonies. No longer was there a fear of loss of influence in the former colonies to a competing ideology. As relations with the former colonies became less significant, the EU attempted to build new relations with its neighbouring disintegrated Soviet bloc of Central and Eastern European Countries (CEEC). European focus shifted to these neighbouring countries to ensure stability and development in its own region. The EU aim was to create a new sphere of influence. The EU intention was to allow these countries eventual EU membership.[15] Indeed, the eight CEEC with Malta and Cyprus joined the EU on 1 May 2004. In the overall reform of the CEEC countries, the European policy-makers had the opportunity of testing first the implementation of the Washington Consensus market–oriented policies before applying in the restructure of the Lomé Convention.

[15] The eight Eastern European which finally met EU requirements for accession are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic, and Slovenia. Cyprus and Malta are the other two that joined with them.

So the disintegration of the Soviet Union combined with the reunification of Germany, and the outbreak of large scale armed conflict and disintegration in former Yugoslavia further increased the weight of intra-European problems on the EU's agenda (Arts & Dickenson 2004, p. 8). The EU responded swiftly to these major post-Cold War events in Europe in order to have a stronger hold on power, and to assert its rising global actor role (Elgström & Smith 2006). Since the CEEC were in need of assistance, the EU saw its intervention important to enhance its growing presence in international affairs in the post-Cold War (Bretherton & Vogler 2006; Elgström & Smith 2006). In particular, the European countries targeted the opening of their access to the CEEC's markets and resources as important (EU Official F, 2010).

The EU policy-makers saw the fall of the Berlin Wall important in initiating a transformed world order dominated by the Western states influences whereby the EU could play a hegemonic role in advocating the implementation of the Washington Consensus ideas in transforming the former Soviet economies and the rest of the developing countries which are parties to its external relations. The EU provided substantial levels of financial and non-financial resources in order to transform the former Soviet states into capitalist market economies (Babarinde & Faber 2005, p. 19). For implementing reform policies in the CEEC, the Group of 8 (G8)[16] countries decided that the European Commission be given the responsibility for coordinating financial assistance to CEEC provided by the Group of 24 Western donors (Bretherton & Vogler 2006, p. 139). The six most populous economies of the G8 are EU members which means decisions made in the G8 forum significantly reflects key EU members' decisions and priorities. To carry out reforms financial assistance increased exponentially in the former Soviet countries, while the willingness

[16] The Group of Eight (formerly the G6 or Group of Six): is the forum for the world's major industrialized countries that emerged following the 1973 oil crisis. The former term, G6, is now frequently applied to the six most populous countries within the European Union. The current G8 economies: France, Germany, Italy, Japan, the United Kingdom, and the United States, Canada and Russia. The European Union is represented within the G8, but cannot host or chair the forum.

to supply development assistance significantly diminished in the Lomé Convention relations (Lister 1997, p. 28). In 1991, the EU allocated each of the ten Eastern European countries an average of 77 million European Currency Unit (ECU) [17] while the seventy ACP states were each allotted an average of 34 million ECUs for that year (Lister 1997, p. 28). The ACP received only around 44 per cent of the aid given to the newly de-aligned countries of Eastern Europe (Lister 1997, p. 28). Socio-economic and political transitions in the CEEC eventually posed new pressures and priories for the EU, to eventually integrate these states in the EU (Kelsey 2005, p. 16).

The EU's successful intervention in the implementation of macroeconomic reform of the CEEC's socialist economies provided the EU policy-makers with extreme confidence that similar policy prescriptions would work across all EU external relations (Bretherton & Vogler 2006, p. 139). Therefore, reforms implemented in the CEEC countries eventually became "models" for reforms in the ACP countries. This gave EU policy-makers assurance that such policy prescription should be introduced in the overhaul of the Lomé Convention. This urge for reform eventually met the dynamics around the ending of the Uruguay round (1986-1994) of the GATT negotiations.

2.6.3 International Trading Rules: GATT to WTO

This section explains that the EU-ACP trade relations have been significantly influenced by international trade rules of the GATT and the WTO institutions. In particular, preferential trade agreements were the main attribute of the relations and the WTO forced the EU to change its approach, bringing the EPAs. While the GATT allowed developed countries to grant tariff preferences to the developing countries, they were not to discriminate among developing

[17] On 1 January 1999, the euro (with the code 'EUR' and symbol '€') replaced the ECU, at the value €1 = 1 ECU. Unlike the ECU, the euro is a real currency, although not all member states participate, such as the UK and Denmark.

countries, except for the option of providing more generous preferences to all least-developed countries. The European countries', however chose not to comply with the GATT rules, and discriminated by granting preferences in its trade relations with the former colonies of the ACP group over its other developing trade relations. The European countries agreement on its unilateral non-reciprocal trade with the former colonies was significantly influenced by the 1973 oil crisis as discussed earlier. The European non-reciprocal trade with the ACP countries however was challenged by the outcome of the longstanding Banana trade dispute and the arrival of the WTO trade regime in the 1990s.

The original text of the GATT did not allow for preferences in favour of developing countries. The only exception to the MFN principle built into the GATT legal framework from the beginning was the provision for reciprocal free trade within customs unions and free-trade areas (GATT Article XXIV) (Tangermann 2002). This provision could not be applied to preferential imports from developing countries because no reciprocity was involved in these development-oriented trade preferences (Tangermann 2002). When Part IV of the GATT, on Trade and Development, was negotiated in 1964, a number of developing countries suggested that GATT Article I should be amended so as to allow trade preferences for developing countries (Brown 2002a). However, no agreement on preferential trade provisions could be reached at the time, and Part IV, therefore, only excludes the reciprocity requirement for developing countries when developed countries negotiate (non-preferential) concessions with them (Tangermann 2002).

The EEC introduced its first unilateral Generalised system of Preferences (GSP) in 1971 and was followed by other industrialised countries, however the non-reciprocal system for the developing countries were not legalised through the GATT until 1979 (Nilsson 2011, pp. 16-7). The Tokyo Round of GATT negotiations in 1979 brought a more permanent legal solution for trade preferences by establishing an ‘Enabling Clause’, a permanent deviation from MFN (Tangermann 2002). The Clause states that despite the Article I of GATT, ‘contracting parties may accord differential and more favourable treatment to developing countries, without according such treatment to other contracting parties’ and applies this exception to preferential tariff treatment in accordance with the GSP [1] (Grimmett 2011, pp. 1-2). This was included in the GATT 1994 which established the WTO. 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 least-developed countries (Nilsson 2011, p. 16). On the other hand, there is no absolute legal requirement in GATT for providing any given trade preferences (Nilsson 2011, p. 16) . In other words the idea was, developed countries can and should provide trade preferences for developing countries, but they are not legally bound to do so (Tangermann 2002) . As a result, trade preferences under the GSP continue to be granted unilaterally by the developed countries concerned, and so can always be changed, and even withdrawn completely, without violating GATT/WTO commitments (Tangermann 2002).

However, the Europe went beyond the confines of the GSP to provide preferential treatment in its Lomé Convention. Though the GSP followed an approach that was agreed at the multilateral level and all developed countries provide preferences under this regime, the precise scope and coverage of preferential treatment provided is decided unilaterally by each preference-giving country (Tangermann 2002). The schemes thus differ from one country to another. These differences relate to all aspects of the schemes, i.e. product coverage, margins of preference, rules of origin, specific preferences for the least-developed countries, criteria for graduation of beneficiary countries (or some of their exports) out of the system once they reach given levels of economic development or export performance, and additional provisions such as commitment of the beneficiary countries to certain labour rights or environmental standards (Tangermann 2002) .

In addition to the GSP, the most prominent special regimes are the EU's Lomé Convention and the Cotonou Agreement) for ACP countries, and the Caribbean Basin Initiative (CBI) of the United States, which was extended to the sub-Saharan African countries by the African Growth and Opportunity Act (Tangermann 2002). Under these special regimes, preference margins are usually larger than those accorded under the GSP, and more products are covered (Tangermann 2002). In some cases, preferences even cover some 'sensitive' agricultural products that are totally excluded from GSP treatment, such as sugar both in the EU regime for ACP countries and in the CBI of the United States (Tangermann 2002). Preference margins for selected agricultural products under these special regimes have been quite large (Tangermann 2002). For instance, the Lomé Convention's Sugar Protocol guarantees beneficiaries the same sugar price as European producers receive (Tangermann 2002). Preferences granted by the EU to banana imports from the ACP countries are also very specific. As a result of these discrepancies, the specific preferences for limited groups of ACP countries granted by individual European states under the Lomé Convention, were not covered by the Enabling Clause (Nilsson 2011, p. 16).

Together with the related restrictions on imports from non-ACP countries, the special preferential regimes for the ACP countries have recently also run into difficulties in GATT/WTO because they are not in line with the "Enabling Clause", which covers only preferential treatment for all developing countries as provided under the GSP (Tangermann 2002). Major difficulties in GATT/WTO became clear in the various successive banana disputes. It was not before the first GATT panel on the EU import regime for bananas in 1993 that an explicit decision was taken on the issue and which challenged the European unilateral trade preferences granted to the its former colonies. Under the Banana Protocol of the Lomé Convention, the European trade preferences protected bananas exports from the former colonies. Since this jeopardised the non-ACP banana producing countries' exports, they filed complaints to the WTO Dispute Settlement Panel about EU's failure to comply with the GATT. In 1997, the Dispute Panel found the EU in violation of WTO trade rules on sixteen counts (Miller 2009). The Panel found the EU's preferences for banana imports from the ACP countries 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 (Tangermann 2002).

The Enabling Clause did not provide a shelter for these ACP preferences as they were not extended to all developing countries (Tangermann 2002). By implication that meant that all specific EU preferences for the ACP countries, and all other similar schemes of other developed countries, were considered illegal under the GATT (Tangermann 2002). In response to this Panel outcome, rather than eliminating its trade preferences under the Lomé Convention, the EU requested a GATT/WTO waiver that would allow it to continue providing the special trade preferences to the ACP countries (Tangermann 2002) . That waiver was indeed granted in 1994, for a period lasting until the expiration of Lomé IV, i.e. 29 February 2000 (Josling & Taylor 2003)**.** Therefore, the challenges to the EU trade preference regime and the ruling of the WTO Dispute Panel compelled the EU to comply with Enabling Clause of GATT/WTO Article I. This led the European policy-makers to make the post-Lomé Convention relations WTO-compliant.

The arrival of the WTO in 1994 which reorganised international trading system had a significant influence on the move from the Lomé Convention to the Cotonou Agreement and the EPAs. Perhaps there was no other force as powerful as the WTO that provided the EU policy makers with enough justification for the major change in the Europe-ACP relations. By the early 1990s it was clear that market norms, pressure for trade, economic, and financial liberalisation intensified as the Uruguay Round neared its end and the WTO loomed. It was concluded at a time when many developing countries were undergoing substantial neoliberal reforms, and the confluence of change in the developing world and the deepening of the multilateral regime that engages trade more fully in the progress towards international development (Ravenhill 2011, p. 158). Clearly the capacity to reach an outcome from the Uruguay Round of negotiations was determined by United States and the EU, the two major trading powers (Ravenhill 2011, p. 155). The Uruguay Round had made considerable progress in reducing protectionism from non-tariff barriers and incorporation new issues such as service, investment and intellectual property, in addition, to the old issues that dealt with trade in goods (Ravenhill 2011, p. 152). However, powerful trade actors such EU, US and Japan have not yet liberalised their economies fully. Developing countries led by India and Brazil did not support the Uruguay Rounds. They insisted that developing economies were not sufficiently developed to negotiate the new issues such services and investments on an equal footing with the developed countries (Ravenhill 2011, p. 155).

Nonetheless, the Uruguay Round was concluded in 1994 by giving rise to the multilateral WTO in the same year as a powerful intergovernmental organisation. The WTO has re-organised the global trading system in order to promote free trade and is associated with economic globalisation. The WTO is vested with a legal personality, which the GATT did not have (Ravenhill 2011, p. 119). As at March 2013, the WTO membership stood at 159. Critics argue that the WTO is too powerful (Hopper 2012, p. 150) as the contemporary structure of the global trade is centred mainly on US-EU bilateral relationship (Ravenhill 2011, p. 162). So influenced by the mostly powerful industrialised states, the WTO legitimised the neoliberal market ideas of the Washington Consensus, and created a more structured trading regime that regulates all kinds of trade relations, creating a global economy. The WTO trade regime, therefore, has brought a general consensus in policy circles the need for a complete shift towards free market development.

It should be noted that since its formation in 1993, the EU has become a member of the WTO together with its entire member states (Bohne 2010, p. 2). Europeans exert considerable influence given the EU's enormous trading capacity. The EU's supranational institution, the European Commission (EC), which represents collectively the 27 member's interest, is the main negotiating institution. The EC in the singular is not a subject of formal control by member states from the point at which they have agreed 'negotiating a mandate' until the EC requests them either to revise the mandate or approve the agreement it has negotiated (Stevens 2008, p. 212).

The deep integration based on supranational approach, and the neoliberal economic globalisation redefined European identity as 'powerful global actor' (Oatley 2010, p. 31). This then changed the framework of the bilateral relations having colonial underpinnings to one that emphasises not the individual members' role as in Yaoundé and Lomé but the EU role since the coming of the Cotonou Agreement. In addition, the negotiations of the EPA involves several European entities such Directorate General Trade (DG Trade), Directorate General for Health and Consumers (DG SANCO), Directorate General Development and Cooperation, European Parliament (EP) Committee on Fisheries, EC Directorate General Maritime Affairs and Fisheries (DG MARE), Spanish Organisation of Producers of Frozen Tuna Vessels (OPAGAC), and national governments (Blomeyer & Sanz 2012). Since the EU institutions and entities have different perspectives and interests, their approach to various aspects of EU policies and EPA has brought contradictions and inconsistencies. The influence of particular institutions within the EU in driving the overall relations, and the inconsistencies that arise from the multiple actors with varied interest making up ‘the EU’ requires further research, it is beyond the scope of this research, hence left for future research.

As a key player in global trading system, the EU then made all of its external relations conform to WTO rules. The EU has even gone beyond the original remit of compatibility with WTO’s legal requirements in the EPAs. When the Cancun Ministerial in 2003 collapsed due to the debate on a more commercially oriented free trade agreements known as the WTO-plus agenda , including the so called Singapore Issues that originally formed and integral part of the Doha development, the EU in 2006 responded by launching its ‘Global Europe’ trade strategy document (Heron & Siles-Brugge 2012, p. 250). The Global Europe Strategy has a forum of European MNCs which is a powerful corporate lobby group. The forum lobbies in WTO trade negotiations to push market regulations so that they can expand their activates in several areas and sectors, and integrate into the global market (Heron & Siles-Brugge 2012, p. 250). In particular, the Global Europe document came to include the Singapore Issues. The impetus of the Global Europe is the aim of promoting internal competiveness and job creation through further liberalisation of marketization as a more aggressive external trade strategy (Heron & Siles-Brugge 2012, p. 251). While Global Europe reaffirms the EU’s continued support for the WTO, it nevertheless taken the FTAs like the EPA a step further in promoting openness and integration of the markets by expanding coverage to areas of services , investment, public procurement and competition policy, the Singapore Issues (Heron & Siles-Brugge 2012, p. 251). The EPA’s aim to make Europe-PACP relations WTO-compatible and the same time push the Singapore Issues indicates that the agreement to a great extent is driven by a set of independent, political and commercial interests (Heron & Siles-Brugge 2012, p. 251).

To make Europe-ACP relations WTO-compliant, the EU prepared the 1996/1997 Green Paper on "Relations between the European Union and the ACP countries on the eve of the 21st century: challenges and options for a new partnership". The paper laid the necessary changes to the Lomé Convention required in order for it to become WTO-compliant. The former trade economist of the Pacific Islands Forum (PIF) Secretariat, Dr Roman Grynberg elaborates that the Green Paper was a "policy monologue", reflecting the IMF, World Bank and EU thinking which promote the same neoliberal market ideology and economic agenda (Kelsey 2005, p. 17). The Green Paper produced a general awakening and recognition among the ACP leaders that a drastic restructure of the relations was occurring (Grynberg 1998b, p. xv). Since the Lomé Convention was pivotal to the development of several ACP countries, for policy-makers, these changes were an uneasy realisation because their countries had remained highly dependent upon the trade and aid generated by the Convention since independence (Grynberg 1998b, p. xv).

No ACP state was involved in the preparation of the Green Paper to enable the ACP to evaluate their past and assess their future needs (Kelsey 2005, p. 17). They were not formally informed that such a transformative document was being prepared until the Green Paper was officially released to the ACP regional groupings (Pacific Island Economist A, 2010). In the PACP region, it was given to the PIF. The PIF took a key role in assisting PACP negotiators and policy-makers to undertake a thorough review of the Convention, which commenced from September 1998. However, the entire review process escaped public debate and the outcomes of negotiations remained in the hands of the bureaucrats and policy-makers. Since it was clear that the WTO based new agreement was going to seriously affect the export sectors of many developing economies, politicians feared that public discussion could create nation-wide instability as the loss of preferential prices would mean a drastic decline in export income of local sectors and farmers. Fiji and Solomon Islands at the time were politically unstable, and any discussion on the new the agreement and its restructure plan would have added to the already volatile political landscape of these countries.

The Green Paper, therefore, reflected the European Union's assessment of history, the success and failures of the Lomé Convention, the problems in the ACP and the solutions (Kelsey 2005, p. 17). The EU plan for change displayed the colonial arrogance that has underpinned Europe's relationship with ACP countries for centuries (Kelsey 2005, p. 17). The WTO trade regime therefore, became the key influence for the complete restructure of the non-reciprocal Lomé Convention bringing in the WTO-compliant Cotonou Agreement in 2000, as a transition agreement on the way to the EPAs, which have been negotiated since the mid-2000, although several ACP states have yet to sign. The EPAs call for the ultimate trade liberalisation of the ACP economies and requires them to integrate deeply with the world economy. Of the fourteen PACP countries, as of 2012, only five became WTO members: Fiji, Samoa, Tonga, Papua New Guinea, Solomon Islands, and Vanuatu. Through the EPA, the EU is attempting to impose WTO compatibility on all PACP countries. This suggests complexities in the implications of the EPA for WTO and non-WTO PACP states. However, this research focuses on those countries which are WTO members and have signed an IEPA and where the EPA is relevant for their fisheries sector.

For theoretical understanding of the move from Lomé to the WTO-compatible Cotonou Agreement and the EPAs, the state-centric realism is valuable in rationalising how international organisations, ideas and norms have played important roles in influencing the changes in the relations. As discussed above, the research validates that WTO and neoliberal market ideas have played a significant role in transforming the relations in the post-Cold War but these dynamics in the international system are fed by power state interests. The state-centric realism does not shed light on this. State-centric realism does not identify and explain the interconnections between its ideas. The research, however, finds clear linkages in core arguments of the state-centric realism. The role of intergovernmental organisations and norms and ideas in international affairs are intricately linked to powerful state interest. They are driven by national interests of the powerful states.

So first, it is clear that the WTO as intergovernmental organisations had a significant role in bringing changes to the economic domain of the relations. State-centric realism argues that national governments continue to set the rules within which the intergovernmental organisations operate and influence the primary decision making, but major players use their power to influence economic outcome at intergovernmental level (Gilpin 2001, p. 18). Major European governments, through the EU, played key roles in the creating the rules of the WTO trade regime. Their economic and political power has clearly influenced the outcomes of the global trading system at the WTO level. Dinan (1999, p. 489) supports that the EU is one of the WTO's two "heavyweight boxers"; the other is United States. He further argues that the economically powerful Western actors such as the EU, US, Japan, Canada, the OECD and the G8 forums have dominated WTO rules making process (Dinan 1999, p. 489). The theory, however, does not recognise powerful state interest prevalent in the intergovernmental organisations. The research contributes that EU is instrumental in pursuing market liberalisation strategies in the WTO which provided a fundamental framework for the extension of WTO-plus agenda (also known as the Singapore Issues) in the EPA for the support of commercial and political imperatives.

European interests are advanced by the EU which is a key member of the WTO. European countries enormous trading capability has allowed the supranational EU to play important role in influencing the formation of the WTO rules. Bulls (2002) supports that international organisation are extensions of powerful state interests. Oately (2010, p. 44) provides further explanations that to understand the industrialised countries role in the international organisations, it is important to consider the WTO as an intergovernmental organisation and a political organisation reflecting the interests of the powerful. Oatlely (2010, p. 44) observed that the WTO's strengthening, in particular, reflected the growing interest of the European and Japanese governments that trade liberalisation would bring real gains to them (Oatley 2010, p. 44). However, the European countries have not yet conformed themselves to trade liberalisation fully (just as Japan and the USA have not), but have tried to enforce developing countries to do so by framing its external economic relations to conform to the WTO rules. European countries have a privileged position internationally in the WTO giving the EU substantial power to enforce WTO-compatible bilateral and regional trade agreements with developing countries. European decisions to make relations WTO-compatible is part of European countries broader interest in the WTO.

Second, it is clear that norms and ideas have significantly influenced changes in the international political economy and hence in the European-ACP relations. The dominant neoliberal market ideas in the post-Cold War have prompted a complete restructure of the non-reciprocal Lomé Convention with the formalisation of a reciprocal free trade Cotonou Agreement and the EPAs. However, the state-centric realism does not imply that norms and ideas, which are particularly desired by powerful states to protect their interests, are promoted and even enforced by intergovernmental organisations. The research contributes that intergovernmental organisations are important in infusing ideas and norms favoured by the powerful states and transforming them into dominant policy prescriptions. The WTO is a powerful advocate of neoliberal market ideas which the European countries have embraced to enhance their interest in the global trade. In confirming this Oately (2010, p. ix) argues, to bolster their interests in international affairs, economically powerful governments have shared a broad consensus on re-organising international trade based on the principles of neoliberal trade and instituted as a WTO trade regime. Therefore, norms and ideas promoted by the WTO to a great extent are driven by European economic and corporate sector interests.

Furthermore, the research contributes by arguing that the international organisations have elaborate regimes which are supported by powerful countries for their interests. The WTO has a complex international trade regime that is influencing Europeans to make relations WTO-compatible. International relations regime theorists like Krasner argue that powerful countries give rise to such strong international regimes. He also argues that dominant powers play crucial roles in rules-making and rules-enforcement in international organisations (Krasner, p14). It is clear that the EU itself and all its members are powerful players in contributing to the formations of the WTO regime. Young (1995, p. 93) argues, in formal terms, that members of international regimes are always sovereign states. Therefore, in international economic regimes, economically and politically powerful states often structure the choices and preferences for minor powers and thus shape their economic relations (Young 1995, p. 135). The industrialised European countries priorities and interests in global trade to a large extent have been legitimated in the WTO trade regime which shapes the ACP countries relations with Europe through their development strategies. The WTO trade regime obligates all states entering into international trade to become members of the WTO, and implements economic policies compliant with the regime as, according to Barton (Barton et al. 2006). This is so because the WTO trade regime has a formal legal status which gives the WTO considerable power. The legal personality of the regime at times is seen having a counterproductive effect in terms of challenging the trading interest of powerful countries which created it. It is clear that the legal personality of WTO regime has challenged the EU's special trade preference regime in the WTO Dispute Panel and brought it to conform to WTO rules. Moreover, it can argued that the legal personality has the ability to encroach upon the sovereignty of nation-states through its mandatory multilateral agreements (Hopper 2012, p. 150).

This challenges the Gilpin's primary argument of state-centric realism theory that states are primary actors in an anarchical international system and are concerned about their national interests. The legal status of the WTO having substantial power to undermine national interest further blurs the theory's assumption that international system is anarchic.

While the EU plays a fundamental role in the WTO and enforces WTO-compliant agreement to open ACP economies and integrate them into the global trading system, the European countries themselves have not yet done this. As result the WTO Doha Rounds of Trade negotiation is currently stalled due to debates between the developed and developing countries on trade liberalisation and its development aspects. The EU along with the US and Japan is condemned worldwide for agricultural subsidies that effectively destroy the livelihoods of small farmers all over the world, and are in direct violation of their own neoliberalist rhetoric. In pushing the EPA with PACP countries, it clear that the EU has gone beyond the confines of the WTO trade regime to promote its economic and commercial interests. PACP countries on the other hand are concerned about the impact of the neoliberal market reform policies on their development strategies.

2.6.4 Democratisation

The emphasis on democratisation in the post-Cold War brought a political dimension to the Europe-ACP relations. The post-Cold War wave of democratisation swept away many authoritarian regimes and one party systems, and in a number of cases, replaced them with governments determined to enact pro-democratic, liberal reforms (Brigevich 2008, p. 1). In particular, Soviet military withdrawals from Eastern Europe and the Third World allowed democratisation to proceed in many of these states. Since then the world has seen an ongoing wave of democratisation. Some 100 countries have undergone transitions to democracy since the

1970s, with some 40 countries having done so in the 1990s and early 2000s (Soest & Wahman 2013). Major Western donors including financial institutions and the EU as advocates of democratisation became motivated to link aid dispersals to recipient countries' domestic political situations (Baylies 1995; Nelson 1992b). So, unlike the Cold War period, the political imperative of aid became directed explicitly to improve developing countries' governance systems, to ensure an improvement in governmental and administrative capacity in developing countries; respect for universal and fundamental human rights in line with international laws and declarations, and to promote democratic structures, particularly the importance of upholding regular multiparty elections (Brown 2002b, p. 116).

In addition, to improve the government structures in the ACP, the European policy makers' were inspired to incorporate good governance agenda as another political element in their aid policy. Good governance became the catch phrase for Western donors. It not just include anticorruption policies, but also transparency, accountability, rule of law, and other elements which are easily linked to democratic rule. The World Bank defines good governance in its "Governance and Development" report as "the manner in which power is exercised in the management of a country's economic and social resources for development" (World Bank 1992, p. 1). The concept emerged in the 1990s from the IFIs as an explanation for the declining socio-economic conditions of African countries despite the implementation of SAPs. Due to the increasing grinding poverty in sub-Saharan Africa, the World Bank examined the factors that held back sub-Saharan Africa countries from implementing market reforms. The finding of this was included in the World Bank 1989 report, "Sub-Saharan Africa: From Crisis to Sustainable Growth: A Long-Term Perspective Study" which concluded that the poorest countries suffered from a lack of good governance which was characterised by a lack of public accountability and transparency, rampant corruption and the dominance of the public services by powerful interest-group elites (World Bank Report 1989). Thus, the lack of political will and limit to state capacity undermining the aims of SAPs in Africa, led the World Bank to conclude that "[u]nderlying a litany of Africa's development problems is a crisis of governance" (World Bank 1991, p. 60). Since these World Bank findings, Western donors started suggesting strongly that development depends on good governance (Larmour 1998, p. 1).

As free-market fundamentalism and the anti-statist leanings of the Washington Consensus on economic policy began to weaken during the 1990s, the World Bank and other key actors re-discovered the state as an important agency of development. The World Bank was clear in its report arguing that "Africa needs not just less government but better government" and that "ultimately better governance requires political renewals" (Brown 2002b, p. 117). The World Bank quickly realised that the state was "the very core of development", so long as it kept to market friendly development, including the provisions of a legal framework of the market economy (Brown 2002b, p. 117). As a model of governance advocated by Western donors, the good governance is also deemed as an extension of the Washington Consensus (Chan 2008, p. 40). Some, such as Gilbert and Vines (2000, p. 16), argue that the Washington Consensus covers a more general neoliberal agenda which underpins the belief that combination of democratic governments, free market, a dominant private sector and openness to trade in the prescription for prosperity and growth.

The growing prominence of the notion of good governance in the 1990s led the United Nations, the EU and other international development agencies, including the Asian Development Bank (ADB) incorporate it as an important condition in their aid and development polices. The new orthodoxy in the development community for providing financial aid and loans by IFIs is to be built on the demand that recipient countries must adopt the principles and practices of good governance. Henceforward, the notion of good governance has become “the lever for sustainable development” and the single most important factor in eradicating poverty and promoting development (Chan 2008, p. 41).

These political aspects clearly represent an extension of the aid regime brought about by structural adjustment policies that were firmly in place by the 1990s (Brown 2002b, p. 116). It involves withholding or withdrawing aid from the states falling to uphold the political conditionality elements or abrogating political reforms (Brown 2002b, p. 116). Donors believed that this stance would improve governments capacity to formulate and implement successfully market-oriented economic policies, and to better manage recipient countries’ resources and any aid funds provided to them (Macdonald 1998, p. 22). The focus has been the establishment of competent and effective institutions consistent with democratic principles. This change in donor perspective on aid policy in the post-Cold War has brought a political dimension to the Europe–ACP relations. Good governance with democratic principles, rule of law, and human rights as political conditionality became essential for development in the relations. The EU aim to improve the political systems of the ACP countries and enhance their ability to implement neoliberal market policies, the European policy-makers incorporated the political conditionality in the Article 5 of Lomé IV of 1990 (Holland 2002, p. 121). Its enforcement in the ACP countries was further strengthened in a more complex framework of the political dimension pillar of the Cotonou Agreement in 2000. The ACP countries which do not conform to the political conditionality elements faced withdrawal of aid, sanctions and even termination of relations in cases with serious violation of democratic principles. This significant influence of the role of political ideas in shaping the EU-ACP relations in the post-Cold War approves the state-centric realism view that ideas and norms play important roles in international affairs.

In addition, the political dimension framework met strongly the aims to expand and strengthen the concept of political (or policy) dialogue. The increased importance of political dialogue is being emphasised in the Cotonou Agreement (Holland 2002, p. 190). The EU considered the promotion of democratic norms, good governance and rule of law being bolstered through political dialogue (Holland 2002, p. 203) as Article 8 of the Cotonou Agreement states that both parties "shall regularly engage in a comprehensive, balanced, and deep political dialogue leading to commitment on both sides" (Arts 2005, p. 160). In case of violations of human rights and democratic principles, the EU has the right to suspend cooperation. Consultation would then involve a constructive dialogue that would analyse the situation and provide remediation of the situation as stated in the Article 366a of the Cotonou Agreement (Brusco 2001, p. 106). The same applies to serious cases of corruption. Article 96 and 97 deal with the consultation procedure to be followed, and the measures to be taken in case consultation does not solve the problem, mentioning suspension of the application of the Agreement as a measure of last resort (Brusco 2001, p. 106). The EU is able to channel the development funds for democratization and security purposes and has increased the need to monitor closely how funds are utilized by the ACP countries (Robinson 2006, p. 82). While the EU has established this complex political dimension framework, findings show that the EU's decision to enforce or not enforce political conditionality elements to deal with crises in the ACP countries to a great extent is driven by its economic and commercial interests. The EU's attempt to apply political conditionality elements in its PACP relations is only evident in Fiji which experienced political instability on several occasions since 1987. Using a case-study of Fiji political crises, chapter 5 explores further how European application of political conditionality is driven by European interests and how it aims to change the political development trajectories of the crises countries.

Post-Cold War dynamics, therefore, engendered the move from the twenty five year Lomé Convention to the Cotonou Agreement and the EPAs. This was a major shift in the EU-ACP relations in both economic and political areas. In the economic dimension, the ascendancy of the Washington Consensus ideas and then the establishment of the WTO have completely restructured the non-reciprocal Lomé Convention and brought the Cotonou Agreement as the transition agreement to EPA. The EPA aims to liberalise all trade and make EU-ACP relations WTO-compatible. Once concluded with the ACP states, the EPAs will replace the Cotonou Agreement when it expires in 2020. In addition, relations also underwent major changes in the political domain by including in the Cotonou Agreement, the political dimension framework which emphasises the importance of good governance, democratic principles, rule of law, and human rights as essential conditions for development.

2.6.5 Post-9/11 Security Context

The post-9/11 security imperatives have been further shaping the EU external relations. The consequence of 9/11 and the increasing prominence of security and terrorism-related issues impacted in a major way on donor policy (Maxwell et al. 2004). EU policy makers became seriously concerned that political conflicts elsewhere could be breeding grounds for terrorist activities that would be unsafe for European countries and would seriously damage EU trade links in its developing country external relations. So the EU decision to cooperate with the US in security matters gained the EU a recognition on the world stage in high politics and security, the areas which the EU previously never assumed to get involved (Kaunert 2009, p. 42). The new security agenda has been a more intense concern with poorly performing countries – as problems in their own right but also as possible sources of exported security problems. The EU, and other Western donors and trade partners therefore came to consider that trade and aid will only achieve development goals if peace, security and partnership between rich and poor countries are taken as highly relevant factors in the development equation. As a result, the EU recognized the strong nexus between security and development.

Immediately after 9/11, the European Council on 21 September 2001 developed a "coordinated and inter-disciplinary approach embracing all EU policies" (Bretherton & Vogler 2006, p. 114). Then in 2003, the European Commission developed the European Security Strategy (ESS) emphasising the significance for the relationship between development priorities and the security concerns. The ESS proclaims "Security is the first condition for development" (Bretherton & Vogler 2006, p. 114). The ESS document explicitly refers to coordination of EU instruments, including the EDF allocations to the ACP countries. A 2003 European Council report emphasised that "[a]ll of these can have an impact on our security" in terms of a safer Europe and that of developing countries (Bretherton & Vogler 2006, p. 114). The EES therefore heralded a shift from humanitarian concern towards protecting the EU and its citizen, and the issue of "state failure" from a far more securitised angle (Banim 2008, pp. 4-5).

This shift in EU thinking brought the securitisation of development in the Cotonou Agreement in 2005. The EU's development agenda in the Cotonou and the EPA recognises the security concern which is consistent with the argument that aid for the developing countries should be conditional on security issues. Engagements with "fragile states" and post-conflict peace building have become core focal areas for the EU's external policy (Blockmans et al, 2010:3). In the renewed 2005 Cotonou Partnership Agreement, amendments to Article 11 on the fight against terrorism (Art. 11a) and on the cooperation in countering the proliferation of weapons of mass destruction (Art. 11b) was included in the political dimension pillar (Cotonou Agreement 2005). This was followed by incorporation of a new article on 'security conditionality' which allows the EU to use EDF's financial supports for ACP countries for security purposes and increase monitoring of how funds are spent (Robinson 2006, p. 82). These novelties are not introduced with the primary aim to increase security and development of the developing countries (Popovic 2007, p. 27). The EU intention for increased nexus between security and development is to tackle problems which the EU perceives primarily as the threat to its own security (Popovic 2007, p. 27).

The EU became committed to playing an active role within the political dimension framework of the Cotonou Agreement to help facilitate the peace-building and the reconciliation process during political instability in the ACP. The transformed security context after 9/11 brought increased nexus between security, and development has expanded the political conditionality in the relations. This confirms the state-centric realism view that ideas and norms do play important significant roles in international affairs—the belief that peace, security and stability as important conditions for development has brought changes to the Europe-ACP relations. The thesis contributes that European intention to universalise securitisation of development is to protect European countries interests—to deal with problems that pose threats to European countries security, economic and trading arrangements with the ACP countries.

2.7 Conclusion

The chapter finds that European countries' colonial relations were key in the establishment of the EEC's relations with the ACP countries, the vast majority of which have been former colonies of either France of Britain. The Yaoundé Convention and the Lomé Convention evolved from the EC Association Policy which had deep roots in European colonialism. With robust decolonisation, the Europeans countries' interests were instituted more systematically in the trade and aid agreement of the Yaoundé and the successor Lomé Convention.

The expansion of the Yaoundé linked the vast majority of former colonies to their former colonisers through the more comprehensive Lomé Convention which also brought all the former colonies to be grouped as the ACP group of countries. This gave rise to Europe-PACP relations. These Conventions functioned as a 'defensive policy' (Grilli 1996, p. 40) which aimed to protect the former colonial powers from the negative consequences of decolonisation, including threats to the regular supply of raw materials to European industries. Then the 1973 oil crisis emerged as a new factor in the international system which profoundly changed the external political economy. The European anxiety over resource paucity created by the oil crisis precipitated economic crisis of the 1970s. This was revealed by various European Commission reports of 1977, 1990 and then again in 1996 which expressed European concern about the economic crisis and this significantly influenced settling the instruments of the Lomé Convention and its speedy conclusion in 1975. As a result, the Lomé Convention arrangements became important for securing European countries' resource access in the former colonies. Fiji, since the colonial period has been an important supplier for cane sugar to Britain. In the context of the commodity crisis, Europe-PACP relations came to be built profoundly on Fiji-Britain sugar trade.

These European interests in the Europe-ACP relations clearly support state-centric realism theory's view that states as the principal actors in the international system are concerned with their national security, expressed in terms of economic and political interest. The pursuit of British and French interests in the former colonies, therefore led to a compromise between the two former colonial powers in the formations of the Lomé Convention. In addition, the roles played by de Gaulle and his successors in shaping French interest in the EEC, and role of Tate & Lyle driving British interests verifies the state-centric realism theory's argument that national interests of a country are driven by its political elites.

Moreover, the assumption that powerful countries are concerned with pursuing their national interests in international affairs also fits in positioning the developing countries. This thesis finds significant ACP countries' interests in the relations. The research finds the ACP states' engagement in the Lomé Convention was to pursue their national interests for post-independence development. The ACP countries were actively involved in the G77 forum for participating in the NIEO negotiations and getting the NIEO resolutions approved in the UN. Immediately after the formalisation of the NIEO principles in the UN, the ACP countries were successful in pushing the key principles of NIEO in the Lomé Convention. It is clear that the ACP states as minor actors in the global trading system exercised their agency during the 1970s resource crisis context. They had acquired enormous commodity power while negotiating the NIEO proposals and later, for the provisions of the Lomé Convention. This considerably surprised the Europeans for a while as it had appeared that power had shifted to the developing countries. The evidence of ACP countries' increased negotiating capability and the ability to exercise their agency in both international forums has the potential to further develop the state-centric realism theory's emphasis on the importance of power for powerful states and power relations playing a major role in international affairs. Like the powerful states, the less powerful states of the international system are also concerned about their national security, and do exercise their agency in power relations to push their national development interests. In support, Hobson's (2000, p. 23) argues that all states in the international system are functionally alike, but are differentiated in terms of their relative power capability in terms of power differentiation. Moreover, the G77 role shows that policies and national interests can be influenced by pressure group. Had the ACP countries not come together with the rest of the developing as a united group in the G77 forum, the individual member states of the ACP countries would never have able to push the NIEO principles in the UNCTAD and included in the Lomé Convention.

When the Lomé Convention entered its second decade, the spirit of the Convention as a model for the NIEO became dampened by the 1982 debt crisis which negatively affected and stalled growth in the economies of many developing countries. Western donors came to conclusion that state-led development practices in the developing countries were responsible for the debt crisis. The growing prominence of neoliberal market norms for development since the 1980s influenced European policy-makers to introduce the neoliberal market based reforms policies in the Lomé Convention IV as important conditions for aid. The professed aim has been to improve ACP countries socio-economic situation.

The transformed post-Cold War context brought significant changes in both political and economic domain of the Europe-ACP relations. Changes in the economic domain were brought by the rising faith in neoliberal ideas as proposed in the Washington Consensus for new development strategies. In particular, significant changes were brought by the international trade regimes. The new development thinking took the relations to a new phase with the formalisation of the WTO-compatible Cotonou Agreement in 2000 and the EPAs since 2007, both of which emphasise neoliberal market development policies. The neoliberal market principles entrenched in the WTO trade regime challenged the non-reciprocal arrangements of the Lomé Convention led and required the WTO-compatible Cotonou Agreement and the EPAs. While the WTO trade rules provide the fundamental framework for the EPAs to be concluded with the ACP countries, the EU has taken the EPA outside the confines of WTO's legal requirements by incorporating the Singapore Issues which clearly aims to support political and commercial interests of European countries.

In conceptualising the role of ideas and norms and international institutions in international affairs of the state-centric realism theory, the research contributes by arguing that these dynamics are not distinct or delinked from powerful states' interests. The research finds clear links between norms and international institutions, and powerful states' interests. The thesis argues that the interests of powerful states are supported by norms and ideas as a set of policy strategies in international organisations. The European countries have permitted the EU to undertake a key role in contributing to the formations of the WTO and its elaborate trade regime. Gilpin (2001, p. 92) argues that states frequently attempt to manipulate regimes for their own political and economic interest. He further argues that this clear in the international affairs because in providing economic and technical solutions associated with the world economy, international regimes also consistently impact on the national security, and economic autonomy and welfare of individual states (Gilpin 2001, p. 92). Bulls (2002) also argues that international institutions are extensions of state interests. However, findings also show that neoliberal norms are translated into WTO trade regime by the economically power states have become counterproductive. It is clear that the legal personality of WTO regime has challenged the European countries special trade preference regime in the WTO Dispute Panel and brought it to conform to WTO rules. As a result, it can be argued that the legal personality of WTO's mandatory multilateral agreements impinges upon the sovereignty of the WTO member states. This challenges the Gilpin's primary argument of state-centric realism theory that states are primary actors in an anarchical international system and aim to promote their national interests. The WTO as an international institution whose legal personality was given by member states counter acts to overrule individual state role. This further blurs Gilpin's and other realist's assumption that international system is anarchic.

The move from the Lomé Convention to Cotonou Agreement and then to EPAs have shifted Europe-ACP relations from non-reciprocal trade arrangements and unconditional European aid to reciprocal and WTO-compliant EPAs that requires complete trade liberalisation and applies economic and political conditions to aid. The Cotonou Agreement as a transition agreement envisages that by 2020 when the EPA is fully implemented, the ACP economies will achieve complete trade liberalisation and integrate into the global market. Several African countries and all PACP countries doubt that the current format of the EPA will actually prove beneficial as it is not compatible with the fundamental development needs of their economies. The EU as an advocate of free market policies believes that liberalisation will benefit the ACP countries by increasing the volume of trade and investment with Europe. The difference in the development perspective has brought several ACP states' to resist the conclusion EPAs, slowing negotiations which have been ongoing since 2002.

Moreover, the post-Cold War changes in the international relations brought a new political dimension to Europe-ACP relations. The new development orthodoxy in the development community for the offers of aid came to be built on the demand that recipient countries must adopt democratisation, human rights, rule of law, and good governance as essential political conditionality. The EU introduced political elements in the mid-term review of the Lomé Convention in 1995 and the incorporation of a more comprehensive political dimension pillar in the Cotonou Agreement aims to reform the ACP countries' political systems and institutions. Then the transformed global security context since 9/11 expanded the political conditionality with the securitisation of development in the Cotonou Agreement in 2005. The EU recognises nexus between security and development.

Non-compliance with these demands would punish the ACP states by withdrawing aid and applying trade sanctions. Therefore, the inclusion of the political norms as important conditions for development also substantiates the state-centric realism theory that ideas and norms play important roles in influencing changes in the international relations. The research contributes that the European drive to universalise democracy, good governance, human rights, rule of law, security and stability as important conditions for development did not emerge with the primary motive to facilitate economic and political developments in the ACP countries. Instead, it aims to safeguard European interests in external relations by engaging European parties to solve problems that pose threats to their countries' security, economic and trading arrangements with the ACP countries.

CHAPTER 3: Why Pacific Joined the ACP: Britain, Fiji and Sugar

3.1 Introduction

Relations between Europe and the Pacific ACP (PACP) group of countries in the Lomé Convention were significantly shaped by British colonial and industrial history which involved cane sugar trade. The PACP states joined the ACP group primarily because Britain joined the EEC and wanted its trade and political relations with former colonies brought under the EEC umbrella. Britain's trade relations with its former colonies of the PACP group primarily focused on cane sugar access in Fiji which had existed since the colonial era. Besides the British government interest, the British multinational agribusiness, the Tate & Lyle also had substantial interest in the maintenance of cane sugar imports from the former colonies. The British government saw Tate and Lyle refinery's interest as being aligned with national interest and therefore allowed Tate & Lyle to play a decisive role in all stages of the commodity chain since the negotiations for the establishment of Sugar Protocol in the Lomé Convention in 1975.

Britain and other EEC former colonisers, however, could not simply set the agenda entirely. They were undoubtedly the more powerful nations, but their former colonies used their agency to also push their development interests in the trade and aid regime emerging in the post-independence period. It was not only Britain's and Tate & Lyle's interests that resulted in Fiji joining the Lomé Convention, it was also due to the effort of the newly independent Fijian government. Given Fiji's economic dependence on the sugar industry, the government had significant interests in securing European export markets. Therefore, Fiji's Foreign Policy in the post-independence period was centred on this fact. The Fijian government played a crucial role in ensuring the conclusion of sugar talks in the early 1970s, setting up the main constituents of the Sugar Protocol arrangements. This was not only favourable for Fiji, but preserved all the ACP sugar producers' position in the settlement and maintained insurance against the insecurities of the market place. In order to protect its own beet industry, the EEC was reluctant to incorporate British cane sugar imports from the former colonies within the EEC umbrella. However, the steep rise in prices sugar prices as well as the economic crisis of the 1970s provided impetus to the Britain and Fiji cooperation on their proposed sugar arrangements which the EEC accepted. In addition, given the importance of the this commodity in medicinal, manufacturing and food industries, the Sugar Protocol eventually took shape and became a key component of the Lomé Convention. Consequently all former British sugar colonies opted to form the ACP group and become signatories of the Lomé Convention. The Fiji-Britain trade in cane sugar which had existed since the colonial era, and the rise of Tate & Lyle interests in refining and marketing of ACP countries cane sugar, therefore, shaped the Europe-PACP group relations in the Lomé Convention.

Theoretically, Tate & Lyle's role and its interest in influencing British government national interest in arriving at the Lomé Convention shows how policies and interests of states are determined by economic elites within national societies. Moreover, Tate & Lyle's ability to pursue corporate interests through British trade policy with the EEC shows that non-state actors such as multinational firms are important in determining international affairs. The interplay between states and corporates firms in international relations was clear in the Lomé Convention sugar talks in which the British government allowed Tate & Lyle to be an important stakeholder but the government's remained the primary decision-making actor. The findings of the research adds to the theory that small and less powerful states also possess significant economic interests which can be driven by their political elites and these interests are key foreign policy. Fijian government interests to export cane sugar to Britain were key in the country's foreign policy since the beginning of the Lomé Convention in 1975 and lasted for almost three decades. The then Prime

Minister of Fiji, Sir Kamisese Mara was the key political elite most influential in sugar talks at all levels in the relationship during the 1970s.

3.2 Sugar as an Important Commodity in International Trade

International sugar markets at the time of negotiating the Lomé Convention provided understanding of the interplay of the importance of sugar as an international commodity and international sugar trade negotiations. This context helps understanding of the British engagement with cane sugar trade on-going since colonial era which in the post-independence period influenced Britain to secure access from the former colonies in the Lomé Convention.

For centuries, sugar has been a highly valued and widely traded commodity. It is one of the most widely produced agricultural commodities in the world. During the Lomé Convention period, sugar was produced in over 115 countries and (Drummond & Marsden 1999, p. 77). Most of world's sugar is from cane and beet. Sugar, refined or otherwise, is a ubiquitous ingredient in foods, drinks, chemical, and medicinal drug. Sugar cane grows in the tropical and sub-tropical regions and beet sugar thrives in temperate regions. Sugar cane production is generally, but not exclusively, confined to less developed countries whilst beet production is essentially a feature of developed countries of Europe and North America (Drummond & Marsden 1999, p. 78). Cane sugar has always held an advantage over beet sugar because of the lower production cost (New York Board of Trade 2006; UNDP 2010) when produced in the developing countries.

Cane sugar was one the most important commodities produced in the colonies and traded back to Europe from the onset of European imperialism (Mintz 1985). It is clear that the importance of cane sugar in the colonial era influenced the ongoing British importation in post-independence from the former colonies. The commodity was discovered in South East Asia some 10,000 years ago[18]. From to South Asia cane cultivation gradually spread to the Middle East as knowledge about consumption increased. As sugar continued to evolve from luxury condiment to common staple consumed by all levels of the society in the 1700s and in the 1800s, it assumed a commercial role in building empires (New York Board of Trade 2006).

The expansion of cane sugar production and manufacture in the New World and beyond occurred in the period from the 15th to the 16th century (New York Board of Trade 2006). The first sugar factories were built in the new colonies of the Caribbean Islands in 1523 (New York Board of Trade 2006). Later in the century, sugar production and manufacture began in Cuba (Abbott 2009). The Portuguese followed the Spanish by establishing sugar industries in Brazil (Abbott 2009; Mintz 1985). The English gained knowledge of sugar production in the 17th century and established large scale production in West Indies (now Barbados and Jamaica) (Abbott 2009). The Dutch established their centre of sugar commerce in Java which thrived in the late 19th and early 20th century.

The English quickly established a thriving industry in the colonies of North America and the Caribbean [19] through slavery and colonialism (Abbott 2009; Abbott 1990; Blume 1985; Drummond & Marsden 1999; Mintz 1985). Sugar, or White Gold, as British colonists called it, was the engine of the slave trade that brought millions of Africans to the Americas beginning in the early 16th-century. Sugar slavery was the key component in what historians call the Trade Triangle, a network which involved exportation of goods from England to West Africa in return of slaves for sugar, and molasses back to England (New York Board of Trade 2006). The industry's early prosperity, according to Abbott (1990, pp. 11-2) was owed almost entirely to the slave

[18] See Mintz (1985) Blume (1985) and Abbott (2009) on the earliest reference to sugar production appear in the Sanskrit literature of the 4th century BC. By 6th century it spread to Persia and by 10th century it became an important crop in Middle Eastern region.

[19] Sugar plant was first carried across Atlantic by Columbus on his second voyage in 1494 and introduced to Hispaniola (Abbott 1990, p. 11).

trade. The transportation of hordes of slaves from Africa provided cheap and abundant supply of labour in the sugar cane fields. By early 1800s the Caribbean become the world's leading producer of cane sugar (Abbott 1990; Blume 1985; Drummond & Marsden 1999). This was of course driven by the age of industrialisation, an age of powerful new wealth and technologies. "Industrialisation and introduction of large scale cash cropping in agriculture went on apace" (Wolff 1982, p. 355). Industrial transformation in Britain later facilitated the development of large scale sugar plantations and milling operations in the new colonies of Asia, Africa and the Pacific from mid-19th century.

After slavery was abolished, the vast majority of production from the late 19th century to early 20th century was organised by plantation systems using other forms of coerced labour such as the indenture system. Developments and improvements in cultivation and processing technology predicated a changing scale of production in the colonially based cane sugar industries. By the beginning of the twentieth century many of the key features of present day sugar production had been already established (Drummond & Marsden 1999, p. 83) and sugar became an important commodity in the international commodity arrangement. During the second half of the twentieth century when most sugar colonies became independent, they continued large scale production as part of their independent economy (Drummond & Marsden, p. 83).

Sugars' market significance was further increased because of its fermenting properties and by-product (e.g. molasses), which has equal or greater economic value than crystalline sugar and is less perishable when shipped (New York Board of Trade 2006, p. 5). As a result, sugar as an international commodity strengthened its position as one of the most political commodities in the world market place by expanding its presence not only as a natural sweetener but in a broad range of economic areas from manufacturing to fuels. The importance of sugar cane had increased from being an important raw material for cane millers to allied industries producing alcohol, ethanol, acetic acid, butanol, industrial enzymes, paper, plywood, and industrial feed (Danielsson 1990, p. 764). Sugar was transformed into a food staple.

World sugar trade averages more than 46 million metric tons (MT) per year (UNDP 2010). Cane sugar accounts for about 70 per cent of world's production and beet sugar accounts for the balance (New York Board of Trade 2006). Raw cane sugar accounts for more than 50 percent of international trade volumes (UNDP 2010). Nearly 12 million MT of global raw sugar trade is conducted under preferential agreements (UNDP 2010). Close to 80 per cent of world import demands of cane sugar come from developing countries (New York Board of Trade 2006). The major sugar producing countries have been Brazil and India which have the uncontested lead with more than half of the world's production. Although many countries produce sugar, countries which dominate global raw sugar exports are Brazil, India, Australia, Thailand, Cuba, Guatemala, South Africa, Mauritius, Colombia, El Salvador and Fiji, accounting for nearly 90 percent of global export trade (UNDP 2010).

Given the importance of the commodity, the international sugar trade had to regulate to avoid excessive fluctuation in prices of primary commodity. The global sugar economy has always been typified by boom-bust cycles caused by extreme price volatility. High volatility in the price of primary commodity, in particular, agricultural-commodities has always been a concern for importers and exporters. Of all the commodity markets, the world sugar market has been one of the most volatile (Sturgiss, Wong & Borrell 1987, p. 1). Major world events such as World War I, the Great Depression of the 1930s, the Second World War and the oil price shock of 1973 significantly affected the price of sugar (Abbott 1990; Lal 2000). In some countries, stocks of sugar are held against sudden shortages and increase in prices. Sugar traders and some governments carefully monitor production, import, export, and consumption data in each country and calculate the build-up and/or drawdown of stocks with a view to predicting demand and price. There is a very active trade in sugar futures. Weather is also an uncertainty in determining harvests. Poor or excellent harvests in a number of countries can cause shortages or create surpluses.

As the sugar market greatly expanded its global growth during the 20th century, it became more vulnerable to supply and demand shifts in various parts of the worlds (New York Board of Trade 2006, p. 6). The period of growth from 1900-1914 was affected by the onset of World War I and created great uncertainty. Widely fluctuating prices continued in the aftermath of the war (Abbott 2009). The fluctuations and scarcity due to World War I contributed to the creation of a pricing marketplace (New York Board of Trade 2006, p. 6). Despite the pricing marketplace, the growth of sugar industry in the 20th century remained volatile. It was characterised by major price fluctuations and a variety of attempts to negotiate controlled production agreements and stabilise prices. The Great Depression of the 1930s gave new impetus to the concerns and to proposals for countering what became known as the problem of excessive price fluctuations, of commodities in international trade (Viton 2004). As a result importers opted for regulation of sugar trade to protect their supply sources (Viton 2004).

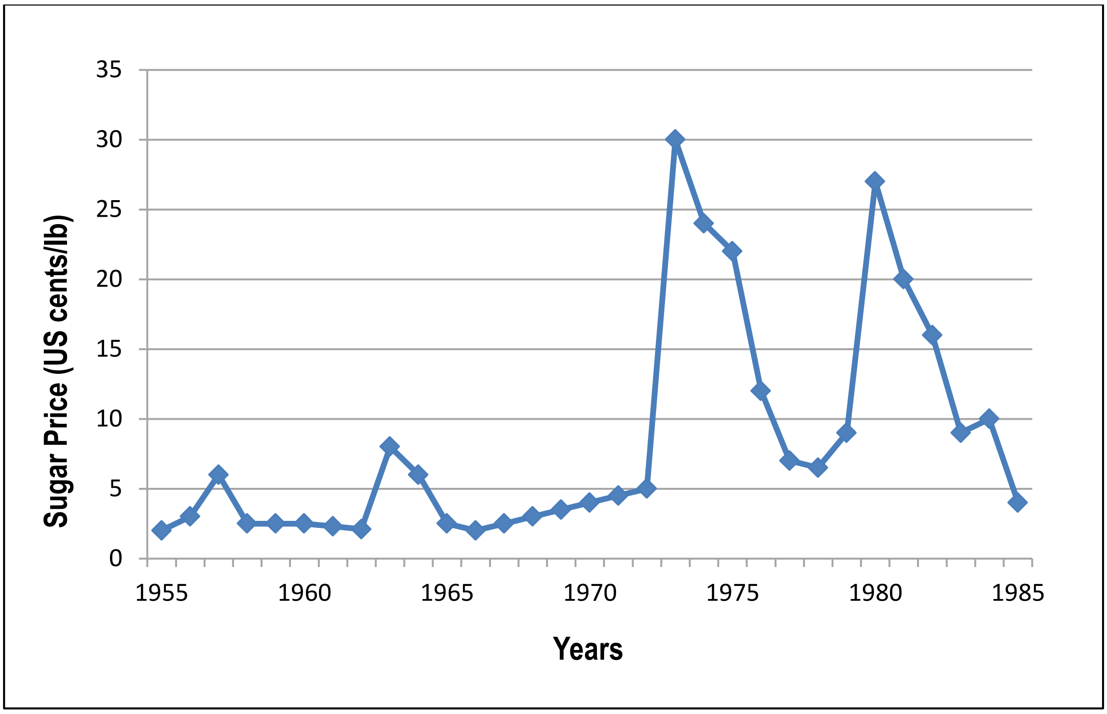
Internationally, the sugar trade was regulated by the International Sugar Agreement (ISA) formalised in 1937 by twenty one importing and exporting countries (Sturgiss, Wong & Borrell 1987). With the beginning of the post-war period, a new ISA was instituted in 1953. It was re-negotiated in 1958, 1968, and 1977 (Gilbert 1987). The main purpose of the ISA was to stabilise prices by regulating the productions and exports through quotas (Gilbert 1987). Fluctuating prices were deleterious to all; however, rising prices provided an initial benefit to sugar producers and decreasing prices provided initial benefits to consumers. The ISA would, in effect, empower importers to use domestic measures to regulate the flow of sugar whereas it empowered exporters to use ISA institutions to regulate exports (Gilbert 1987, p. 607). It was regulated in two ways. It attempted to keep sugar prices with predetermined bands by allocating Basic Export Tonnages (BET), an effectively voluntary export quota to producer countries that was achieved through the development and controlled release of buffer stocks. How prices were controlled reflected the negotiations of power between sugar importers (consumers) and sugar exporters (producers) (Kubicek & Parke 2011, p. 919). The trade institution of ISA gave each country's delegation a set of allocation of votes that approximately reflected the proportion of sugar a country imported or exported (Kubicek & Parke 2011, pp. 919-20) . For instance, in the allocation of votes, Cuba was granted considerable power to determine how the ISA was to operate (Kubicek & Parke 2011, pp. 919-20).

The last ISA ran from 1977 until 1983. According to a 1984 UNCTAD report, negotiation through 1983 and 1984, under the auspices of UNCTAD, for a fifth ISA failed to result in any agreement (Gilbert 1987, p. 607). The fifth ISA could not be reached because in practice the ISA proved to be almost totally ineffective with prices straying outside bands for almost as much time as they stayed within them during the period when the ISA was in operation (Drummond & Marsden 1999, p. 88). This was caused by the 1973 oil price shock which created a general commodity price boom. The price of sugar reached 64 cents per pound in October of 1974 as compared to prices below 2 cents per pound in the late 1960s. As result the 1977 ISA lapsed in 1984 and was extended for a further two years, but it was not possible to negotiate a new agreement (Drummond & Marsden 1999, p. 88). The British intention to strike a deal on sugar imports from the colonies in the Lomé Convention was influenced significantly by the high commodity prices of the early 1970s. The 1979 oil crisis had a similar effect (Abbott 1990, p. 22). Poor harvests of sugar beet due to extreme winters in the Europe also greatly conditioned the 1970s sugar price boom. The commodity crisis and high price shock kept prices generally high in the following decade as shown in Figure 3.

Britain, a large importer of cane sugar, instituted its own regulation with the suppliers (Gilbert 1987, p. 607). British attempts to manage the price volatility were accompanied by increasing demand for sugar. This forced Britain to devise special regulatory agreements [20] with trading partners within its Empire which continued in the post-colonial period. The specific sugar agreements guaranteed long-term supplies from the former colonies that were based on a specific price agreed between Britain and the producing partners. During the colonial era the British arrangement with its colonial producers was formalised within Imperial Economic Preferences and then re-negotiated in the Ottawa Conference of 1932. In the post-war period, Britain enacted the Commonwealth Sugar Agreement in 1951, with the former colonies within the Commonwealth and other remaining colonies. Upon expiry in 1974, these arrangements were transferred into the Sugar Protocol of the Lomé Convention.

[20] Detailed discussion on Britain's specific cane sugar trade arrangement proceeds later in the chapter under the sub-heading "British Interest and its Sugar Arrangements".

Figure 3: World Market Prices of Sugar



Source: Abbott (1990) in Drummond & Marsden (1999, p. 91)

3.3 Fiji's Sugar Industry since the Colonial Era: the Basis for Europe-PACP Relations

The beginning of PACP countries' relation with the EEC has explicit links dating back to and inherent in the British imperialism, particularly from the period that included the first influx of European sugar planters into the Pacific region. This was driven by the on-going British Industrial Revolution. No historian would argue that trade and Empire had a minimal impact on emerging British industrialisation (Morgan 2011). Britain's interests for resource access was increased by changes which were taking place in its industrial technology, the rise of new industries, and their associated primary commodities, which increasingly needed to be imported from the tropics (Harinden & Meredith 1993, p. 49). The burgeoning retail food market demanded ever-increasing quantities of palm kernel, groundnut oil, sugar, coffee, cocoa, copra, beans, bananas and countless other tropical products from the colonies.

Mintz (1985) links sugar to Britain's growing colonial strength. Sugar is seen as English empire's fuel (Pacific Island Political Scientist A, 2009). Two products with similar importance were tea and coffee. The trade in sugar was important to Britain's development as a trading nation and as an empire (Javier 2003). Historians debate whether and how much the capital accumulation made possible by the sugar industry was instrumental in financing the industrial revolution. However, expanded networks of trade, such as those in which sugar was a force, certainly played a role in stimulating industrialisation (Javier 2003). Importance of sugar trade for British industrialisation eventually led Britain to possess colonies in every part of the tropics, extending from old colonies in the Caribbean, through Africa to Asia and across large stretches of the Pacific Ocean. (Lal 2008, p. 115).

The foundation of Fiji as a Crown Colony in 1874 was laid by sugar cane plantation economy and the growing importance of cane sugar in international trade. During the first half of the 19th century, experiments by traders to cultivate a range of crops such as sandal wood, rubber, spices, and cocoa proved to be less than successful. The world-wide boom in the cotton industry in period between 1830 and 1870 brought an influx of European settlers into Fiji to make their fortune in cotton plantations. However, the sudden decline of cotton prices from the 1873 brought the next experiment. This time it was sugar production and it remained a lasting one. By the end of the 19th century, sugar cane cultivation had become established and English planters believed that they had found, at last a truly profitable commercial crop for Fiji. The first small scale sugar mills in Fiji were established in Suva and Wakaya Island in1862.

When Fiji became a colony, it was already established that sugar would grow there, and its market possibilities were most attractive (Sohmer 1984, p. 150). Consumption of sugar had been increasing throughout the 19th Century. In Britain, by 1860s, yearly consumption per capita had reached 34.5 1bs (Sohmer 1984, p. 150). Growing market demand in Australia and New Zealand promised to outstrip domestic production in Queensland, and Fiji was strategically located to take advantage of these markets (Sohmer 1984, p. 150). In addition, the colonial administration was keen to introduce large numbers of readily available cheap Indian labour. The importing of Indians to work on Fiji's sugar plantation between 1879 and 1916 according to Gillion (1977, p. 1) was considered among the "most important of all the achievements—or failures—of the British colonial administration in Fiji".

To manage the colony, first Fiji's first Colonial Governor, Sir Arthur Gordon promulgated a set of policies which settled Fiji's future for more than a century (Lal 2006, p. 2). Colonial polices towards indigenous Fijian, land tenure, [21] and imported labourers from India were devised for the establishment of Fiji as a sugar colony. Land was an important component of the colonial policy for sugar cane cultivation. The colonial government transformed pre-colonial custom into what is now accepted as the "traditional" law of the land (Crosetto 2005). To manage the land, Gordon established native institutions like the Native Lands Commission (1880), Council of Chiefs [22] (1876). With support from these institutions, Gordon legislated in the Deed of the Cession (Article 4) that 83 per cent of land to customary or native owned and native rights and interests in land

[21] Land tenure system in the pre-colonial Fiji was more complex that interpreted by the colonial government (Ward & Kingdon 1995). In Fiji's pre-colonial period, resources were owned by different units of Fijian society: *vanua, mataqali or itokatokas* (Lal, Lim-Applegate & Reddy 2001, p. 6). Vanua, the largest unit, consisted of agnatic descendants of common ancestors living in the same area (Lal, Lim-Applegate & Reddy 2001, p. 6). Each *vanua* would have one or more *yavusa,* the members agnatically related (Lal, Lim-Applegate & Reddy 2001, p. 6). A yavusa comprised several *mataqalis* whose members were in turn related to the descendent of their *yavusa's* founder (Lal, Lim-Applegate & Reddy 2001, p. 6). One or more extended families, *itokatokas*, form a *mataqali* (Lal, Lim-Applegate & Reddy 2001, p. 6). In instituting the landownership and rights in the colonial policy, British administration recognised communal ownership at the *mataqali* level (Lal, Lim-Applegate & Reddy 2001, p. 6).

[22] Ascribed hereditary leaders of indigenous Fijian clans.

and customary use are inalienable (Crosetto 2005; Lal 1992). This has been intact in the Fiji's constitution since then. However, the current government has proposed regimes for land use to make more land available for development (Fiji's Land Use Decree 2010). People have the right to use the customary owned land lease system but cannot be sold. Putting land in the hands of the natives as a form of indirect rule was to secure native interest and rights as this was important for the colonial administration to ensure non-resistance, security and stability in the colonial activities. This arrangement served the interests of the colonial government, and the foreign investors (Crosetto 2005).

Once these became legislated, Gordon started importing Indian labourers under the indentured labour scheme, which had existed since 1830s in the British Empire and had become well established by the time the first Indian immigrants arrived in Fiji (Gillion 1977, p. 3). Indentured Indian labourers were already working in other colonies producing commodities such as sugar, tea, cocoa, rubber and palm oil, which were in demand. The demand for commodities had been met by the plantation economy requiring a steady supply of cheap labour that was beyond the capacity of the local tribal people to supply (Gillion 1977, p. 3). Before turning to Fiji, Gordon had already made a fortune in sugar plantations worked by Indian labourers in Mauritius and Trinidad. The indenture system brought the first group of Indian to Fiji on 14 May 1879 and by 1916, when the importation ceased, some 60,639 Indian, men and women and children had arrived on the islands as plantation labourers and worked in slave-like conditions slaves (Lal 1992, p. 14). When the indenture system officially ended in 1920, vast majority of the Indians chose preferred staying in Fiji despite the free repatriation offered by the Colonial government. Since then Indians in Fiji have represented the majority of cane farmers (Lal 2008).

Once the labour issue was sorted out, there was a need for the development of cane milling operations. To conduct the milling, the Colonial government had the Australian Colonial Sugar Refinery (CSR) of Sydney extend its operations to Fiji in 1882, where it remained until 1973 (Lal 1992, p. 61). CSR of Australia was British owned industry as Australia at the time a British colony. Even after Federation of Australia in 1901 and until beginning of decolonisation, British economic and political ties with Australia remained strong (Spearritt 1993) and CSR-processed sugar in Fiji was exported to Britain. In the indenture period, between the years 1882-1903, CSR developed four large sugar cane crushing and processing plants in the country. In the post-indenture period, CSR and the colonial administration encouraged the indenture-free Indians to continue cultivation. Plantations were converted into small farms of ten acres and leased to Indian tenants (Lal 1992, p. 61), who needed land to continue cane faming as encouraged by CSR. Land had to be leased since all cane cultivation took place on customary land. Cultivation was initially established in localities already settled by planters, with subsequent expansion into other areas of freehold land (Britton 1980, p. 262). The very rationale of CSR's operation in Fiji was influenced by the production of raw cane at the lowest possible cost and the location of mills which are easily accessible from farms (Britton 1980, p. 262). In 1924, in order to continue operations in the post-indenture period, CSR negotiated an agreement with the colonial government for an arrangement that gave Fiji's sugar preferential access to the British domestic market (Britton 1980, p. 264). With improved prices and a secure market, sugar production expanded rapidly.

This historical process profoundly shaped Fiji's post-independence relations with its former coloniser. The post-independence relations brought the fundamental beginning of the European relations with the PACP countries. Fiji's large sugar production that dominated the economic sector since colonialism brought the "P" into the ACP group. British interest in access to Fiji's sugar and Fiji's interest in British markets for its sugar exports in the post-colonial period was the main rationale for the Europe-PACP group of states relations in the vast majority of the 25 year Lomé Convention. The preferential price arrangement for Fiji's exports became the main attribute of Fiji and Britain's sugar trade relations in the Lomé Convention.

When Fiji signed the Lomé Convention in 1975, Tonga and Western Samoa were the only politically sovereign states which also became signatories. But they were not large exporters of any primary commodity. Western Samoa and Tonga exported to Europe small amounts of copra and cocoa, and squash and coconut products respectively (McGregor 1998, pp. 146-7). They had the opportunity to join the ACP group and sign the Lomé Convention to enter into EEC-PACP relations primarily because of British colonial influence in the region and the Cold War politics, and the two were members of Commonwealth of Nations. Other Pacific Island states became signatories of the Lomé Convention upon their independence later the in 1970s and 1980s.

3.4 British Interests in the Relations and Sugar Arrangements

This section examines British economic interests driven by the British sugar giant, the Tate & Lyle refinery, in securing supplies from the former colonies. The prevalent British interest supports the state-centric realist assumption that the state's central concern is its national interests. To pursue its economic interest, the British government allowed Tate & Lyle to play a key role in all stages of the sugar imports from the colonies. This further supports Gilpin's argument that non-state actors play important roles in both domestic and international economic affairs (Gilpin 2001, p. 18). The arrangements were instituted in the Sugar Protocol as a separate agreement of sugar trade within the Lomé Convention, and dates back to the colonial era.

Sugar represented a complex problem in the negotiations of the Lomé Convention. While Britain's sugar needs were supplied by imports primarily from the cane sugar from the former colonies (Ravenhill 1985, p. 89), the Six EEC was basically self-sufficient from beet supplies because their government heavily subsidised the beet farmers under the CAP (Ravenhill 1985, p. 90). The EEC, therefore had pursued totally different policies in the sugar sector over several decades (Ravenhill 1985, p. 89). They were of the view that Britain should not flood European sugar market with cheap cane sugar imports from the colonies (Former ACP Negotiator, 2009).

In the British sugar talks with the EEC, Tate and Lyle Refineries became a significant source of pressure (Ravenhill 1985, p. 91). The refiner assured a continuation of British relations with the former colonies that was so clearly to its economic advantage. It had an extensive interest in the production, shipping, and refining of cane sugar since the colonial period. The British government saw the Tate and Lyle position as pivotal because the refineries played a significant role in the British economy at the time. Tate and Lyle warned the British government that any attempt to limit or decrease cane sugar imports would have domestic political repercussions that would inevitably lead to the dismissal of large numbers of workers from its port refineries dependent on cane sugar, two of which were located in economically depressed areas of Britain (Pacific Island Economist A, 2011). As a result Britain allowed Tate & Lyle to take a central role in all aspects of sugar negotiations in the EEC-ACP relations. Even during the talks on British accession to the EEC, Tate & Lyle lobbied for their interests. In summary, they argued that once Britain became a member, its sugar imports from the former sugar colonies should be brought under the EEC umbrella. The ten year negotiations on British accession to the EEC, therefore, amounted to a triumph for Tate and Lyle diplomacy (Chalmin 1990, p. 475).

Tate & Lyle lobbied hard for Britain to strike a deal that could keep its refineries operational. The formalisation of the Sugar Protocol was to allow Tate & Lyle to maintain its refining activities and its position in the sugar markets and its strength being present at all points in the sugar commodity chain (Chalmin 1990, p. 475). In taking a resolute position on imports from the former colonies, Tate & Lyle gave its assurance of support to the British government in a statement:

> Tate and Lyle has sufficient confidence in the intentions of Her Majesty's government in light of assurances given by the Community in Brussels, to go ahead with its plans as a sugar producer in the West Indies and refiner in Great Britain, on the basis of the import into Great Britain of quantities of raw sugar from the developing countries of the Commonwealth… (Chalmin 1990, p. 469).

Tate & Lyle's commitment as the key partner for the ACP sugar producers and utilised its lobbying power to continue refining cane sugar imported from the Commonwealth producers. This was a crucial factor in assisting the ACP producers. As the only cane sugar refiner in Europe, all raw sugar allowed in the Community was refined by Tate & Lyle's refinery. Consequently Tate & Lyle had a unique position in the marketing of raw sugar in the EU. In one of its submissions in 1979 to the British House of Lords Select Committee on the European Community, the Tate & Lyle accentuated the former colonies sugar market:

> The only market for this sugar is in UK and, apart from 30,000 tons of Caribbean sugar which historically has been and still is, imported into Ireland, and a small tonnage which finds a market from time to time in the continental EEC, the vast bulk of the ACP sugar can only be refined and marketed in Britain. Tate and Lyle provide the capacity for this and is the bridge over which ACP, OCT and Indian sugar enters the EEC (House of Lords, Session 1979/80) cited in Abbott (1990, p. 218).

A number of interviewees reveal that each time the ACP producers were to negotiate the price of sugar in EEC in Brussels; they had to have prior consultations with Tate & Lyle in London before discussing with the European Commission (Former ACP negotiator A, 2009; Former ACP Negotiator B, 2010; Fiji's Sugar Industry Official E, 2009). During the negotiations on the provisions of the Sugar Protocol, British policy-makers and together with the business analysts from Tate & Lyle consulted 13 Commonwealth producers to assess the production capacity in the former colonies—Antigua, Barbados, Fiji, Guyana, Trinidad and Tobago, India [23], Jamaica,

[23] India, the largest Commonwealth producer was given a quota for sugar exports to the EEC outside the Lomé Sugar Protocol (Lister 1988, p. 82).

Kenya, Mauritius, Swaziland, Uganda, St Kitts-Nevis-Anguilla, and British Honduras (Lister 1988, p. 82).

So it was clear that there was no other refinery in Europe capable of taking over from Tate & Lyle, and "any other contraction would leave the ACP producers without a bridge for their sugar into EEC" (Abbott 1990, p. 221). The commitment made by this sugar giant was a perfect indication of the enormous powers of the firm in the sugar circles of the Commonwealth. Chalmin (1990) sums up the company's role in the negotiations leading to the Lomé Convention as follows:

> Let there be no mistake: the Sugar Protocol of the Lomé Convention was first and foremost a Tate & Lyle Protocol. The British firm was the main partner of the ACP countries which could not afford to take too many liberties. The skill of the Tate & Lyle lay in never appearing directly in controversy unless it was to play a conciliatory role ... Thanks to the support lent by the various British governments, concerned by the possible consequences of the closures of refineries in zones already effected by unemployment such as London and Liverpool, … (Chalmin 1990, pp. 474-5).

The signing of the Sugar Protocol in 1975 did not mean the end of the sugar debates. Instead the debates became more intense than ever before. Debates continued on the maintenance of the sugar protocol during the Lomé period, bargaining over guaranteed prices, participation in international agreement and the negotiations leading up to the Cotonou Agreement (Pacific Island Economist B, 2011). In all these debates, Tate & Lyle played a key role.

British and Tate & Lyle interest further gained momentum when the economic crisis of 1970 became widespread and sugar scarcity affected Europe particularly due to unstable weather conditions. Alvarezz and Polopolus (2008) observed that the situation significantly challenged the world surplus of sugar as the world consumption outstripped production in four years from 1970 through 1974. Europeans became extremely concerned about the energy crisis that precipitated the global commodity shortages of the early 1970s. This in turn caused hyper-inflation, thus affecting sugar regimes as it also hit all other international commodity agreement including coffee, cocoa, banana, rubber, ore and minerals. Tate & Lyle was deeply concerned about its industries' future during the great uncertainty that prevailed about the future of Britain's sugar import during the commodity crisis situation which caused the worst unemployment and inflation in Europe (Grynberg 1998a). While EEC policy makers were reluctant to incorporate the British cane sugar trade in the Lomé Convention, this severe economic depression made the EEC policy-makers eventually realise that Britain's commodity access in its large former colonial outposts were not only crucial for the British economic sector but important for all of industrial Europe. In addition the problem of sugar scarcity became worse due to the poor beet harvest in Europe, USSR, and United States in the winter of 1973-74, which caused the prices at the international market to escalate even more rapidly (Ravenhill 1985, pp. 230-3). Soon, it resulted in the highest increase in the price of sugar in the last century. Consequently before the end of 1974 acute shortages were experienced throughout the world (Ravenhill 1985, p. 233). The steep rise in prices in the 1973-74 is illustrated in Figure 3.

These external events that negatively impacted on the sugar market appeared serious to the EEC policy-makers(Ravenhill 1985). Without further arguments on British or Tate and Lyle interest, the EEC accepted Tate and Lyle as an important player in all stages of the cane sugar commodity chain (EU Official C, 2011). These 1970s events had a considerable impact on the formation of the Sugar Protocol which was advantageous for the Commonwealth producers (Grynberg 1996).There can be no doubt that under the normal economic and historical circumstances, the former colonies within the ACP group would not have been able to secure an agreement with a preferential price system and a long-term arrangement, had it not been for the fortunate coincidence that a substantial portion of the negotiations over sugar occurred in 1974 and early 1975 just when sugar prices reached the highest levels (Grynberg 1995, p. 11). The EEC acceptance of the British government's and Tate & Lyle's interest in cane sugar imports from the ACP producers, were integrated into the Lomé Convention.

The abrupt change in the price levels and fear of future sugar shortages became a great concern to European countries whose manufacturing industry relied heavily on cane sugar as an important sweetener (EU Official C, 2008; EU Official D, 2009). European policy-makers therefore set off to secure supplies from the tropical sugar colonies. For instance the EEC delegation headed by Claude Cheysson, a most well-known EEC negotiator who was also the European Commissioner at the time, visited Fiji during the Lomé Convention negotiations, precisely to study the export capacity of the Fijian sugar industry. Similar visits were also made to other sugar producing ACP countries (Former Fiji Government Official A, 2010). One former politician remembers vividly the meeting between the EEC delegation and Fiji government officials. The main agenda was to confirm how much sugar Fiji could produce, and to secure all its suppliers. He recalls Cheysson asking, "how much sugar can you produce ...?", he went on, "... we are ready to buy all your exports" (Former Fiji Government Official A, 2010). The EEC were concerned that the British cane sugar refineries were the only cane sugar refineries in Europe at the time, therefore maintaining the on-going sugar imports from former British sugar producing colonies of ACP group was necessary. British refineries would then refine cane sugar, produce different varieties of sweeteners, and supply products to the rest of Europe as well as many non-European countries.

The British national interest to secure cane sugar supplies from the former colonies, therefore, shows how powerful states represented their national interests in international relations. Tate & Lyle at the time was a key business enterprises in the British economic sector whose crucial role in influencing the sugar arrangements in the Lomé Conventions shows the importance of multinational firms in determining the international affairs and how their status as economic elites in the national societies drive national interest and policies (Gilpin 2001, p. 18). It is also clear that Tate & Lyle played a decisive role in holding talks with all stakeholders in the sugar deal and influencing the EEC in getting the British on-going sugar imports from the Commonwealth under the Lomé Convention. Tate & Lyle as an important economic actor had a significant impact on the economic and political affairs both nationally within Britain and internationally in sugar trade. With regard to trade with Fiji, Tate & Lyle's narrow interests to a great extent influenced Fiji's economic and political affairs. The way in which world economy functions are determined by both markets and the policies of nation-states, especially those of the powerful states; markets and economic forces cannot alone account for the structure and the functioning of the global economy (Gilpin 2001, p. 23). Private sector interests, especially, those of powerful business groups, also obviously play an important role in efforts of powerful states to create an international economy (Gilpin 2001, p. 23). Therefore, states particularly large states, establish the rules that individual entrepreneurs and multinational firms must follow, and these rules generally reflect the political and economic interest of dominants states and their citizens (Gilpin 2001, p. 23). Market, therefore is indeed the potent force in determining economic and political affairs nationally and internationally (Gilpin 2001, p. 23). Despite the importance of Tate & Lyle role since the beginning of the Sugar Protocol, British government made key decisions in economic areas for Tate & Lyle to carry out its operations. In line with Gilpin's characterisations of MNCs as important but still less important than states in the international relations (Gilpin 2001).

3.5 Fiji's Interest in Relations with Europe

This section examines Fiji's interests and its significance in securing the sugar arrangement in the Lomé Convention that was going to be not only advantageous to Fiji but all the ACP sugar producers. Although Fiji was a new state during the negotiations, it had the capability and was able to exercise its agency in international relations. Fiji as a Crown Colony and as a part of the Commonwealth, had attended many international sugar meetings and talks for the Imperial Economic Preferences and the Commonwealth Sugar Agreement (CSA). When Fiji gained independence, its main concern for becoming a signatory of the Lomé Convention was to expand its already established sugar industry to boost economic growth and also expand industrialisation in other sectors (Pacific Island Economist B, 2011; Former PACP Negotiator B, 2009; EU Official G, 2010). Fijian policy-makers believed that association with their former coloniser, Britain, as its most important economic partner within the EEC-ACP framework was a pragmatic response designed at overcoming the constraints imposed by their economic weakness and drive their economies towards post-independence development.

Fiji's interest in continuing sugar exports to the EEC for post-independence development is clearly evident in the country's foreign policy. The first foreign policy of the newly independent Fiji evolved to formalise economic links with the EEC to secure sugar exports to Britain. Officials from Fiji's Foreign Policy and the External Trade Ministry revealed that securing sugar exports to EU on preferential prices remained an important foreign policy of the country for most of the 1970s, 80s and 90s (Fiji Government Official A, 2008; Fiji Government Official B, 2009). Fiji's foreign policy during its first decade of independence primarily dealt with its relationship with the European Economic Community (Low 1983, p. 9). Fiji's primary concern was to secure an acceptable long term sugar agreement (Low 1983, p. 63). To achieve the economic goals of the foreign policy, Fiji mission in London was established in 1973 to deal with Britain and Tate and Lyle followed by a Fiji diplomatic mission to the EEC in July 1973. These were established in line with the objectives of the foreign economic policy after independence in 1970 in order embark on developing close trade ties with Britain and the EEC as Fiji had a large export capacity (Fiji Government Official B, 2009).

Fiji's first Prime Minister, the late Sir Kamisese Mara was most instrumental in developing the sugar-focused foreign policy and also played a lead role externally in ACP and at the European level in arriving to a satisfactory arrangement for sugar exports which was crucial for all the ACP producers. Sugar talks abroad were not new for Mara. One prominent Pacific Island politician who has had much experience working with Mara emphasised that "Mara was not new to the sugar circle talks of London and the Commonwealth and his graduate studies in the 1950 and 60s at the Oxford University made him evermore astute as negotiator in the European circles" (Former PACP Negotiator A, 2009). During the colonial period, he represented the colony in a series of meetings and negotiations of the International Sugar Agreement and Commonwealth Sugar Agreement. So the notion of putting Fiji's view on the world stage and forwarding Fiji's case and interests wherever possible was not something new for him.

Mara's effort in the success of the Lomé Convention negotiation and his specific role in sugar negotiations were articulated in the 'The Courier', the news magazine on ACP-EU cooperation published by the Development Directorate General of the European Commission:

> [Mara] … played an important role both in safeguarding the interest of the Pacific group and in ensuring the success of the whole negotiations between the ACP and EEC. …the acceptance of the principle of an export stabilisation scheme – guaranteeing ACP countries a certain level of income on exports of primary products – and the eventual conclusion of the difficult negotiation on sugar - which in turn made possible the completion of the ACP/EEC agreement as whole – owed much to his [Mara's] personal efforts (The Courier 1975, March issue).

In his memoir, "The Pacific Way", Mara composed a separate chapter titled 'Sugar' in which he discusses at length his involvement in the negotiations with Britain and the EEC. The opening sentence in the chapter reflects the commodity's importance, and reads, "The sugar industry is so important to Fiji that it deserves a special chapter of its own" (Mara 1997, p. 159). He was closely following the British accession talks which were significantly reliant on the outcome of the sugar arrangements. Following the approval of accession, the final press statement of the London conference on sugar released by the British government was important for Mara to take negotiations further. He reiterates:

> The Community's proposals constitute a specific and moral commitment to the enlarged Community of which the United Kingdom would be a part. The British government and other Commonwealth governments participating regard this offer as a firm assurance of a secure and continuing market in the enlarged Community on fair terms for the quantities of sugar covered by the Commonwealth Sugar Agreement in all the developing countries. The developing Commonwealth countries will continue to plan their future production on that basis (Mara 1997, p. 163).

He was concerned about how the sugar talks were unfolding in a turbulent round of negotiations particularly fractious around the price factor, the most crucial aspect. The different stakeholders could not arrive at a price that would be favourable to all (Mara 1997, pp. 164-5). The British government was pushing its guaranteed prices and quotas of the CSA (Mara 1997, pp. 160-1). The West Indies delegates were demanding an unreasonable price (Mara 1997, p. 164). The EEC was reluctant to pay a price that would significantly be advantageous to Britain and its refinery only, and offered an unacceptably low price (Mara 1997, pp. 164-5). The disagreement created a deadlock in the sugar trade, and this became a concern for the ACP producers with regard to their future exports to Britain. Mara was enthusiastically in search of a price favourable to the ACP producers. After being a signatory to the CSA for many years, upon independence, Fijian policy-makers were seeking improvements in the CSA price and quota. It appeared to the Fijian policy-makers that Britain was weak and relied too much on Tate and Lyle to negotiate with the other stakeholders (Pacific Island Economist A, 2011). After going through many charged meeting with the EEC for accession, the British government was discreet and took a backstage and allowed Tate & Lyle take a leading role (Pacific Island Economist A, 2011). As sugar producers, the ACP negotiators felt their role was equally important in negotiating with rest of the stakeholders (Former ACP Negotiator B, 2010).

The ACP negotiators, therefore, rallied support behind Mara to lead the negotiations as the ACP spokesperson. He received overwhelming support from negotiators of Mauritius, Trinidad, Guyana, Suriname and Jamaica with whom he had acquainted since the 1950s CSA talks (Former ACP Negotiator B, 2010). He had also visited these countries to study their sugar industry with the aim to apply their progressive experiences at home (Former ACP Negotiator B). In his memoir, Mara (1997) vividly explains how he broke the deadlock to settle the preferential prices and the indefinite export time frame of exports in the Sugar Protocol sugar, and the primary commodity aid scheme which in the Lomé Convention was known as the System for Stabilisation of Export Earnings (STABEX). Upon accepting his role as the ACP spokesperson, Mara made sure the ACP maintained an adamant position not to settle on the low EEC offer. Instead he utilised other strategic and diplomatic options. In the meantime before the talks with the EEC, Mara had already requested for support from the London's High Commissioner to Fiji, and Bruce Dowling of the Colonial Sugar Refinery (CSR) of Sydney who was well known in the international sugar negotiations.

In a last minute bid to strike a deal with the Europeans, Mara flew to London to discuss prices and terms with the British agricultural minister, Mr Fred Peart. The Mara-Peart discussion settled on almost all of the ACP demands on the proposed sugar arrangements. The price settlement of Mara-Peart talk arrived on premium prices which were generally three times higher than the world market prices (Lal 2008, p. xi) and the EEC was not at all willing to pay this price to the former British sugar colonies. As a result of these contentious issues, Gruhn (1976), Ravenhill (1985) and Whiteman (1998) observed that sugar was the most hotly debated issue of the entire negotiation leading to Lomé and came to a resolution only in the last hour. Mara decided local farmers in Fiji be paid $F520 per ton, [24] which according to him was fair (Mara 1997, p. 165).

To present this in the next earliest meeting of all negotiating partners, Mara had also discussed with Peart that he would use some diplomacy as to how the meeting should unfold. Mara suggested he would open the meeting, and after welcoming Mr Peart, Mara would ask Mr Peart what he could offer (Mara 1997, p. 165). He would reply giving the already agreed price, Mara would accept, and adjourn the meeting immediately (Mara 1997, p. 165). The meeting unfolded exactly as they had planned (Mara 1997). The EEC felt Mara's price was too high (Mara 1997, p. 165). The Mara-Peart agreement finalised that ACP sugar to be bought at prices three times higher than the world market price. Mara knew Brussels would be critical about intended premiums prices to be paid to ACP producers and, therefore, did not intend to discuss further on the matter (Mara 1997, p. 165). As the sugar talks unfolded towards the end of 1973, Europe had already started feeling some of the most adverse effects of the 1970s crisis which had become worse for sugar when world production declined drastically inflating prices to record levels. Swamped by the fear of raw material scarcity, without any further debate, the European Commission accepted the Mara-Peart proposal. From this point onwards, the Sugar Protocol took a more definite shape and became a separate arrangement but within the Lomé Convention framework. Since then on a number of occasions Fijian negotiators have served as the ACP Ministerial Spokesman on Sugar and have also provided chairmanship of the ACP Sugar Subcommittee now known as the ACP Sugar Consultative group.

These findings provide potential for further development of state-centric realism and the overall realist approach of International Relations. These approaches recognise that powerful countries

[24] The currency is Fijian dollars

only pursue their interests in international relations. My research, however, extends this idea by arguing that like the powerful states, small and less powerful states also pursue their interests in international relations and explains how they might do this. The central concern of the Fijian government in the Lomé Convention relations was to secure post-independence economic development. The Fijian government decided that the country's economic prosperity after independence relied on its sugar industry. Fiji's interest in sugar exports was pursued by Mara, who at the time was prominent and influential political elite not only in Fiji but in the PACP and ACP groups. He ensured that this key interest was incorporated in Fiji's foreign policy and to achieve the objectives of the policy, he established sugar related institutions at home and diplomatic mission abroad. Therefore, Fiji's specific focus on its foreign policy aimed to secure long term sugar supply to the European market within the enlarged EEC. An understanding of the Fiji's political economy must be based on the appreciation of state policies, political elites and historical legacies, and of ways in which economic outcomes are shaped by external factors such as British government interest in international affairs driven by Tate & Lyle's economic interests.

The Sugar Protocol consequently became the main instrument of the Lomé Convention costing the EEC 25 per cent of the annual cost of the entire Lomé Convention (Grynberg 1996, p. 21). It became more iron-clad than the Lomé Convention in the sense that in any case Lomé Convention ceased to function, the Sugar Protocol provided all institutions to continue the sugar regime (Lister 1988, p. 83). The Sugar Protocol's main attribute was its preferential price system which was pivotal for the post-independence economic development of the ACP producers. The Sugar Protocol set a preferential quota set for the ACP signatories which was quantified as being equivalent to 1,304,700 metric tons of white sugar (Tadulala 1998, para. 11).

The preferential price given to producers was exceptional. Annexed as Article 1 of the Lomé Convention, it took the form of a supply contract in which the EEC agreed to purchase and the ACP countries in turn agreed to sell specific quantities of cane sugar at prices “negotiated annually, within the price range obtaining in the Community” (Lomé Convention, Article 5) in Lister (1988, pp. 82-3). According to the 1986 World Development Report of the World Bank, and Borrell and Duncan (1989), the EEC agreed to import 1.3 million tonnes of raw sugar from the ACP under the terms of the Sugar protocol (Drummond & Marsden 1999, p. 90). Each ACP state was obliged to meet its annual quota allocated or risk the reduction of its assigned quota (Lister 1988, p. 83). In this the EEC was assured of guaranteed supplies and the ACP were assured of a market (Lister 1988, p. 83).The allocated ACP quota was based on the ACP states Commonwealth Sugar Agreement (CSA) trading patterns. Australia, a large Commonwealth producer was the only CSA signatory who did not did not enter the Sugar Protocol arrangement because it had its own established export markets. India, another major Commonwealth producer signed the Sugar Protocol agreement with EEC, but as an independent signatory outside the Lomé Convention. The Sugar Protocol became a key post-independence development instrument for Fiji and several other sugar producing ACP countries. The industry remained the backbone of Fiji’s economy for almost a century and half. The Britain-Fiji sugar trade of the colonial era, later instituted in the Sugar Protocol arrangement of Lomé Convention in the post-independence period was key in the shaping the relations Europe-PACP relations.

While Sugar Protocol was crucial for the economic development of Fiji and several other producers, Fiji-Britain sugar trade relations instituted in the Protocol declined over the years due to several reasons. The Sugar Protocol has always been problematic in the EU-ACP relations (Ravenhill 1985, pp. 230-3) due to completely different polices pursued by the British government and rest of the EEC countries which had a large beet production sector. EEC was always reluctant to bring British imports of cane sugar under the EEC umbrella. As a result, long term prospects for ACP exports to European market became precarious by developments in European market (Ravenhill 1985, p. 236).

Britain was accused of attempting to undermine the EEC Common Agricultural Policy (CAP) (Ravenhill 1985, p. 234). A memorandum noted that at the time, of British accession to the EEC Britain had brought into the European Community a market for cane sugar more than sufficient to cover its traditional imports from the developing countries (Ravenhill 1985, p. 235). British government however, had confirmed in the Treaty of Accession that there would be a " firm and continuing market for ACP sugar in the enlarged EEC" (Ravenhill 1985, p. 235). In addition, Article 27 of the principal EEC sugar regulations introduced in 1974 had clearly states that sugar imported on preferential terms from the ACP should be regarded as meeting part of the human consumption with the Community. However, the EEC reluctantly accepted due to the 1970 economic crisis.

The problem was that Britain had been sugar deficit because it had limited beet production and thereby ensured an uncompetitive domestic market, whereas the EEC itself has been self-sufficient in beet sugar and producing surpluses (Ravenhill 1985, pp. 236-7). Britain, however was almost completely reliant on its former colonies to supply cane sugar (Ravenhill 1985, pp. 220-5). As a result, the survival of the cane refineries in Britain was dependent on sugar which in the British market was sold at a premium above the world market price (Ravenhill 1985, pp. 236-7). Gradually beet sugar production in Britain expanded since the late 1970s (Ravenhill 1985, pp. 236-7). European beet growers started pressuring their governments that ACP sugar should not be allowed in the European market to which the European Commission also showed concern (Ravenhill 1985, p. 235). In addition, ACP quotas were fixed and not been increased since the signature of the Sugar Protocol while EEC sugar exports increased from the beet production (Ravenhill 1985, p. 235). In the 1970s and 1980s, EEC sugar production increased by 50 per cent making Europe the world largest sugar producer and exporter (Ravenhill 1985, p. 238). The EEC eventually became the largest supplier of free market sugar. ACP interest as a result has been critically affected by European over production and also from the resultant EEC dumping of surpluses on the world market. Also, consumption in Europe declined (Ravenhill 1985, p. 237) threatening the ACP exports to European market.

These circumstances brought uncertainty to British cane refineries. They faced an increasingly difficult situation as a result of operating costs' being in excess of those of beet refiners (Ravenhill 1985, p. 235). Since the refining margin fixed by the EEC was calculated on the basis of the beet process, beet famers enjoyed a margin about five times as wide as those of cane (Ravenhill 1985, p. 237). As a result, the survival of cane refiners had been dependent on sugar in the British market sold at premium prices above intervention price (Ravenhill 1985, p. 237). The decline of the British sugar consumption and the expansion of beet production and the termination of large volumes of imports from Australia adversely affected British cane refiners (Ravenhill 1985, p. 237). Tate & Lyle as a principal buyer and refiner of cane sugar came under intense competitive pressure resulting in the closure of a refinery (Ravenhill 1985, p. 237).

As a result of these developments, British government and Tate & Lyle interest to access ACP was affected and the Sugar Protocol arrangements became less significant for them over the years. This was met by the arrival of the WTO trade regime in the 1990s which challenged preferential price system and the overall nonreciprocal nature of the Lomé Convention. With the end of the Lomé Convention in 1999, the Sugar Protocol was rolled over to the Cotonou Agreement in 2000. While the ACP producers desired to maintain the Sugar Protocol in the post-

Lomé Convention period, the EU decided to make all relations WTO-compatible. While the EU has been pushing ACP countries' to conform to WTO rules, the European countries themselves had no intention to reform the EU sugar regime which is clearly incompatible with the WTO rules but continue to subsidise European farmers.

However, the WTO's rising pressure to reform the EU's heavily subsidised agriculture sector managed by CAP further forced the EU to reform the Sugar Protocol. The problem with European subsidies has been that over the years the EU became a net exporter of beet sugar, and has been dumping 5 million tonnes of subsidised surplus sugar on the world market annually (Oxfam International 2004). This depressed the world price of the commodity, and deprived economically disadvantaged producers of both revenue and market. Some sugar producing countries have been constantly attacking the EU for subsidising the CAP for some time. The EU's appeal to allow continuing its subsidised sugar exports was rejected by WTO in April 2005. The debate to reform EU's CAP became fierce in the Doha Rounds of the WTO negotiations. Eventually in 2006, the EU lost in the World Trade Organization (WTO) sugar 'panel'. The recent ruling of the WTO Appellate Body ('panel') in a case put up by Australia, Brazil and Thailand against aspects of the EU sugar regime that obliged the EU to alter the regime. The EU's reformed sugar regime came into effect from 1st July 2006. As a result of these WTO driven changes at the European level, the European Commission immediately announced the restructure of the Sugar Protocol bringing cumulative 36 per cent price cuts to ACP sugar exports which was progressively implemented from July 2006. This international ruling by the WTO and its effects on EU policy challenges realist international relations idea that states are the primary actors in an anarchic international system. The emergence of WTO as a powerful actor has reduced the anarchic nature of the international system.

On 1 October 2006, the EC formally announced its renunciation of the Sugar Protocol, providing an obligatory two years' notice before its formal termination on 30th September 2009. Provision has been made to allow for a gradual adaptation of the 36 per cent price reduction of ACP sugar exports to Europe from 1 October 2009 to October 2015. After Sugar Protocol expired, the EU offered non-reciprocal treatment to sugar originating from any ACP country that has signed or initialled the EPA with the EU and also as result of the "Everything but Arms" (EBA) [25] initiative, from any country of the world recognised as a LDC by the United Nations. The gradual price reduction will be subsumed by the conclusion of the EPA and sugar will be sold on the world market price. The EU hopes to achieve this by 2015. In response to EU's decision to end the Sugar Protocol, Fiji and other ACP producers have been desperately in search for another deal that is equal or better than the one Mara secured. At this point in time, there has been only limited success. The Fiji government has secured a five year term contractual agreement with Tate & Lyle for its exports. The sugar industry remains crucial for the economy. Government reforms are underway to improve efficiency but this is occurring at a slow pace as the 2006 political conflict has led to cancellation of EU funds allocated for reform. These dynamics have consequently diminished the overall importance of the Sugar Protocol as a key instrument of the Lomé Convention and brought about the decline of Fiji and Britain sugar trade relations.

[25] Everything but Arms (EBA) is an initiative of the European Union under which all imports to the EU from the Least Developed Countries are duty free and quota free, with the exception of armaments. EBA entered into force on 5 March 2001. There are transitional arrangements for bananas, sugar and rice until January 2006, July 2009 and September 2009 respectively. The EBA is part of the EU Generalized System of Preferences (GSP).

3.6 Conclusion

Sugar has been an important international commodity since the British Empire linked trade. At the heart of Britain's continued economic interest in the former colonies of the ACP was its prodigious cane sugar industry. Fiji's and Britain's sugar trade was part of Britain's broader access to cane sugar from the former sugar colonies. The British government and the Tate & Lyle firm had significant interests. The Fijian government also had extensive interest to export to European market at preferential prices. The interests of both parties focused on how the sugar trade came to be instituted in the Sugar Protocol arrangements of the Lomé Convention. This has in turn contributed to the establishment of Europe-PACP relations in 1975

Tate & Lyle's interest to import, refine and market ACP cane sugar was aligned with the British government's interest. Though Tate & Lyle benefitted most from the ACP sugar, for Britain, keeping the refineries operational meant saving employment for thousands in the most economically depressed towns of Britain in the 1970s. Therefore, British national interest was served by securing sugar supplies from the former colonies. Britain's powerful post-colonial trade position driven by Tate & Lyle supports the state-centric realism argument that powerful state national interests and policies hinge on political and economic elite and pressures of powerful groups within a national society. Tate and Lyle's interest in influencing the sugar arrangements in the Lomé Conventions supports the theory's another strand about the importance of non-state actors such multinational firms in international relations. The world economy functions by both activities of market and the policies of nation-states.

Less powerful developing countries also behave like powerful states in term of their pursuit of national interest. Their economic and foreign policy reflects that nation's national interest is similarly defined and influenced by the dominant elite of that society. Fiji' interest for sugar exports to Britain within the framework of the EU-PACP relation have always featured most prominently in the Fiji's foreign policy since independence. Given Fiji's economic dependence on the sugar industry, the government interest in securing the European export market was crucial to the country's post-independence development. Fiji's foreign policy in the post-independence the period, therefore, centred on exports to the European market. Mara represented the powerful political elite who set this national course. Fiji's government's behaviour and its domestic political and economic affairs and policies was directly influenced by external dynamics, such as the British government's national interest driven Tate & Lyle, and so the Fijian interest as determined by Mara and leaders at the time. This is the vantage point of Gilpin's state-centric realism which provides explanation for international relations phenomena and state behaviour from the point of individual states including national attributes, national interests and domestic politics. Gilpin (2001, p. 65) argues that an understanding of the international political economy must be based on appreciation of state polices and institutions, historical legacies, and also of ways in which economic outcomes are shaped by such external factors. However, realist approach of international relations generally does not consider domestic affairs.

EEC policy-makers on the other hand were reluctant to incorporate the proposal by British government, Tate & Lyle and the Fijian government on the imports form the former colonies as EEC members had pursued completely different sugar polices from that of Britain. EEC policy makers saw British importation of ACP cane sugar as undermining the EEC's Common Agricultural Policy which has been subsidising European farmers for long. However, the abrupt changes in the external political economy significantly changed the EEC policy-makers' thinking towards Britain and the former colonies' exports as well as the overall sugar trade. The 1970 oil crisis and the low levels of sugar production in Europe became coincided. This caused steep rises in sugar prices in the early 1970s. The resource paucity anxiety in the early 1970s made

European policy-makers realise their high dependence on the former colonies for raw material access. This context brought the EEC to consider Britain's commodity access in the large number of resource rich former colonies as crucial in bringing under the EEC umbrella. As a result, the Sugar Protocol with a preferential price system and guaranteed access to EEC export market became the main instrument of the Lomé Convention, costing the EEC 25 per cent of the annual budget of the entire Lomé Convention (Grynberg & White 1998b).

While the Sugar Protocol was crucial for the post-independence development of Fiji and several other producers, the Protocol was always problematic in the EU-ACP relations and over the years brought a decline of Fiji-Britain sugar trade relations. Britain and the rest of the EEC had totally different policies on beet sugar, the production of which rose rapidly in Europe from late 1970s. This started challenging the arrangements of the Sugar Protocol. European beet sugar production increased since the 1970s, thus making European countries large exporters of this product. This made them self-sufficient and the surpluses were sold in the world market. As a result, increasing pressure by beet farmers to terminate EEC imports of cane sugar from the former colonies in addition to the gradual decline in consumption in Europe had adverse impact. The effects on Tate & Lyle and British government interests meant a limitation of access to Fiji's and other ACP producers' cane sugar. The interests further waned when the EU opted for WTO-compatible relations. Although the Lomé Convention ended in 1999, the Sugar Protocol was transferred to the WTO-compatible Cotonou Agreement in 2000. The mounting WTO pressure that pushed the EU to reform its sugar regime eventually brought the termination of the Sugar Protocol in the 2009. The emergence of WTO as a powerful institution on trade questions the anarchical nature of the international system. This submerged Fiji's national interests to export cane sugar to Europe. The decreasing importance of the Sugar Protocol and its eventual termination brought a considerable decline of Fiji and Britain's sugar trade relations. Greater liberalisation of all trade with Europe will further liberalise sugar trade relations if PACP countries sign the EPA.

CHAPTER 4: Effects of the Trade and Aid on Economic Development of the PACP Countries

4.1 Introduction

The EU has been the longest trade partner and aid donor of the PACP countries. Its trade and aid has been impacting PACP development for more than three decades. This chapter examines the effects of the trade and aid of the Europe-PACP countries relations in shaping the development trajectories of the PACP countries. Firstly, the chapter examines the impact of the 25 year old Lomé Convention trade and aid more generally at the ACP level as a whole. The two parties agreed to formalise the Lomé Convention with the aim to pursue mutually beneficial interests. The ACP group found the Lomé Convention to be an innovative set of arrangements to implement the New International Economic Order (NIEO) principles. The ACP countries with the rest of the G77 countries pushed for the NIEO in the UNCTAD, in the early 1970s, with the aim to incorporate the key NIEO principles in the Lomé Convention.

The outstanding feature of the Lomé Convention trade was the nonreciprocal trade system which included the preferential trade system designed to provide tariff and quota free access for ACP exports to the European market while only having to grant European goods preferred but not free entry into their market. Empirical evidence suggests that Lomé Convention trade was as an important indicator of economic growth in the ACP countries, as it has been considered that trade-induced economic growth contributes to socio-economic betterment of the people. However, while the Lomé Convention aid and trade appeared attractive to ACP countries development at the start, the rules and guidelines were not systematically worked out as a coherent set of policy framework to facilitate diversification and industrialisation prospects in the ACP countries. The ability to capitalise fully on Lomé Convention trade and aid was inhibited because rules governing the trade and aid policy were particularly designed to protect the European countries economic interests. However, the impact of trade and aid was positive in the specific sectors of the PACP countries' economies in which it applied.

Secondly, the chapter examines the impact of trade and aid since the beginning of the Lomé Convention through sector case studies of: (i) Fiji's sugar sector; and (ii) the fisheries sector in Fiji, Solomon Islands and Papua New Guinea. Trade preferences, in particular, impacted profoundly on the development of the sugar industry and the fisheries sector transforming them into important economic activities and export sectors for PACP countries. The European decision to remove trade preferences for Fiji's sugar exports and terminate sugar industry aid in the post-Lomé Convention period is posing significant challenges to the sugar industry and its future survival. This has brought a decline of EU-Fiji relations, as Fiji no longer perceives EU an important partner and its foreign relations more recently has shifted towards China and Russia.

However, the European policy-makers have decided not to enforce the same for PACP tuna exports. Trade preferences for tuna exports to European markets continue in the IEPA. The EU also included in the IEPA the derogation to the rules of origin (RoO) of fish products which PNG pushed for to benefit its rapidly growing tuna processing sector. This change in the RoO of fisheries products is a fundamental change in the relations as it increases PACP processed exports to European markets and provides prospects for diversification in the PACP tuna industry, which in the past was curtailed by EU's rigid RoO. PNG EEZ has rich tuna stocks. PNG has developed a strong tuna-based development policy that aims to exercise sovereignty over its rich resources and obligates private investors to establish and operate on-shore processing by making fisheries access agreements conditional to obligate fishing companies for onshore investments commitments. The boost in onshore private investments benefitting from the trade preferences has considerably increased PNG canned tuna and loin exports to Europe. On the other hand, the European countries' recent growing intervention in the PACP fisheries sector is part of Europe's increasing global role to secure fisheries resources in order to meet the demand of the resource in Europe. In particular, the main European canning states, Spain and Italy, as large fishing nations having a significant tuna processing sector, are seen playing key roles in fisheries negotiations of the PACP group's comprehensive EPA. They aim to ensure that fisheries aspects of the EPA support the long-term sustainability of their tuna canning activities and PACP exporters do not become competitors threatening the survival of their tuna processing investments in Europe and Latin America. This European involvement in the PACP countries' tuna processing sector, and the rapidly growing PNG tuna exports to European market have re-invigorated Europe-PACP relations. Therefore, the increasing tuna related focus in the Europe-PACP relations to some extent has filled that vacuum left by the decline in Britain-Fiji link in sugar trade.

While the conclusion of a comprehensive EPA for the PACP group is deemed to include benefits for fisheries already granted in the IEPA, on the whole, the free market-driven agenda of the EPA is an immense challenge to the PACP countries' development. The development trajectories of the PACP countries, to a great extent have been affected by the EU deciding which sectors to liberalise and which not. The EU, therefore, is still setting the agenda in this respect. The WTO-conformity requirement and trade liberalisation objectives of the EPA aim to enforce neoliberal market reforms, and harmonise the PACP states' policy environment. PACP governments have been interested in concluding the EPA but PACP policy-makers perceive that trade liberalisation will not address the development needs of their relatively small and vulnerable economies which require some level of protection of small and infant industries to survive in global trade. Negotiations on the comprehensive EPA, therefore, have been slow and long, exceeding the initial conclusion date at the end of 2007. At the time of writing, negotiations with PACP countries are still conflictual on several aspects of EPA and with no common position being reached.

4.2 Impact of the Trade

This section argues that the value of trade preferences for the primary commodities has not brought satisfactory results as many of the ACP country negotiators originally thought they would in 1975. The ACP countries inability to benefit fully from the trade preferences was a result of the limitations of the Lomé Convention's trade rules which were devised precisely to protect European countries' economic interests. This significantly undermined the ACP countries' potential for diversification and industrialisation. European interests confirm the state-centric realism argument that the key concern of powerful states is to protect their national interests in the international affairs.

Lister (1988), Gibb (2000), Cosgrove (1994), Moss & Ravenhill (1982) and Brown (2002b) argue that the preferential trading arrangement enjoyed by the ACP countries has not had a substantial impact on their overall trade results. While the trade preference appeared generous in 1970s, free access to the EEC market was made available because there was no sensitivity the ACP would threaten the EEC member interests (Ravenhill 1985, p. 181). There was never an intention by European countries to give the ACP states "carte blanche" with regard to their access in the EEC market (Ravenhill 1985, p. 181). According to an internal memorandum of the EEC, the European countries would reconsider their commitment to the ACP states if any of them should acquire the potential to become significant exporters of manufactured goods (Ravenhill 1985, p. 181). Access to the EEC for ACP exports was deemed secure only as long as they did not threaten European countries interests (Ravenhill 1985, p. 181).

However, at the time of the signing the Lomé Convention the ACP negotiators found the provisions of the Convention most innovative, and considered the EEC their most important trading partner (Former PACP Negotiator A, 2009; EU Official I, 2010). ACP countries were concerned with industrialisation and diversification and hoped that the NIEO would assist in the development of their primary sector and commodity exports. It was hoped that preferences would help PACP countries to increase their market share and compete more successfully with developed countries (EU Official H, 2010; Former PACP Negotiator C, 2010). However, the EEC-ACP plummeting trade trends since the 1980s was disappointing and caught the attention of many. Figure 4 illustrates downward trade trends between the EEC and the ACP group, and also compares the EEC imports from ACP with that of other developing regions. The figures show the extent of EEC shares of imports from the ACP, which during the first Lomé Convention period increased but declined after Lomé II (from the 1980s).

Moreover, Cosgrove's (1994) study on the overall evolution of the EEC-ACP trade from 1976 to 1992 compares the ACP trade performance with that of other developing countries but expressed in monetary terms as illustrated in Figure 4. Cosgrove (1994, p. 227) points out that in 1992, the EEC imports stood at 18 billion ECU in goods and services from the ACP, compared to 24.8 billion ECU from Latin America, 30.3 billion ECU from the Mediterranean countries and 66.4 billion ECU from the Asian developing countries (excluding Japan and Hong Kong). His calculation from Figure 4 shows that over the period from 1976 to 1992, the average annual growth in exports to EEC from each developing regions were respectively: ACP, 2.28 per cent; Mediterranean, 5.87; Latin America, 5.97; and Asia, 11.7 (Cosgrove 1994, p. 227). In addition, over these years, Eurostat (1996) data shows that the share of the ACP exports in the EEC market fell from 6.7 per cent in 1976 to 3.4 per cent in 1994 (Gibb 2000, p. 463). But, not surprisingly, the EEC exports to the ACP largely comprised manufactured goods (84 per cent) (Gibb 2000, p. 464).

Furthermore, the Figure 5 illustrates that the EEC import value from the ACP was 10.5 billion ECU the highest in 1976 compared to the other regions. However, by the mid-1980s, the EEC import values from the other developing region surpassed the ACP group. An IMF (1998) report also revealed a similar trend whereby the ACP group had experienced a declining share of world trade from 3 per cent in 1976 to just over 1 per cent in 1997 (Gibb 2000, p. 463). The declining trade results therefore gradually changed the ACP trade status with the EEC to a less significant trading partner. Despite the longevity of the Lomé Convention, the ACP countries failed to increase or even maintain their market share in Europe, whereas less preferred exporters such as the Asian, countries were able to raise their market share at the expense of the ACP exporters. Despite the benefits of trade preferences, ACP countries' lost ground in trading relationships compared to the other developing counterparts without these advantages.

The European Commission proudly proclaimed that in the areas of trade it ran a balance of trade deficit with the ACP for most of the period of the Lomé Convention I (Moss & Ravenhill 1982, p. 844). This meant EEC imports from the ACP were higher than exports from 1976 to 1992 as shown in Figure 5. The EEC balance of trade deficit represents an outflow of domestic currency to ACP states. But their claim is misleading in the sense that the Commission used trade data which employed cost, insurance and freight (c.i.f.) values for imports from the ACP and free on board (f.o.b.) values from the EEC exports (Moss & Ravenhill 1982, p. 844). If examined from the ACP perspective it is found that using c.i.f values for the ACP imports, and f.o.b values for ACP exports, the ACP ran a deficit in their trade with the EEC in all years of Lomé Convention I except 1979 (Moss & Ravenhill 1982, p. 844). This means ACP imports from European countries were more than its exports. So in fact there was outflow of developing ACP countries domestic currency to the wealthy European countries.

Figure 4: EU Share of Imports from Selected Region of the Developing World, 1976-1994 (Percentage)

Region	1976	1980	1985	1990	1994
ACP	6.7	7.2	6.7	4.7	2.8
Asia	4.2	5.9	6.5	11.0	13.1
Latin America	5.3	5.1	6.5	4.6	5.4
Mediterranean	6.1	6.1	8.1	6.5	6.1
All developing Countries	44.8	42.4	34.7	31.2	34.2

Source: Eurostat – ODI (1996) in Cowen & Shenton (1999, p. 28).

Figure 5: Trends in EU Trade with Developing World, 1976 – 1992 ('000,000,000 ECU)

EC imports from	1976	1980	1985	1990	1992
ACP	10.5	19.4	26.8	21.9	18.0
Asia	6.7	16.0	26.0	50.9	66.4
Latin America	8.3	13.7	25.8	25.7	24.8
Mediterranean	9.6	16.4	32.3	29.8	30.3
Rest of World	273.5	453.4	717.3	1021.4	1067.7
Total	**308.6**	**518.9**	**828.2**	**1127.8**	**1207.2**
EC Exports to:	**1976**	**1980**	**1985**	**1990**	**1992**
ACP	9.6	15.7	17.4	16.6	17.0
Asia	7.5	13.1	29.7	41.0	47.1
Latin America	7.7	12.0	13.5	15.6	20.4
Mediterranean	12.3	19.8	29.8	28.5	28.6
Rest of World	255.1	414.4	721.4	975.3	1023.9
Total	**292.9**	**475.0**	**811.8**	**1077.0**	**1137.0**
EC - ACP Trade Balance	**1976**	**1980**	**1985**	**1990**	**1992**
Imports- Exports	**0.9**	**3.7**	**9.4**	**5.3**	**1.0**

Source: Cosgrove (1994, p. 226).

The declining trade levels with the ACP and the incapacity of the ACP states to benefit from preferential trade was caused by number problematic clauses inherent in the Lomé Convention that limited ACP countries ability to benefit fully. The preferences given were relatively small as there were a number of conditions and limitations to this ACP free access to the EEC market (Brown 2002b, p. 61).

First, the free trade access for the ACP exports to EEC markets was controlled by the "safeguard clause" in Article 10 of the Lomé Convention. This clause introduced considerable uncertainty in the trade relation (Moss & Ravenhill 1982, p. 842). The clause was devised to restrict ACP products if it was in anyway going to cause disturbances in the European economies by competing with similar European products (Asante 1981, p. 666; Brown 2002b, p. 61). Those primary commodities which the European countries required for the growth of their industrial sector were included in the Lomé Convention trade arrangement such as sugar, rum, beef/veal, banana, coffee, cocoa, oil and minerals. The ACP exports encouraged by trade preferences assisted the development of certain primary commodity sectors but confined them into these sectors, discouraging the development of manufacturing and diversification. The safeguard clause was also meant to protect EEC commodities included in the Common Agricultural Policy (CAP) (Brown 2002b, p. 61). The free access did not cover those ACP products if they were included in the CAP. ACP commodities like cereal, pig meat, protein crops, poultry and egg, and fruits and vegetables were not included in the Lomé Convention because they were CAP products and would compete with European production. This undermined the free trade access of the ACP products to the European market. Some CAP products like sugar, beef/veal, tobacco and bananas which were included in the Lomé Convention, the ACP countries' duty free access accompanied strict quota or time period limits, while for other products, the EEC granted some tariff preferences to the ACP over the third countries (Brown 2002b, p. 61).

For instance, Mauritius exported textiles to European market based on a strict quota. It was the first country where EEC enforced its safe guard clause causing serious problems to textile exports. In 1978 and 1979 Mauritius accounted for about 3 per cent of all EEC imports of knitted goods (Mshomba 2000, p. 4). But whereas in 1978, the exports of sweaters was evenly distributed in the EEC member markets, in 1979 about 55 per cent of the exports were sent to Britain (Mshomba 2000, p. 4). In that year, MauritianT-shirts exports to Britain were eight times higher in the entire ACP and more than four times the quota for sweaters (Mshomba 2000, p. 4).

For Ireland, the disparity was even greater. Both countries complained to the EEC about the threat of their weak textile industry (Mshomba 2000, p. 4). While signing Lomé Convention II in 1979 Britain threaten to impose the safeguard clause of the Convention to limit Mauritian textile exports and then took unilateral action to force Mauritius to agree to voluntary limitations on its textiles (Moss & Ravenhill 1982, p. 842; Ravenhill 1985, pp. 178-9). In 1980, a limitation for two years of Mauritian exports to Britain and Ireland included 20 per cent reduction in the number of sweaters to Britain (Ravenhill 1985, p. 178). This demonstrates that European countries, through the safeguard clauses had the authority to regulate ACP production and exports to the European market when it posed competition to their products. This clearly undermined the preferential trade access for ACP exports.

The restrictions imposed by the EEC affected the Mauritian textile industry production, however Mauritius had a considerable comparative advantage in textiles and apparel because of its cheap and relatively skilled labour and market in the US (Mshomba 2000, p. 4). Attempts by the ACP group to limit the application of safeguard clauses to cases where the European countries could demonstrate that ACP exports were responsible for the disruptions of the European market, failed (Ravenhill 1985, p. 182). It is clear that as far as imports of what the EEC regarded as negative "sensitive" products such textiles, it refused to distinguish between ACP countries and other suppliers (Moss & Ravenhill 1982, p. 842). The safeguard clause and the CAP restrictions therefore aimed to control ACP exports, and potentially curtailed the ACP countries ability to use EEC trade preferences to encourage diversification and development of the economies on the whole.

Second, the Lomé Convention contained a "Rules of Origin" (RoO) clause which was problematic for ACP to increase exports. RoO controlled how much value had to be added in the exports of the ACP for it to be counted as originating from ACP and thus qualifying as having duty free access into European market (Brown 2002b, p. 61). The RoO requirement in many cases substantially revoked the benefits of the ACP countries preferential access to the EEC market, and to some extent discouraged the expansion of the value and range of manufactured products in the ACP countries. Given the low levels of per capita income of the ACP states, this rule was problematic for ACP industrialisation (Moss & Ravenhill 1982, p. 842). For most products, this was set at 50 to 60 per cent of the final value. Pacific Island economists argue that rules of origin were too stringent to grant much benefit to infant ACP industries, so companies too did not invest in local manufacturing (Pacific Island Economist A, 2009; Pacific Island Economist B, 2009). Most ACP manufactured products could not benefit from the duty free access provisions, because they had only 20 and 48 per cent of value added in their manufacturing sectors as a proportion of their gross value (Cosgrove, 1978, p. 479). Given the Lomé Convention trade preferences were primarily for primary products and ACP countries were in resource suppliers with low levels of industrialisation, Europeans were ruthless in putting a harsh restriction as high as 50-60 per cent of the value added for the ACP goods. ACP economies did not have the capacity to meet that high percentage value to their products (Asante 1981, p. 665). Therefore, a direct advantage was given to the European firms in setting up assembly or processing industries in ACP countries, because EEC processing materials, like ACP inputs, were considered to be “originating products” (Asante 1981, p. 665). Despite the trade preferences for PACP canned tuna, the strict RoO limited the commercial development of the sector to its full capacity (Grynberg & White 1998a, p. 68). For instance, the RoO restricted the PACP countries to use tuna fish for processing caught only by their own fleet in their own waters, but many PACP countries had limited local investments in tuna fishing to supply their canneries. However, reformed RoO and renewed preferential prices in the post-Lomé Convention relations has the potential for expansion of processing and long-term development, particularly in PNG.

Third, the aggregate results on trade between the EEC and the ACP were predominantly determined by only a handful of countries and commodities. Over 60 per cent of the total trade between the two groups covered 24 bilateral flows between the EEC member states and the ACP states, (Moss & Ravenhill 1982, p. 844) that had existed since the colonial trade. The eight most important ACP exporters were Nigeria, Ivory Coast, Zaire, Cameroon, Kenya, Ghana, Zambia and Gabon, which provided nearly 70 per cent of the ACP's exports to the EEC (Moss & Ravenhill 1982, p. 844). Nigeria, Gabon, and Cameroon, which have accounted for sizeable share of total ACP exports to European countries, for example, depend heavily on oil exports (Grilli 1996, p. 169). Nigeria alone accounted for overall one-quarter of ACP exports to EEC, and over one third of the ACP imports from the EEC (Moss & Ravenhill 1982, pp. 843-4). At the EEC level, the 10 most important commodities made up nearly 8 per cent of total ACP exports to the EEC (Grilli 1996, p. 169). Hewitt (1981) adds, two thirds of the ACP products were made up of five product–crude oil, coffee, copper, cocoa and cotton. While the persistent claim was that EEC gave free access to 95 per cent of the ACP exports, it misses the point that diversity in ACP exports was limited (Brown 2002b, p. 61). The export performances of a few countries and a few commodities dominated the overall trade trends.

Fourth, the declining trade of the ACP countries was further exacerbated by a number of external factors which became apparent since the 1980s. Grynberg (1998a, p. 3) observed that several factors have combined over time to make trade with the ACP group less relevant such as; the perceived natural resource scarcity of the 1970s diminished, with natural resource trade becoming less important as developed countries increased trade in services. In addition, it is clear from Figure 5 that the rise of more competent developing world-trading partners since the 1980s, in particular in Asia, meant a decrease in the relative importance of ACP states in European and even global markets. Grynberg (1998a, pp. 3-4) therefore argues that the inability of the ACP countries to respond to market opportunities meant that most became less competitive over time and the net result was decreasing trade penetration in the European market. He further claims that the net effect of trade preferences, when combined with an inability to adapt easily to global changes has been that the Convention has effectively confined the ACP states into sectors where trade significance was diminishing (Grynberg 1998a, pp. 3-4).

The increasing economic marginalisation of the ACP states in the world economy was identified in 1980s in the aftermath of the debt crisis. The ACP was able to negotiate with the EEC in the Lomé Convention IV to maximise benefits from the Convention in the fields of trade, agricultural and industrial cooperation (Cosgrove 1994, p. 235). This was included in the Article 135 to 138 in the Title X of the Lomé Convention IV, particularly focussing on trade development and committing the contracting parties to the development of trade (Cosgrove 1994, p. 235). To this end, the Lomé IV was harnessed to a wide range of activities to support the development of the trade and diversification of ACP exports (Cosgrove 1994, p. 236). This effort came to be known as the 'ACP Trade Development Project' of 1993 (Cosgrove 1994, p. 237). The ACP Secretariat, with financing from the EEC, commissioned a group of ACP and EC consultants to design the implementation plan of the project.

Extensive field research was undertaken in the ACP countries by the consulting team who identified a range of specific issues prohibiting the effective use of trade arrangements provided in the Lomé Convention IV (Cosgrove 1994, p. 237). Issues such as strict RoO, the relative decline of the prices of primary commodities and the inability of the ACP to respond to European trading standards and lack of diversification were the main reasons found to be depressing ACP trade (Cosgrove 1994, p. 237). In particular, the inability of the ACP production system to respond to the trading standards implemented by the regulations of the Single European Market of 1993 further affected their potential (Cosgrove 1994, p. 233). The important points of this legislation for ACP producers included EC-wide product standardisation, consumer protection, health and safety standards and environmental policies (Cosgrove 1994, p. 233).The ACP had the capacity to meet the new standards but only by incurring significant costs (Cosgrove 1994, p. 233).

While many of the problems identified were inherent in the Lomé Convention rules, external dynamics such as the impact of IFI structural adjustment programs and the transition from command to market economies supported by the EEC in several ACP states brought further unsatisfactory results. While Lomé IV was fine-tuned to better align with ACP development aspirations, ACP negotiators felt that the external trade environment was so adverse to their interests that there was little prospect for success (Former ACP Negotiator B, 2009; Pacific Island Economist B, 2009). Former ACP officials reveal that trade results of the Lomé Convention, came as a disappointment to them (Former ACP Negotiator A, 2009; Former PACP Negotiator B, 2009). The ACP states were not pleased with their inability to increase their shares of EU imports of primary products, or their lack of success in diversifying their exports (Moss & Ravenhill 1982, p. 853).

The EEC, moreover, was not willing to provide additional resources for structural adjustment and implementation of European trading standards in ACP production sectors (Former ACP Negotiator B, 2010). Moss and Ravenhill (1982) confirms that the EEC was unwilling to bear such costs in the Lomé Convention period. Cosgrove (1994, p. 234) adds if ACP aspirations were to be realised, this would have imposed substantial domestic cost on the European countries in the form, for instance, of additional investment costs for standardisation and harmonisation.

Therefore, the ACP countries' inability to benefit was curtailed by the trading rules of the Lomé Convention which the European countries carefully instituted to protect their economic interest and to ensure that ACP exports did not compete in their markets. The impact of European support for the implementation of IFI structural adjustment polices contributed to the further deterioration of the trade results. In addition, the combined status of trade results was dominated by a few countries and a few commodities. The EEC gave preferences to those primary commodities which were important for European countries' industrial sectors. This encouraged the ACP countries to remain confined in primary production, therefore, and did not foster industrialisation and diversification.

4.3 Impact of Aid: European Development Fund (EDF)

Aid in the Lomé Convention and the Cotonou Agreement was channelled largely through a series of European Development Funds (EDF), which have been set up sequentially. Like most aid budgets, the EDF allocations and rationale was determined by the European governments. A significant proportion of the EDF was set aside for the ACP as Stabilisation of Export Earning Funds (STABEX), which was a key instrument in the Lomé Convention. Another STABEX type was the System for the Promotion of Mineral Production and Exports (SYSMIN) to sustain the production of minerals in ACP countries. SYSMIN was *ad hoc* and clearly directed predominantly towards satisfying the European mining companies. European countries were selective in providing SYSMIN to certain minerals that were of interest to them and not including those wanted by the ACP to develop their extraction sector (Ravenhill 1985, pp. 136-41). The system as a result declined by mid-1980s. STABEX, however, was more durable covering a wide range of agricultural commodities.

The overall gradual decline in EDF meant decreasing economic and political importance of the former colonies in the Lomé Convention. Then in the Cotonou Agreement, the EDF again has become the main tool of aid provided particularly for facilitating trade liberalisation reforms and assisting in the development of those ACP sectors that produce commodities required by the European countries. At the time of writing, funds were being drawn from the ninth and tenth EDFs. It is difficult to obtain accurate figures of EDF to ACP or PACP *per se* because EDF is inclusive of the substantial amount of funds allocated for the EU member state's overseas countries and territories (OCTs). The OCTs are mostly French possessions.

Aid under the EDF has been a voluntary contribution of the individual EU member states and the level of contribution reflected the level of on-going European influence of their former colonies. For instance in the Lomé Convention period, the former colonisers of the vast majority of the ACP, France and Britain have been the biggest contributors of the EDF. The funds do not come from EU budget, hence are not under the influence of the EU Parliament. The amount of aid given to the ACP, whether as whole or severally, was not on a basis of agreement where the ACP were given an opportunity to address their needs, but on the sole decision of the European countries, which decided where the funds should be utilised (Asante 1981; Cowen & Shenton 1999).

Figure 6 shows an increasing level of EDF allocated to the ACP countries from Yaoundé Convention to Lomé Convention IV. This was actually due to the enlargement of the EEC when new members were drawn in to supporting their interests brought under the EEC umbrella. Figure 6, however, also illustrates the decline in the real worth of aid per person which has been the most important unit of resources for the ACP states, committed by the European countries over the period from EDF I to EDF 7. This demonstrates the declining importance of the ACP countries to Europe over time. The plummeting worth of aid can be explained in two ways. First from the result of the increase in the number of associated states from 20 or so during the EDF 1 to over 70 in the EDF 7 (during Lomé IV). Second from the rapid rise in the population of the ACP countries whose population growth rates have led, in many cases, to a doubling of population every 15 years (Cowen & Shenton 1999, p. 32). New former colonies became signatories of the Lomé Convention with the view of pursuing post-independence economic growth. However, European policy-makers did not consider the demographic shift to allocate aid based on per capita to address the development plans of the former colonies. The concern was resource access in the ACP and strengthening political ties in the uncertain economic situation of the 1970s and the Cold War period respectively.

Figure 6: EU Aid to ACP Countries from 1958 – 1996

	1958 Rome Treaty EDF 1	1964 Yaoundé I EDF 2	1971 Yaoundé II EDF 3	1976 Lomé I EDF 4	1981 Lomé II EDF 5	1986 Lomé III EDF 6	1990 Lomé IV EDF 7
Total resources[1] eua/ecu million	581	730	918	3462	5049	8500	12000
EDF per capita eua/ecu	9.7	7.7	5.8	4.1	2.6	3.0	2.8
Number of countries at time of the signature	19[2]	18	19	46	57	66	68
Associated countries' population (millions)	55	69	80	250	348	413	493

Notes
1. Total resources refer to EDF grants and loans, including STABEX, SYSMIN and European Investment Bank (EIB) loan capital.
2. This includes the 12 overseas countries and territories of the EU member states at the time.

Compiled from Cowen & Shenton (1999, p. 31) and Grilli (1996, p. 33).

4.3.1 Stabilisation of Export Earning Funds (STABEX)

STABEX was a key instrument of EDF in the Lomé Convention but removed from the Cotonou Agreement. The scheme was a significant component of the EEC EDF set up for agricultural products to cover production shortfalls or price fluctuation for products exported to the EEC market. The aim of the STABEX scheme was to remedy the harmful effects of the instability of export earnings and to help the ACP states overcome the main obstacles to the stability, profitability, and sustained growth of their economies as stated in Article 186 of the Lomé IV document (McGregor 1998, p. 132). It was an important NIEO principle implemented first in the Europe-ACP relations and helped several countries to develop production capacities in the early post-independence development. STABEX transfers were in the form of grants to the ACP countries. Under the first three Lomé Conventions, only transfers to the least-developed ACP states were non-refundable grants (European Commission 1997, p. 9). Transfers to all the other ACP states were loans which, under certain conditions, had to be repaid to the system (European Commission 1997, p. 8). However, the conditions of repayment was favourable in that no interest was charged (European Commission 1997, p. 8). The list of products covered by STABEX grew from 26 under Lomé Convention I to 44 under Lomé II and 50 under Lomé IV (European Commission 1997, p. 8). It covered wide variety of basic agricultural products exported by the ACP countries except those falling within the CAP, sugar and meat, which have were the subjects of separate protocols, and tobacco (European Commission 1997, p. 8).[26]

Commentators such as Grilli (1996), Gruhn (1976) and Ravenhill (1985) viewed the STABEX scheme as the most innovative provision of the Lomé Convention representing a model for the NIEO. STABEX was considered as development aid conceived in microeconomic and sectoral terms in that when the producers of the ACP countries' earnings from the export of a particular commodity had declined, STABEX was crucial in providing incentive to produce for export (Ravenhill 1985, p. 100). In addition, Koehler (1997, p. 2) supports the claim that STABEX was an innovative arrangement for the ACP on the grounds that producers and exporters in the developing countries have had hardly any instruments at their disposal to offset the adverse effects of instability of their earnings. Domestic stabilisation schemes existed in some ACP countries but were abolished due to failures in managing the scheme and lack of funds (Koehler

[26] The list of products covered by Lomé Convention STABEX scheme were groundnuts, ground oil, coco beans, cocoa husk and shells, cocoa paste, cocoa butter, cocoa powder, raw or roasted coffee, extracts, essences and concentrates of coffee, cotton, cotton linters, coconuts, copra, coconut oil, palm oil, palm kernel oil, palm nuts and kernels, raw hides and skins, sheep skin leather, goat and kid skin leather, wood in the rough and squared wood, sawn wood, fresh bananas, dried bananas, tea, raw sisal, vanilla , cloves, wool, fine animal hair, gum Arabic, essential oils, sesame seed, pepper, shrimps and prawns, squid, octopus, cotton seed, oil cake, rubber, peas, beans, lentils, nutmeg and mace, shea nuts, shea nut oil, mangoes etc (European Commission 1997, p. 35).

1997, p. 2). According the to an UNCTAD (1993) report, the highly commodity-dependent countries, particularly the least developed countries of Africa and the Pacific Islands, experienced the largest incidence of shortfall in exports relative to their export earnings (Koehler 1997, p. 5). Compensatory schemes such as STABEX, offered an important alternative to compensate for the adverse effects on the export earnings.

There was a wide acceptance among EU policy makers and in ACP circles that STABEX proved useful and therefore justified its introduction (Persaud 1980, p. 95). A former EEC Commissioner, Claude Cheysson adds that STABEX was something completely new (Lister 1988, p. 77). A former President of the ACP-EEC Council of Ministers, A.B. Beye, claimed that STABEX was the "the main pillar" of the Lomé Convention (Ravenhill 1985, p. 99). This was confirmed by interviewees who argue that STABEX was crucial for the survival of their primary production sectors (Papua New Guinea Government Official A, 2008; EU Official C, 2010; Pacific Island Political Economist B, 2010).

Instability in export earnings of the developing countries was the main obstacle to trade development because it caused disruptions in the investment planning process and had negative effects on the productivity of capital (Koehler 1997). STABEX helped ameliorate fluctuations in the export earnings of some ACP countries. STABEX was most successful in Tanzania 1993 and 1994 and Papua New Guinea from 1992-93 in increasing their export production of coffee, cocoa, copra and palm oil, the four commodities most desired by the Europe (Koehler 1997). This assisted Tanzania and PNG to develop production sectors for export income and shaped their development plans in the 1990s.

Figures 7 and 8 illustrate findings of Forsyth's (1998) study summarising the scale and composition of EU aid to the individual Pacific Island countries, and its significance. Figure 7 subdivides the aid flows into four categories; the national indicative program, STABEX, European Investment Bank (EIB) loans, and 'other' category (which comprises emergency aid, SYSMIN, interest rate subsidies, and direct subvention from EU funds). STABEX allocations in global terms have been substantial, with ECU 4 billion paid out over the period 1975-95 (European Commission 1995, p. 207 cited (McGregor 1998, p. 133). Of this ECU 4 billion, ECU 368.2 million (approximately 8 per cent) was transferred to the Pacific ACP in the same period. The STABEX funds allocated for the PACP countries were for the tree crop sector to compensate them for shortfalls in export earnings from the tree crop commodities. The largest share of the transfers were received by the three PACP countries, PNG, Solomon Islands and Vanuatu which have accounted for approximately 85 per cent, and Papua New Guinea has been by far the largest single recipient receiving 62.5 per cent, being the fifth largest overall among the ACP (McGregor 1998, pp. 136-7). STABEX payments for Papua New Guinea, Solomon Islands, Vanuatu and Western Samoa, comprised the largest disbursement. The total STABEX allocation ranged from ECU 6 million (Tuvalu) to ECU 565.4 million (Papua New Guinea), and disbursements ranged from ECU 4.5 million to ECU 466.6 million, for the same countries. By the mid-1990s, PNG's total STABEX disbursement figures stood at 207.2 ECU, the highest among all the Pacific Island members.

However, Figure 7 presents that on a per capita basis, both allocations and disbursements illustrate a feature familiar in the pattern of aid distribution, with a close inverse correlation between disbursement per capita and population size. Tuvalu, with a population of only 9,000 easily had the highest per capita allocation (ECU 600) and disbursements (ECU444), while PNG with population of 3.9 million (in late 1990s) had the lowest (ECU 100 and ECU 82 respectively). This illustrates that EEC aid policy was not systematically designed to address the development needs of the developing ACP economies.

While STABEX promoted development in certain areas of primary production, it also had the effect of promoting the ACP countries' role as primary commodity producers and increased their dependency on the EEC by tying trade with aid. Some scholars argue that STABEX was offered to specific commodities to develop those sectors in the ACP which mostly supplied to European markets and the primary intention was to guarantee stability in resource supply to European markets (Ravenhill 1985, pp. 101-5). The STABEX system came into being in the uncertain economic environment of the early 1970s (Grilli 1996; McGregor 1998; Ravenhill 1985)**.** The EEC became motivated to provide STABEX funds to the ACP as a consequence of the 1973 oil crisis which heightened the demand for commodities supplied by the developing countries and created extreme uncertainty about their access for resources. It is interesting to draw attention to the European Commission's intentions for relations with in the former colonies in the Lomé Convention. The European Commission (1990, p.9) reveals that it was the European anxiety at the oil crisis that created fear of raw materials shortages and the aim was to secure and hold on to valued overseas markets in their former colonies (McGregor 1998, p. 132). The sharp upward trend in commodity prices of the 1970s (often compared to the Great Depression of the 1930s) became the dominant feature of the international commodity market, which influenced the demand of the commodities. Therefore, STABEX was a carefully worked out strategic scheme by the Europeans to guarantee source of raw materials and energy resources during the 1970s economic recession.

As a result, the STABEX scheme was of limited value for ACP development and limited its stabilisation potential for ACP primary export earnings. First, although STABEX was an incentive to maintain the levels of production of the products eligible to receive transfers under the scheme, it was also a disincentive to diversify commercial agricultural production, process raw materials locally or develop domestic food production (Mytelka 1977, p. 74). Given the fact that STABEX was not for processed raw materials, related domestic industry was not encouraged, nor was domestic consumption (Asante 1981, p. 668). ACP countries continued producing traditional crops for exports to traditional markets. Dependency on traditional export products (80 per cent of the ACP total export earrings came from commodities) increased the vulnerability to price fluctuations, terms of trade risk and economic crisis (Koehler 1997). For instance, the three PACP countries, PNG, Solomon Islands and Vanuatu remained heavily dependent on tree crop production and exports such cocoa, coffee, copra and palm oil. Only when export earnings fell below 7.5 per cent of the average for the previous years (2.5 per cent for the more disadvantaged countries) could a country in question request a financial transfer (Asante 1981, p. 668). While STABEX set up ACP development paths in resource production, reliance on raw material exports left the ACP developing countries increasingly vulnerable to the fluctuations in raw material prices and the vagaries of the international market (Asante 1981, p. 667).

Second, STABEX funds were not evenly distributed to all ACP primary commodity exporters. In some individual countries, STABEX products in many cases covered a large part of their export earnings. Two countries, Senegal and Sudan together accounted for over 25 per cent of transfer of the Lomé Convention I and in considering Mauritius, the three countries received almost 40 per cent of the funds in the same period (Lister 1988, p. 122). Benin had transfers equal to 17 per cent of its export earnings. PACP economies such as Western Samoa and Tonga received transfers equalling more than 25 per cent of their export earnings. Such an unequal distribution of funds for instance indicate that STABEX accompanied political objective of the EEC members, notably in Senegal (Lister 1988, p. 122) where French influence was greatest as part of its Francophone framework. Third, from the 1980s, STABEX ran out of funds and was unable to meet eligible claims. With the decline in prices of commodities such coffee, cocoa, oil seeds, cotton and tea, the financial crisis of STABEX continued (Koehler 1997, p. 8). Therefore, during the 1990s, only 40-60 per cent of the eligible claims could be covered by the scheme (Koehler 1997, p. 8). Fourth, delays in the disbursements of STABEX funds were common. In addition, STABEX transfers were not so easily obtainable, as they could be denied if the EC was of the opinion that declines in the exports were caused by a trade policy that discriminated against the Community (Asante 1981, p. 668).

The STABEX system was therefore a stabilisation system of grants offering ACP states funds to finance their agricultural sectors when they encountered serious difficulties because of falls in export earnings, whether these were due to falling world prices, natural disasters or a combination of the two. The ACP utilised STABEX to support the NIEO and as a result to some extent it was important, albeit in a limited way in facilitating the development of some countries and specific commodities production capacity. For the Europeans, it was a tool to secure supplies to European market and was particularly offered in the context of the oil crisis when there an extreme anxiety about resource paucity and for geostrategic reasons during the Cold War. STABEX became problematic as it encouraged the ACP countries' dependency on raw material exports when the world trade in primary commodity continued to decline from the late 1970s and grew more slowly.

Figure 7: Total Gross Allocations and Payments of Funds by EU to Pacific Island States until 1996 (ECU Million)

	Allocation					Disbursements				
PACP Countries	**NIP**	**STABEX**	**EIB**	**Other**	**Total**	**NIP**	**STABX**	**EIB**	**Other**	**Total**
Fiji	65.9	5.4	93.6	24.5	189.4	36.6	5.2	96.7	23.9	162.4
Kiribati	20.0	6.9	1.7	0.0	28.6	15.1	7.0	0.2	-	22.3
PNG	111.5	207.2	171.1	75.6	565.4	71.0	207.2	139.7	48.7	466.6
Solomon Islands	49.5	46.0	4.0	2.2	101.6	38.0	43.7	2.7	-	84.4
Tonga	19.8	11.2	8.1	1.5	40.6	10.4	4.4	8.1	1.5	24.4
Tuvalu	4.9	0.5	.06	.02	6.0	3.5	0.5	0.5	-	4.5
Vanuatu	23.1	32.6	4.1	0.7	60.5	16.1	32.0	2.1	0.7	50.9
Western Samoa	28.8	26.1	9.0	0.6	64.5	20.7	26.3	9.0	0.7	56.7
Total	**323.5**	**335.9**	**292.2**	**105.1**	**1,056.6**	**211.4**	**326.3**	**259.0**	**75.5**	**872.2**

Note
NIP: National Indicative Programme aid
EIB: European Investment Bank loan
Source: Country reports cited in Forsyth (1998, p. 29)

Figure 8: EU Allocations and Disbursements, and Population of Pacific Island Countries

	Total Allocation ECU '000,000		Total disbursement ECU '000,000		Total disbursement/ allocation %		Population 1994 '000	Allocation per capita ECU		Disbursement per capita ECU		Grant aid as proportion of all EU disbursements %
Country	**A**	**B**	**A**	**B**	**A**	**B**		**A**	**B**	**A**	**B**	
Fiji	189.4	95.8	162.4	65.7	86	69	778	244	123	209	84	40
Kiribati	28.6	26.9	22.3	22.1	78	82	78	365	345	285	283	99
Country	565.4	394.4	466.3	326.9	83	83	3,952	143	100	118	82	70
Solomon Is.	101.6	97.6	84.4	81.7	83	84	367	277	266	230	223	97
Tonga	40.6	32.5	24.4	16.3	60	50	98	413	332	248	166	67
Tuvalu	6.0	5.4	4.5	4.0	75	74	9	632	600	474	444	89
Vanuatu	60.5	56.4	50.9	48.8	84	87	164	369	344	310	298	96
Western Samoa	64.5	55.5	56.7	47.7	88	86	164	394	338	347	292	84
Total	1054.6	764.4	872.2	613.2	83	80	5,610	188	136	155	109	70

A: includes EIB loans
B: excludes EIB loans
Sources: European Commission, Annual Country Reports, EC Brussels in South Pacific Economic and Social Database, National Centre for Development Studies, Australian National University, Canberra, cited in (Forsyth 1998, p. 30).

4.4 Fiji's Sugar Industry Case Study

Sugar has been at the heart of Fiji's economic and socio-political history for the past 130 years. The sugar milling operations of the sector is the largest public enterprise of the country called Fiji Sugar Corporation (FSC). The Sugar Protocol instituted in the Lomé Convention has significantly transformed the post-independence development of Fiji's sugar exports to Europe. Interviews with former and current ACP negotiators show they believe that the Sugar Protocol was a highly successful scheme of the Lomé Convention, and for Fiji it has worked fairly well in terms of longevity of trade with its former coloniser, and was crucial in providing income to sugar cane farmers (Former PACP Negotiator A, 2009; Former ACP Negotiator B, 2008; PACP Negotiator A, 2010). Such progress in the sugar industry shaped Fiji's development plans as evident in Fiji's Foreign Policy since independence. Fiji's Foreign and Trade Ministry confirmed that securing long-term sugar exports to Europe on a preferential basis remained an important foreign policy of the country until the 1990s, as sugar production became the main economic activity. The sugar industry not only altered the agricultural landscape and increased the capital value of agricultural land; it determined the direction of the country's economy and its political landscape. The main attribute of Sugar Protocol was been the preferential price arrangement under which the EEC paid prices substantially above world market price levels, that is, up to three times the world prices for imports of sugar from specified ACP countries. Therefore, Fiji's economic prosperity after independence would have been impossible without its sugar industry utilising the preferential arrangement of the Lomé Convention.

As the most important export earner of Fiji, sugar earned around F$200 million annually in export revenue (Sharma 2005). Sugar production expanded rapidly in the Lomé Convention years. Production increased from 125,000 tonnes of sugar in the pre-Lomé period of 1968-1973 to over

400,000 tonnes in the 1990-95 period (Lal 2008, p. 1). Sugar output reached an all-time peak of just over 500,000 tonnes in 1986, nearly approaching the target of 550,000-600,000 tonnes projected the country's 9th Development Plan (DP9) for 1986-1990 (Narayan & Prasad 2003). Meanwhile sugar production averaged 439,00 tonnes during the 1990-1995, an increase of almost 50 per cent compared to 1973-75, the period immediately after localisation of the industry (Narayan & Prasad 2003). However, between 1995-2000, sugar production declined to 357,750 tonnes and between 2000-2002, it further declined to an average of 321,000 tonnes (Lal 2008).

Sugar cane cultivation occupies 50 per cent of the country's arable land, accounts for 22 per cent of the country's Gross Domestic Product (GDP) and employs 25 per cent of the total workforce (Lal 2008, p. 1). The industry provides employment to around 41,824 people (Lal 2008, p. 3) consisting of 21,000 growers, 3,000 Fiji Sugar Corporation employees and 17, 000 cutters and drivers (Reddy 2003a, p. 226). Some 250,000 people or 31 per cent of the population is directly and indirectly reliant on the industry (Oxfam Briefing Paper 2005, p. 9). Sugar industry created significant multiplier effects. Country towns like Labasa, Rakiraki, Ba, Lautoka, Sigatoka [27] and Nadi [28] have thrived from the sugar industry. Retailers and municipal councils indicated that their peak season is when farmers receive their cane payments after the harvest season towards the end of the year (Fiji Sugar Industry Official B, 2009; Pacific Island Economist C, 2010).

By the time Lomé Convention was formalised, British imports from Fiji and the rest of the ACP sugar producers under the Imperial Economic Preferences, followed by the Commonwealth Sugar Agreement (CSA) had already developed the ACP producers into large exporters. The Sugar Protocol reinforced the dominant position of the sugar industry in Fiji's economy and consolidated its role as the backbone of country's economy. The sugar industry production

[27] Pronunciation is *Singatoka*
[28] Pronunciation is *Nandi*

capacity increased exponentially in Sugar Protocol years. Fiji's development plans in the post-independence period were significantly shaped by sugar exports to Europe under the preferential price system. This is evident in Fiji's foreign policy in the post-independence period. Fiji, like Mauritius and Guyana, became a substantially large ACP exporter followed by Jamaica and Swaziland. Fiji's sugar sector export earnings accounted for more than 70 per cent of the total export earnings (Ravenhill 1985, p. 91). About 90 per cent of Fiji's raw sugar was exported at premium prices under the Protocol. For the period of 1990-92 Fiji's quota allocation to the EU amounted to an average of 42 per cent of the country's total sugar production and 46.6 per cent of the country's total sugar exports (Tadulala 1998, para. 11). Fiji has had an annually guaranteed maximum access quota of 195,600 tonnes of raw sugar, or the equivalent of 165,380 tonnes in white sugar to the EU market (Lal 2008, p. 1). This was equivalent to 12.7 per cent of the total preferential quota (Tadulala 1998, para. 11). This was supplemented by a further quota of some 40,000 tonnes stemming from commitments under Lome IV to be allocated to sugar producing ACP states as European countries with cane refining capacity joined the EU (Grynberg 1996, p. 20). As a result Fiji made significant progress in the sugar industry, which by the 1980s transformed Fiji's four sugar mills into average size by world standards (Reddy 2003b, p. 377). By the mid-1980s, Fiji became known internationally, as an efficient producer and reliable supplier of high quality sugar (Reddy 2003b, p. 377).

Figure 9 illustrates the Sugar Protocol-led growth in the industry increased payments to farmers from 1989 to 1995 being compared to that world free market price, which would have been insufficient to cover the total payments made to farmers for the cane production. In the absence of the Sugar Protocol, Fiji would have been obliged to sell its sugar at the world free market price and by no means would the industry and country have seen such a marked progress. Without the

Sugar Protocol, Fiji and other ACP would have accessed other markets at premium prices, but on less generous terms (Grynberg & White 1998b, p. 58).

Figure 9: World free market prices and payments to farmers for sugar produced in Fiji (F$ million)

Season	World market price	Payment to farmers for sugar produced in Fiji
1989	175.1	190.5
1990	151.7	165.9
1991	103.8	172.0
1992	116.1	191.3
1993	143.1	182.0
1994	227.1	207.2
1994	168.2	218.6

Source: Fiji Sugar Corporation, Annual Report, 1990-96, reproduced from Grynberg & White (1998b, p. 58).

Moreover, the industry's growth through exports to European market had a significant effect in generating growth to the rural economy of Fiji. The Sugar Protocol enabled a rural industry that otherwise would not have developed. According to several interviews with farmers in the cane growing belts in Labasa, Nandi, and Lautoka between 2008 and 2011, and my own family experience in sugar cane production in Labasa, income from the cane farms substantially improved the living standards of the rural population and helped many households avoid the grim realities of rural poverty. In addition, cane cultivation and harvesting contributed to increased employment in the rural areas (Larson & Borrell 2001) as cane cutters, rail workers and truck drivers. Even with this assistance, Naidu and Reddy observed that on average, farmers obtained approximately F$5,902.02 (approximately US$2,400) per annum which is not sufficient to meet all the expenditure requirements of the farmers' household (Reddy & Naidu 2001). However, farmers were able to keep their expenses low in number of ways even with the insufficient and reduced sugar income. The vast majority of the farmers were self-sufficient with food production. Besides sugar cane cultivation the farmers' set aside land for subsistence cultivation and livestock breeding. During the non-harvesting season, farmers planted, rice, vegetables, legumes and root crops for household consumption. Extra produce and livestock was always sold in local markets such as at schools and rural health centres. Some farmers transported their produce to urban markets. In addition, farmers were also able to minimise labour costs by taking turns to help other farmers in the village during harvesting and planting season. Farmers also kept horses and bullocks to draw farm machinery and transport cane loads and other produce. For instance, preparation of land for cropping utilised plough and harrow pulled by animals. Bullock teams pulled wagonloads of cane to the nearest railhead from where industry locomotive engine pulled the cane to the mill. Women and children's labour on the farm also contributed significantly towards reducing labour cost payments. The main expenses incurred by farmers were for fertilisers and weedicides.

Therefore, the income from sugar production although not huge, significantly improved the living standards of sugar cane families. The vast majority of the farmers until the 1970s lived in grass-thatched houses. By the 1980s many were able to construct houses with iron roofing, wood and cement. My parents in the 1970s in the rural area of Coqeloa, Labasa were able to extend their small wooden and thatched house into cement and wooden premises. The vast majority of the rural population for long relied on kerosene lamps and wood for cooking. Sugar incomes helped some to electrify their homes with generators. Government energy supply was made available in rural areas only in the late 1990s. Running tap water also became available by setting up water pumps to pump water from wells. Many were able to get access to better medical facilities. One of the most important areas where famers invested was in the education of their children. My own family history and interviews with former farmer and current sugar farmers indicate that the education level since independence increased manifolds in the rural cane farming belts. Rising education levels had long-terms benefit in terms of further improvements in the farmers' socio-economic situation as the farmers' children started taking up employment in the non-agricultural sector. Although primary education was mostly state-funded, secondary and tertiary education required substantial costs for tuition, stationery, travelling, and boarding. By the early 1980s, many farmers, including the my parents had started sending their children to urban secondary schools for better education and for tertiary education, which until the early 1990s was only available in the capital, Suva. While the sugar industry did not continue indefinitely, it did allow a sector of the rural poor to step out of poverty, and be able to take up opportunities outside the sugar industry.

Therefore, on the national level the sugar industry-reliant socio-economic performance of Fiji has contributed significantly to the improvements in country's Human Development Index (HDI) which is relatively high and ranks as a lower middle income developing country. Sugar export growth in Fiji contributed to a decline in infant mortality, and an increase in life expectancy. As a result, Fiji's HDI value increased from 0.665 in 1975 to 0.762 in 2006 (The World Bank Database). Life expectancy in 1975 increased from 62 years to 68 in 2000. GDP per capita of US$1,186 in 1975 increased to US$4,255 in 2008 (The World Bank Database). While progress in the industry shaped the development of the country, domestic factors since the mid-1990s contributed to the destabilisation of the sustained progress the sugar industry. These are the political instabilities in 1987, 2000 and 2006, and the land tenure conflict that began displacing farmers since 1990s. The domestic uncertainty affecting the sugar industry unfortunately coincided with the EU decision to terminate preferential prices and make trade conform to WTO rules. The EU has gradually reduced preferential prices of the Sugar Protocol by 36 per cent since 2006. Such decision by the EU was concluded because the Lomé Convention for its non-reciprocal nature of trade has been constantly under attack since the inception of the WTO trade regime in 1994 (European countries, however, continue to subsidise their own agricultural sector).

To withstand the price reduction, the EU had agreed to provide funds for the restructuring of Fiji's sugar industry. The main aim of the restructure of the industry is to make it efficient, viable and competitive in view of the eroding sugar prices under new market conditions (Fiji Sugar Industry Official A, 2009; Fiji Sugar Industry Official C, 2009). The EU had promised an aid package of $F350 million spread over seven years beginning in 2006. Government reforms are underway to improve efficiency but this is occurring at a slow pace as the 2006 military takeover of the government has led to the cancellation of EU funds allocated for reform. The 2006 military takeover of the government followed by the government decision to defer national election and the consequent abrogation of the country's constitution resulted in the European Commission cancelling enormous aid allocation. The aid would have injected new life into the ailing sugar industry (Pacific Island Economist C, 2010; Fiji Sugar Industry Official D, 2009). In the absence of the EU funds, the current government has set aside $F130 million under the 2010 National Budget to assist in the fundamental reform and revival of the industry. However this total sum is relatively small to revive the four sugar mills with new technology and bring back all former farms into cane production and increase their efficiency and production capacity. The European

Commission has made clear to the current government that future allocations would only be available to an elected government (EU Official C, 2011).

The withdrawal of EU funds and the end of the Sugar Protocol prices have forced closure or scaling down of the industry and this is having devastating social and economic consequences. Vilaimae Gacake, the sugar economist of the Prime Minister's Office confirmed Sugar Protocol price paid to the FSC has decreased to $F858 from 1 October from a price of $F1192 per tonne before the expiry of the protocol (Fiji Times Online 2009). Production declined from 310,000 tonnes in the 2006 season to 208,000 tonnes in the 2008 season (Fiji Times Online 2009). The impact on the rural economy is catastrophic according my fieldwork observation and interviews with several farmers and Fiji sugar industry officials. Several of these interviewees raised concern that rural society is plagued with the worst poverty since independence. Several cane farms in the Labasa, Lautoka, Ba and Rakiraki areas are abandoned and left uncultivated due to non-renewal of leases leading to forced evictions. In my own village, about six wealthy farmers were forcefully evicted and their properties taken over by landowners in the aftermath of the 2000 civilian coup. Some farmers like my parent whose leases were not far away from expiry willingly left to escape politically-motivated crimes and the unpleasant situation of the forced eviction. Narayan and Prasad (2003) had projected that since 2003, there will be a decline in the total number of hectares of cane harvested and productive farms.

Therefore, the coincidence of the domestic problems affecting sugar industry and the EU's decision to terminate the Sugar Protocol and aid for restructuring the industry has brought the once most vibrant sector of Fiji's economy to a standstill. This is having a deleterious effect on Fiji's development. The rural economy and country towns have been suffering as cultivation by farmers is seen no longer viable due to the non-renewal of leases and the removal of the preference prices, as a result has brought reduced productivity and confidence in the industry. In addition, workers have been displaced by shrinking employment opportunities in sugar-related transportation, milling and processing occupations. This decline has led to rural-to-urban drift. Already, there is evidence that in the last two decades the 20 kilometre stretch connecting the capital Suva and Nausori town has been populated by rural dwellers that left cane farming. They are living an impoverished, peripatetic and unsettled life, and statistics indicate negative factors in term of health and future prospects on employment. Therefore, the decline of the sugar industry since the 2000 is generating rural-urban drift and is thus contributing to squatter settlements and slums. Large numbers of unskilled workers and growing informal sector in capital Suva. This is putting significant pressure on the urban development plans of the country.

Fiji and other ACP sugar producing governments have been desperately in search for another buyer with a deal that is equal if not better than the Sugar Protocol that Fiji's Mara secured in the 1970s. In mid-2011 Fiji government was able secure a deal in which the Tate & Lyle Refineries agreed to buy Fijian sugar for twelve months (2012) at a fixed price which, according to the Fiji Sugar Corporation (FSC) executive chairman, was better than the then world market price of 27 US cents per pound (agritrade 2011; Pacific Island News Association 2011). FSC is also seeking assistance from Tate & Lyle for a package deal to revive the industry. FSC asked help for increased technical assistance to increase sugar production and "safeguard the industry" in "a total package deal" (agritrade 2011; Pacific Island News Association 2011). However it remains unclear why the new deal is limited to only one year, given the scope for locking in a price above 27 US cents/pounds in the context of a global sugar production surplus and declining prices (agritrade 2011).

The EEC preferential price support for Fiji's sugar exports transformed the sugar industry into a key economic activity and export earner of the country which shaped the post-independence development of Fiji. The importance of the preferential price-supported sugar industry to Fiji's economy is evident in the Fiji's foreign since 1970s. The sugar proceeds go a long way in generating employment income and output throughout the economy. Some 31 per cent of the population is directly and indirectly reliant on the industry. The progress of the industry led to four large international standard milling and processing industries in the rural areas that would have been impossible, otherwise as Fiji did not have capacity to compete internationally market with other large producers. Milling and processing activities in the rural areas gave rise to country towns creating a vibrant rural economy. Payments to farmers for sugar were far more than the world market price. Sugar–reliant socio-economic performance of Fiji has contributed markedly to improvements in the country's HDI value which increased from 0.665 in 1975 to 0.762 in 2006. However, the sugar industry since the 1990s has faced a decline in cultivation, production, and exports.

While the Sugar Protocol was allowed to roll over in the Cotonou Agreement, the EU ended it in 2009 with gradual price cuts. This is part of the restructure of the relations to remove all the remnants of the Lomé Convention to conform all trade with WTO to rules with the aim of liberalising all trade. This factor combined with the withdrawal of a huge EDF allocated for the restructuring of sugar industry due to the 2006 coup, is significantly affecting the future development in the industry. These EU decisions, together with domestic problems affecting the sugar industry have brought uncertainty in the future of the already ailing industry. This is having a serious impact on Fiji's development. Workers have been displaced by shrinking employment opportunities in sugar-related occupations. The rural economy has experienced a decline as cultivation by farmers is seen no longer viable due to the non-renewal of land leases and the removal of the preference prices. These factors have as a result, led to reduced productivity and confidence in the industry.

Those farmers, particularly Indians who left cane farming due to non-renewal of land leases shave no intention to return. Those who are still cultivating are struggling to increase cane production with reduced income from falling sugar prices. Observations during my field work in Fiji and interviews in the period 2008-2010 reveal that vast stretches of sugar cane belts once covered with lush cane is now overgrown with shrubs. It is clear that the number of cane growers have declined drastically. Since EU has withdrawn all sugar sector aid, the government will have to secure funds from elsewhere for the much needed restructure of the industry. Studies by Prasad & Narayan (2008), Narayan & Prasad (2003), Prasad (2003) and Reddy (2003b) have suggested the restructure of the industry. Privatisation of the wholly state-owned Fiji Sugar Corporation and joint-venture options were suggested, however, the government has taken privatisation as the last option (Reddy 2003b). Discussions in the government on privatisation only started in 2010 (Fiji Government Official C, 2012). In the restructure plan, the government should move away from only producing raw sugar towards producing several types of sugar (raw, special, industrial, and white), and also produce electricity from bagasse and ethanol from molasses. With the falling price of raw sugar, diversification is crucial for the survival of the industry. Fiji should shift to producing white sugar for exports. The problems of lack of cane growers and the inefficient status of existing growers can only be solved by regrouping small farms into larger plot to help farmers take advantage of the economies of scale as evident in the Mauritian sugar industry. This would require government to put in place agricultural land-use policy to make more land for available for long-term development as about 83 per cent of land is customary-owned. Most importantly, the government should develop and implement an ambitious research programme that can support the industry with policy advice and scientific research and innovation at all levels in the sugar commodity chain.

4.5 PACP Countries' Tuna Fisheries Development in the Post-Independence Era

This section discusses the influence of trade preferences in the Europe-PACP relations in the development of the PACP countries' fisheries sector. Unlike the development of the sugar industry of Fiji with colonial links, the development of the fisheries sector in the PACP countries was a post-independence development project, which aimed to implement the NIEO principles. The ongoing trade preference over the years has been pivotal in terms of contributing a sustainable long-term policy for the development of a fish processing sector into an important export sector for the PACP economies. The expansion of the PACP countries tuna fisheries processing sector and increasing exports to Europe in the last decade has seen a strengthening of Europe-PACP relations in terms of the focus on tuna trade. This section is divided in three subsections on aspects of Europe-PACP fisheries: (i) an overview of the Europe-PACP fisheries relations; (ii) the significant change in the Europe-PACP relations brought by the inclusion of derogation to the Rules of Origin (also known as global sourcing) in the PACP IEPA aims to benefit the PACP countries fisheries sector; and (iii) the impact on the development trajectories of Solomon Islands, Fiji and PNG of their fisheries sector benefitting from trade preferences and improved RoO in the IEPA.

4.5.1 Overview of Tuna Fisheries Sector

In the 1970s, three PACP countries, Fiji, Solomon Islands and Papua New Guinea (PNG) established commercial tuna fisheries. The Solomon Taiyo Ltd (now Soltuna Ltd) of Solomon Islands and the Pacific Fishing Company (PAFCO) of Fiji started tuna canning facilities in the early 1970s and are the longest running canneries exporting to European market. The development of tuna canning factories in Papua New Guinea started from 1997. It has been argued that in the long term there is no other sector in the Pacific Islands where European trade preferences have been more significant than the case of the canned tuna export industry (Grynberg & White 1998a, p. 68). European countries continue to impose tariffs on processed tuna fish imports to protect their domestic canning industries. The trade preference offered to PACP countries' processed tuna gives the product exemption of this 24 per cent tariff. As a result, PACP exporters have been avoiding direct competition with suppliers from the Philippines and Thailand (Barclay & Cartwright 2007; Grynberg & White 1998a, p. 204). These preferences have been pivotal in providing the PACP countries with a source of advantage that allows them to cover the disadvantages of location size and high cost structures (Grynberg & White 1998a, p. 68).

The PACP countries' tuna fishing and processing industries a moderate development record since the 1970s. But in recent years, the continuation of trade preferences in the PACP group IEPA has led to a dramatic expansion of the industry with increased European involvement. In particular, improved RoO of origin to the preferences in the PACP IEPA have encouraged industrialisation in the PACP countries' tuna processing industry. Rapid development in the last decade has occurred in PNG and involves private foreign investors. Fiji's PAFCO and Solomon Island's Soltuna Ltd remain state owned enterprises (SOEs) although both are in close partnership with foreign private investors. The PNG government's intention for facilitating the development of tuna processing industries is largely influenced by its large tuna resources. The EU trade preference is seen as assisting the further growth of the processing sector. The recent rapid development of PNG's tuna processing sector and increasing exports to Europe has strengthened the Europe-PACP relations.

European countries over the years have been generally pleased to continue to offer trade preferences as they have access to PACP countries' rich tuna stocks for their markets, even though their interest in the Pacific Islands is minor compared to Africa. European intervention in the PACP fisheries sector is part of the EU interests to secure tuna resources. Over the years, the EU has become a major fishing power, the largest market in the world and a net importer of fish and fish products. The top five importing countries are Spain, Italy, UK, France and Germany (Campling, Havice & Ram-Bidesi 2006). The Spanish economy, in particular, relies significantly on its tuna processing and canning facilities. The European countries' ongoing economic interest to access PACP tuna resources was partly influenced by the depletion of tuna in their waters and in African waters due to unsustainable European fishing practices. European interest is also clear in maintaining the viability of European fishing firms and their canning and processing industries. This engendered European countries' dependence on external fish supplies meets the demands of their processing and canning sectors for employment and investment.

European imports clearly involve two products, canned tuna and tuna loins.[29] Initially, PACP countries supplied canned tuna to European countries like the UK and Germany which had no canning industries. Later, the importations of PACP countries' loins have become important in sustaining the large canning industries in countries like Spain, Italy, France and Portugal. The loining process is the most labour-intensive part of the tuna supply chain so European canning is more viable, with the loining done in locations of cheap labour. Europeans are interested in imports of loins and not raw tuna because the labour intensive tasks of producing "cleaned up" tuna loins from raw fish involve high costs in European countries. As a result, due to increasing labour costs, they prefer to source loins from destinations with cheap labour costs to support their canning industries. The imports of loin as an important raw material are crucial in supporting the

[29] Skinned and boned tuna which are vacuum sealed and exported to be reprocessed into canned tuna.

European canning industries. It is expected that European imports of loins will continue to grow (Hamilton et al. 2011, p. 34). In the last decade, the value of EU imported loin rose by 58 per cent, while in volume terms it grew by 46 per cent (Hamilton et al. 2011, p. 34). EU trade preferences are important to the logic of loining and the role of loin market will continue as long as European domestic canneries are protected (Hamilton et al. 2011, p. 34). European canners are relatively large importers of PACP countries' tuna loins (Blomeyer & Sanz 2012, p. 16). This contributes to the substantial proportion of canned tuna produced by Spain, Italy, France and Portugal to be marketed within the EU (Hamilton et al. 2011, p. 29). EU import tariff protection against relatively low cost imports and cost-reduction strategies and preferential rules of origins (RoO) are key to the commercial survival of the European fishing fleet and the domestic industries (Hamilton et al. 2011, p. 23).

Besides trade in processed tuna, the Europe-PACP fisheries relations also involve fisheries access agreements which allow European countries to fish in PACP waters. European countries for the past ten years have had access agreements known as the EU's Fisheries Partnership Agreements (FPA) [30] with ACP countries. The aim of FPAs has been supporting industries in European countries and their processing investments abroad. However, the central concern of this research is not to examine the impact of the FPA on PACP development, important and

[30] FPA generally concerns the ACP but have expanded to include all countries offering the EU fleet access to their fish. The FPA came into being in 2004 from the 2002 reform of the European Common Fisheries Policy (CFP). The EU's intention within the FPA is to strengthen partner countries' capacity to ensure sustainable fisheries in their own waters. The objectives of the FPAs was threefold; 1) to create opportunities for the European fleet, 2) to supply fish to the European market, and 3) to promote sustainable fisheries in the contracting state (Commission of European Communities 2002). The on-going reform of the CFP to be achieved by the end of 2012 will continue to address external fishing relations (Beatrice 2009). Unlike simple fisheries access agreements, FPAs are supposed to promote responsible and sustainable fisheries in coastal countries like the PACPs. In many cases, the FPA replaced the EU's previous bilateral access agreement also known as "cash for access" agreements. The access agreements have long been a feature of the CFP. Currently there are 20 EU FPAs with countries in Africa and in the Indian and Pacific Oceans (Fair Politics Makes Development Work 2010). Of the 20 agreements, 18 are with ACP states (Fair Politics Makes Development Work 2010).

demanding as these tasks are, but to consider those aspects of the FPAs which are important for tuna processing and related to European trade preferences. FPA actually did not have much impact on development of the PACP countries fisheries sector, so instead the focus is on the more influential trade preferences which have existed since 1975 for PACP canned tuna exports, and were extended to tuna loin exports in the IEPA. The research focuses on those aspects of the FPA which are important for tuna processing.

The establishment of the FPA with the ACP to some extent is influenced by failure of the EU's Common Fisheries Policy (CFP) that has governed European fishing industry since the early 1980s. The main aim of the CFP is to protect and benefit the EU's own fisheries and advocate economic, environmental and social sustainability (Fair Politics Makes Development Work 2010). However, the long on-going unsustainable practice of the European industry eventually brought about the failure of CFP. European fishing was environmentally, economically, and socially unsustainable, which led to the ultimate failure of the policy. This was confirmed by the EU's Maritime and Fisheries Commissioner, Maria Damanaki, who announced that about two-thirds of stocks in European waters are overfished which is a striking indication of degradation in what is supposed to be an environmentally aware part of the planet (Black 2011).

European concern to access tuna resources was further heightened because the world availability of fish has declined drastically. The U.N. Food and Agriculture Organization (FAO) reports that 85 per cent of the world's fisheries are now overexploited, fully exploited, significantly depleted or recovering from overexploitation (Tallontire 2004). In Europe, 63 per cent of the assessed fish stocks in the Atlantic and 82 per cent in the Mediterranean are overfished (Schroeer et al. 2011). A recent impact assessment by the European Commission concluded that if the status quo is maintained and fishing continues at current rates, only 9 per cent of European fish stocks will be managed at sustainable levels by 2022, despite the commitment by countries to manage all fisheries sustainably by 2015 (Schroeer et al. 2011). The growing demand for fish is for both quantity and quality (Coalition for Fair Fisheries Arrangements 2005). This makes the EU an important stakeholder in the PACP fishing industry as PACP EEZ still have rich fish stocks.

EU access to PACP tuna is both directly by EU fleets fishing in the PAC waters and indirectly by buying fish caught by fleets from elsewhere. Both are relevant for PACP relations. EU fleets have not been very active in the PACP countries compared to Africa. The main EU fleet interested in the PACP tuna is Spanish. The fisheries access agreement the EU negotiated with Kiribati in mid-2012 allows in total 10 Spanish flagged vessels to fish in Kiribati (4 purse seiners and 6 longliners) (Greenpeace 2013). The details of the agreement are complex. When it comes to negotiations the EU fishing industry wants a deal where they pay little and take a lot in return (Greenpeace 2013). The EU's deal makes no explicit reference to the regionally agreed Vessel Day Scheme (VDS), which has been adopted by eight Pacific Island Nations called the PNA of which Kiribati is a member (Greenpeace 2013). This means the EU fishing agreement with Kiribati does not require that their vessels apply the regional scheme. This is the key issue highlighted by the agritrade analysts stating that the agreement is a tonnage-based protocol, while the national Kiribati policy, in line with regional initiatives, is now to negotiate and provide access based on vessel days (according to VDS) (agritrade 2013). The VDS is important because it limits fishing days and allocates the days according to sustainably available tuna numbers (Greenpeace 2013). Once each country or fishing zone reaches their allocated days they have to close that area to fishing in order to not overfish the tuna fish (Greenpeace 2013).

PACP governments have moved away from single fisheries access agreements (like FPAs) given to Distant Water Fishing Nations (DWFN) and have in place various forms of licencing that favour domestic involvement and onshore investment (Barclay & Cartwright 2007, p. 2; Havice & Reed 2012, p. 414). The aim is to obtain more returns from the tuna resource, by encouraging development of domestic tuna industry and maximising returns from fisheries access agreements (Barclay & Cartwright 2007, p. 1; Havice & Reed 2012, pp. 413-4). For this, PACP governments are promoting private investments for the development of onshore canning and processing facilitates. EU fishing firms have indicated that at this stage they do not intend to expand their activities in the PACP region beyond the existing FPAs (Hamilton et al. 2011, p. 23). However, PACP governments have been able to persuade non-European investors to establish onshore processing facilities.

PACP countries are keen to capitalise on the abundant tuna resources in their waters. The PACP countries are located in the most important and largest tuna fishing ground in the world, the Western Central Pacific Ocean (WCPO). The global tuna supply chain to a great extent is dependent on tuna supplied from the WCPO, with almost 60 percent of global catch taken from the region (Hamilton et al. 2011, p. 47). PACP countries are the main stakeholders of the WCPO tuna resources and majority of the WPCO catch is taken from their EEZs (Hamilton et al. 2011, p. 47). PACP countries' Exclusive Economic Zones (EEZs) of the FFA produce about half the world's tuna. Annually they have been supplying over 1 million tonne, a quarter of the world supply, and valued at more than $US1.3 billion (DevFish Final Report 2010). Tuna has become the most marketable renewal resource PACP have in relative abundance.

As part of their fisheries management responsibilities, PACP countries are pursuing strategies to use their tuna resources to drive economic development (Hamilton et al. 2011, p. 47). For some PACP countries, tuna represents the only available resource for potential economic development (Hamilton et al. 2011, p. 47). EU-PACP tuna relations involve several European and PACP stakeholders which exert influences in formulating and implementing polices and managing of the PACP countries tuna resources. Some of the key European side of the stakeholders are; Directorate General Trade (DG Trade), Directorate General for Health and Consumers (DG SANCO), Directorate General Development and Cooperation, European Parliament (EP) Committee on Fisheries, EC Directorate General Maritime Affairs and Fisheries (DG MARE), Spanish Organisation of Producers of Frozen Tuna Vessels (OPAGAC), and national governments (Blomeyer & Sanz 2012). The Pacific side of the stakeholders include Parties to the Nauru Agreement (PNA)[31], Forum Fisheries Agency (FFA) [32] and national governments of the PACP group (Blomeyer & Sanz 2012). These different entities have different interests and perspectives (Blomeyer & Sanz 2012). As a result of this the fisheries negotiations with the PACP is burdened with complexities and inconsistencies. For instance, it is increasingly the PNA, rather than FFA, which is playing the key role in challenging the EU position on fisheries access to the Pacific. The complexities and inconsistencies are therefore clear in the PACP group and they had difficulty achieving unity and collective action as individual governments have different national interests regarding EPA. For instance, only Fiji and PNG initialled the IEPA to save their sugar and fisheries exports to EU losing preferences. Additionally, Kiribati's unilateral action outside of the PNA framework on tuna management in signing fishing access agreement with the EU in 2012 is another example. While these complexities of the Europe-PACP relations are interesting and demanding areas requiring research, it is beyond the scope of this research.

[31] PNA Members are Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Palau, Papua New Guinea, Solomon Islands and Tuvalu. All PNA signatories are members are PACP and FFA.

[32] FFA was established in 1979, with headquarters based in Honiara, Solomon Islands. FFA's 17 Pacific Island members are Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu. The PACP group excludes Australia, New Zealand and Tokelau. All eight PACP Lomé Convention signatories joined FFA when it came in to being.

4.5.2 Change in the Europe-PACP Tuna Trade Relations: RoO in Preferential Trade

The conditions of the RoO have been most notable of the provisions that determine preferential access of the PACP tuna fish exports to the EU market. In 2007/2008, PNG managed to convince EU to allow global sourcing. Under this provision, fish for processing can originate from another country, but will count as an ACP product and be exempted from the 24 per cent tariff when imported to the EU if it processed in the ACP country. Previously the fish had to be caught in an ACP country as well as processed in an ACP country, in order to be counted as ACP country product. So global sourcing made it easier for PACP processing to scale up as it is easier to source enough. The reform of the EU's stringent RoO by instituting the derogation to the RoO of fisheries products in the PACP IEPA is a significant change in the growing Europe-PACP relations based on tuna trade. In a recent review of RoO in the EPA between EU the ACP notes that derogation represents a "significant policy change" vis-à-vis the EU's general RoO policy (Blomeyer & Sanz 2012, p. 33). The derogation is also known as global sourcing (Blomeyer & Sanz 2012, pp. 33-4). This change in the Europe-PACP relations, provides prospects for diversification industrialisation in the PACP fisheries sector.

RoO are the legal framework within which the origin of goods, being not only sources from where they are shipped, but also where they are deemed to have been produced, is determined (Naumann 2005, p. 244). All trade whether it is conducted on a preferential or non-preferential basis requires such rules to determine the country-of–origin or the 'economic nationality' for imported goods (Naumann 2005, p. 244). The EU fisheries rules of origin have long been perceived as a source of contention due to its restrictive nature. Under the RoO of the Lomé Convention and the Cotonou Agreement, fish caught outside an ACP states' EEZ were granted originality status if the vessels that caught the fish complied with registration, ownership, flag state and employment conditions (Campling 2008a) . For instance, fish caught within the EEZ of an ACP state by a vessel owned by a third party country would not be treated as originating fish unless there was a joint ownership of the vessels of at least 50 per cent by the nationals of the ACP states, the EU (or its OCTs), or if the crew composition is at least 50 per cent of the national of the ACP, EU (or EU OCTs (Campling 2008a). Vessels would also need to be registered in and fly the flag of the ACP, EU or its OCTs (Campling 2008a)**.** This protection under the RoO was applicable to the EU tuna fleet, which prevented the PACP states from using fish caught by foreign non-EU vessels to produce "originating" fish able to be exported tariff free to Europe. ACP countries themselves did not have a sufficiently large locally owned fleet (Ponte, Raakjaer & Campling 2007, pp. 117-8) to obtain originating fish. In practice, this meant that the ACP states had to grant EU vessels preferential access to their EEZs as against those from third countries in order to maximise their processing industries benefitting from preferential access by duty concessions to the European market. The ACP countries claim that these rules have promoted rather than decreased dependency on the EU (Ponte, Raakjaer & Campling 2007, p. 117).

While the EU's trade preferences in the Lomé Convention and the Cotonou Agreement have been crucial in developing a canning industry in the PACP, the rules of origin have undermined the privatisation and commercial development opportunities. In support, Grynberg and White (1998a, p. 68) argue that canned tuna exported by ACP countries like Solomon and Fiji on a nominal margin of trade preference of 24 per cent, the EEC through strict rules of origin has constrained its full commercial development in the Lomé Convention period. It has been EU's fundamental interest to maintain such restrictive RoO so as to undermine the full commercial development of the fisheries sector whereby the primary purpose was to stop non-ACP and non EU investors taking advantage of the trade preferences arrangements (Grynberg & White 1998a, pp. 68-9). Campling (2011) also observed that PACP countries' potential to benefits from the EU duty preference on canned tuna and tuna loins had been constrained by the lack of RoO-compliant fish available in the region. This EU decision to keep the RoO rigid in Lomé Convention and the Cotonou Agreement demonstrates the EU pursuing its member's interests at the expenses of ACP development.

As a result, the RoO have acted as main obstacle for the development of commercial fleets in the region. In Fiji, the 51 per cent local ownership rule for fishing vessels reinforced state ownership of the fleet in the context of low private sector investment in fishing (Grynberg & White 1998a, p. 68). In Solomon Islands, it has provided legal support for state ownership of the entire pole-and-line fleet and canning operations in that country (Grynberg & White 1998a, p. 68). This undermined privatisation, and the corporate structures in Fiji's PAFCO and Solomon Island's Solomon Taiyo and kept them uncompetitive and struggling to maintain operations (Grynberg & White 1998a, pp. 68-9).

The restrictive nature of the EU RoO for fisheries has been a concern for the PACP countries. Given the rich tuna stocks in the PACP waters, the PACP are keen to develop tuna processing as a key export sector. PACP governments pushed for reformation of the RoO for trade preferences to access to European market crucial for the diversification and industrialisation. It was clear that PACP governments were using their commodity power to capture more value from an important and abundant economic resource. So, PACP countries who intended to maintain or develop new access to the EU market for tuna products, the extension of the Cotonou preferences into the IEPA has been fundamental. The Cotonou Agreement Annex V Protocol I, RoO lays the criteria to continue determining the economic nationality of the goods. This did not change much from the predecessor Lomé Convention. To benefit their growing fisheries sector, the central concern of the PACP countries in concluding the IEPA on free trade with the EU was to reform the RoO of the Cotonou Agreement. The IEPA negotiation on rules governing trade and market access for fish and fish products were complex, challenging and divisive for the PACP countries (Campling 2008a). Arriving to a mutually benefitting deal in an asymmetrical economic relation was not easy for the PACP states (Fiji Government Official C, 2011). The EU negotiators were adamant on offering only limited changes (Fiji Government Official C, 2011). The PACP negotiators, therefore, fiercely debated in nearly all IEPA negotiation to improve the RoO (Fiji Government Official C, 2011; PNG Government Official A, 2011).

After much tumultuous negotiations from 2004 to 2007, the EU Council of Ministers adopted a Market Access Regulation providing duty free access to those ACP countries which had already initialled a WTO-compatible IEPA with the EU (European Commission 2011). The EU policy-makers concluded a special derogation to the standard RoO which had eventually removed constrained RoO affecting fisheries exports and granted global sourcing provision in the PACP IEPA. This means for processed fish (covering canned tuna and cooked loins), global sourcing permits PACP states to source fish from any vessels regardless of flag or where it was caught, provided it has been ‘substantially transformed’ by a PACP based processing facility (Hamilton, Lewis & Campling 2011). Therefore, under the global sourcing concept, the PACP are able to source qualifying fish from a wider range of fishing vessels for onshore processing than under previous Cotonou Agreement (Hamilton, Lewis & Campling 2011)

The global sourcing, in fact, is one of the very few provisions negotiated in favour of the PACP countries and it was granted by the EU as “an exceptional concession”[33] according to the European Commission (Campling et al. 2011). This specific exception offered exclusively to PACP countries because of their historical lack of RoO compliant fish under the prior RoO due to

[33] This was stated in a letter from Fokian Fotiadis, DG MARE, European Commission, to Antonio Schiappa Cabral (Long Distance Regional Advisory Council), 29 November 2009. Subject: LDRAC advice on the interim Economic Partnership Agreement with ACP countries (Campling et al. 2011).

limited fishing capacity of PACP fishing fleet, reduced processing capability due to physical and economic factors, geographical isolation and distance from the EU market, as well as low identified risk of destabilising the EU market (Hamilton, Lewis & Campling 2011, p. 1). This is a significant change in the Europe-PACP fisheries relations that aims to benefit PACP fisheries industry. The European canning states, Spain and Italy, strongly criticise the global sourcing because PACP canners such PNG, is potentially a competitor for European canners and for their Latin American investments. Spanish canners have invested substantially in Latin America due to low-cost efficient labour (Blomeyer & Sanz 2012, p. 19). These investments are based in least developing countries (LDCs) that qualify for the EU's Generalised Scheme of Preferences Plus (GSP+) status allowing them duty free access to the EU markets (Blomeyer & Sanz 2012, p. 19).[34] These countries enjoy the same trade preference as PNG but without the global sourcing (Blomeyer & Sanz 2012, p. 19).

The global sourcing provisions are available to Fiji and PNG which at present are the only signatories of the IEPA. On 13 March 2008, PNG submitted a notification to the EU for use of derogation for processed tuna (Hamilton, Lewis & Campling 2011, p. 1). As of 2012, PNG firms had not used global sourcing but were intending to in near future (Blomeyer & Sanz 2012, p. 19). The government of Fiji had not yet implemented the IEPA or used the global sourcing. The PACP states are currently negotiating with the EU for a comprehensive EPA to replace the IEPA. The

[34] The EU's GSP+ has emerged from its standards Generalised Scheme of Preferences (GSP). GSP allows developing country exporters to pay lower duties on their exports to the EU (European Commission 2013). This gives them vital access to EU markets and contributes to their economic growth (European Commission 2013). Practically, this means partial or entire removal of tariffs on two thirds of all product categories (European Commission 2013). GSP+ offers enhanced preferences which means full removal of tariffs on essentially the same product categories as those covered by the general arrangement (European Commission 2013). GSP+ is granted to a developing country if it fulfils the vulnerability criteria (economic criteria), and certain criteria linked to ratifying and implementing 27 core international conventions on human and labour rights, sustainable development and good governance(European Commission 2013). Countries benefitting from EU's GSP+ are Armenia, Bolivia, Cape Verde, Costa Rica, Ecuador, Georgia, Mongolia, Paraguay and Peru El Salvador, Guatemala and Panama (European Commission 2013). Everything But Arms (EBA) is for Less Developing Countries (LDCs).

specific terms of the Fisheries Chapter of the EPA are yet to be finalised (PACP Fisheries Industry Participant A, 2013). Important issues on tuna trade remain unresolved (PACP Fisheries Industry Participant A, 2013). One of them is that the PACP stakeholders are of the view that global sourcing should be extended to other fish products, in particular fresh chilled and frozen fish ‘fillets’ and other product (Campling 2008b). This is of significant importance to the economic development of PACP states such as Kiribati which is unable to sustain tuna canning or loining plants due to economic constraints (e.g. small size, lack of potable water etc.).

While Fiji has initialled the IEPA, by 2011 it had not yet submitted to the EU the notification to utilise the global sourcing provision (The Fiji Times Online 2011). However, a joint venture with Kiribati to develop tuna processing in Fiji would result in the Fijian government submitting a notification to the EU for using global sourcing (Island Business Magazine 2012). Fiji-Kiribati joint venture in tuna processing is clearly influenced by the global sourcing provisions in the IEPA. The Kiribati government is currently setting up European food and safety standards to be able to commence work on the joint venture. The growing tuna industry and increasing exports to EU has led the Fiji government to focus on implementing the IEPA by devising a comprehensive trade policy (The Fiji Times Online 2011). In the hope of this Fiji has embarked on a national project to develop the country’s’ first Trade Policy Framework (TPF) in 2010 within which fisheries sector development features most prominently. The draft TPF is a broader framework identifying Fiji’s trade and economic interest for various sectors in international market (The Fiji Times Online 2011).

The long-term assurance for the current preferential treatment for the PACP is unclear. Southeast Asian countries are a major threat and can easily challenge PACP fisheries products in the European market despite the preferential treatment. Competition from South Asian countries can increase as they can push for more market access in Europe. Although the 24 per cent tariff remains in place for Southeast Asian competitor countries, PACP countries like Solomon Islands have a zero tariff. This trade preference has been directly and indirectly eroded. In 2002, Thailand and Philippines tuna producers requested WTO mediation to examine the extent to which the legitimate interests of these countries were being impaired as a result of EU's preferential treatment on canned tuna to ACP states. The matter was not a dispute within the terms of the Dispute Settlement Understanding of the WTO. A mediator was appointed to address the issue and an amicable outcome was reached among the p[arties based on the advisory opinion of the mediator. As a result, since 2003 annual quota 25,000t of Southeast Asian product may enter the EU with a 12 per cent tariff. Even with a tariff, Southeast Asian products are cheaper than PACP products. The quota is being renegotiated in the Doha Round of negotiations. The failure to complete the Doha negotiations in the WTO means there will be an increased emphasis on FTA. The increasing number of FTAs between EU and tuna processing countries of Latin America and with ASEAN group are of particular concern for PACP tuna producers (Campling 2008).

It is likely the Southeast Asian group of countries will push for more market access. Another way in which the PACP trade preferences in tuna have been eroded is that the GSP regime has since 2005 enabled several Latin American tuna producing countries to gain preferential trade access to the European market. Latin American countries supply 71 per cent of EU loin imports in 2005. Many of these economies have preferential trade access for processed tuna to the US market under free trade agreements. As a result, they may be able to generate economies of scale that reduce their costs to an internationally competitive level (Campling 2006).

Another potential threat to PACP preferential access to the EU is that Southeast Asian developing countries are eligible for the GSP standard 21.5 per cent tariff. This small drop from

24 per cent MFN tariff does not enable Southeast Asian producers challenged ACP producers in the EU market, but the ASEAN since 2009 has been pushing for the GSP to be lowered to 18.5 per cent. With GSP RoO, Thailand would not benefit much as they do not have tuna fleet, but Indonesian and Philippines have large fleets, and at 18.5 per cent reduction, their products can easily challenge PACP products in the European market (Campling 2006).

The inclusion of derogation to the RoO of fisheries products in the PACP IEPA is a significant change in the Europe-PACP tuna trade relations. It was hard fought by PNG negotiators particularly to maximise benefits for their fisheries sector. It is in some ways in EU interest also because the derogation to RoO potentially increases the supply of loins to European canneries (Blomeyer & Sanz 2012). But EU has also been strenuously resisted by the Spanish industries possibly because it poses competition to Spanish loining investments in Latin America (Blomeyer & Sanz 2012). The PACP used their commodity power to reform the RoO which now facilitates diversification and industrialisation in PACP fisheries sector.

4.5.3 Fiji Fisheries Case Study

Upon independence in 1970, the Fijian government was keen to develop the agricultural and fisheries sector to facilitate the country's post-independence development. While sugar was the key exporting sector and was well established in the 1970s, the government wanted to capitalise on fisheries resources and develop another primary production sector so that exports of both sectors to European market could benefit from the Lomé Convention's trade preferences. Levuka (the old capital of Fiji) on the Island of Ovalau had been used as a fish transhipment depot since the 1950s. The government allowed the Japanese firm, C. Itoh in the early 1970s to establish the cannery, Pacific Fishing Company (PAFCO) cannery on the site. To supply raw tuna for processing, the government established Ika Corporation for pole-and-line skipjack tuna fishing under the UNDP assistance, as there was no private sector interest in developing pole-and-line fishing (Barclay & Cartwright 2007, p. 92). This governmental support was part of facilitating Fiji's post-independence development plan as a NIEO project (PACP Negotiator A, 2010). From the late 1980s, private sector fishing companies started pole-and-line fishing skipjack tuna to supply to PAFCO cannery.

The expansion of PAFCO was significantly influenced by the availability of trade preference for PACP exports to European markets. PAFCO started benefiting from the Lomé Convention preferences exporting to UK from 1978 (Barclay & Cartwright 2007, p. 98). The industry was known for its high quality tuna in the UK and Canadian markets as illustrated by Figure 10. In addition to the benefits from duty-free market access, two factors clearly show PAFCO's commercial success from the Lomé Convention. First, PAFCO's main market was the UK where the market price for canned tuna was relatively high compared with alternative European markets (Havice & Campling 2013, p. 2620). Second, PAFCO received the price premium because their fish was caught using the labour-intensive pole-and-line method. Sainsbury's, a leading UK supermarket chain marketed PAFCO's canned tuna at a premium price because of the pole-and-line gear used, which was more environmentally friendly compared to other fishing methods (Havice & Campling 2013, p. 2620). PAFCO's canned tuna became well known in UK because Sainsbury's promoted it through its private label (Havice & Campling 2013, p. 2620). The sales of canned tuna under a range of upmarket brand names suggests that PAFCO had secure market position in the UK if it could supply the products in adequate quantities (Grynberg & White 1998a, p. 74). The importance of the UK market to PAFCO is shown in Figure 10 illustrating the percentages of PAFCO's sales by quantity and value. Figure 11 shows the trend in market share of the various ACP countries benefiting from the trade preferences. Compared to other key ACP tuna canners, PAFCO was a large exporter in the ACP group.

In 1987, the Japanese firm withdrew from PAFCO cannery (Barclay & Cartwright 2007, p. 98). The Fijian government took over the operations as the major stakeholder (Barclay & Cartwright 2007, p. 98), and the single cannery became the second largest supplier of canned tuna to the rapidly growing European market (Havice & Campling 2013, p. 2620) as illustrated in Figure 11. However, the period from 1993 to 1996, was low productivity years, evident in the Figure 11. Eventually, in the late 1990s, the industry went into severe financial difficulty for various reasons including a lack of supply of fish, depressed market prices, and high operating costs (Sullivan & Ram-Bidesi 2008, p. 9). Price pressure competition in the UK retail market forced prices to decline (Barclay & Cartwright 2007, p. 210). In particular, despite a more than adequate tuna resource in Fiji's EEZ over the fishing season, PAFCO was unable to secure an adequate supply of tuna (Grynberg & White 1998a, pp. 73-4). The Ika state-owned fleet which supplied to PAFCO became inefficient and unprofitable over the years (Grynberg & White 1998a, p. 76). This led to unplanned periodic shutdowns of PAFCO. A change in management policy on remuneration could have improved the supply of fish (Grynberg & White 1998a, p. 74).

While the EU was an important actor in the creation of the canning industry in Fiji through its margins of trade preferences, it has also through its RoO deterred its commercial development (Grynberg & White 1998a, p. 68). In Fiji, the 51 per cent local ownership rule for vessels reinforced state ownership of the fleet until the late 1990 (Grynberg & White 1998a, p. 68). The RoO thus acted as a significant impediment to the development of commercial fleets and did not succeed in their primary purpose which was to stop non-ACP-EU actors from taking advantage of the trade preferences rules (Grynberg & White 1998a, pp. 68-9). Given the intense competition PAFCO faced from Thailand exporters, the RoO effectively blocked competitive forces and decreased the possibilities of privatisation (Grynberg & White 1998a, pp. 68-9). The EEC rules of origins constrained the potential operators, who were foreign, from buying the fleet (Grynberg &

White 1998a, p. 74) because of the RoO. Therefore, EU RoO for trade preferences has distorted ownership and corporate structures in Fiji.

As a result, towards the end on 1990s it became unfeasible for PAFCO and Ika to operate profitably despite the trade preference for exports to Europe. Nonetheless, since PAFCO was one of the important SOEs in which governments invested a great deal and has been crucial for the development of Ovalau and the neighbouring island's economy, the government could not let it collapse. The industry was revived by F$10 million Fijian government funds and A$17 million worth of Australian government aid (Barclay & Cartwright 2007, p. 98).

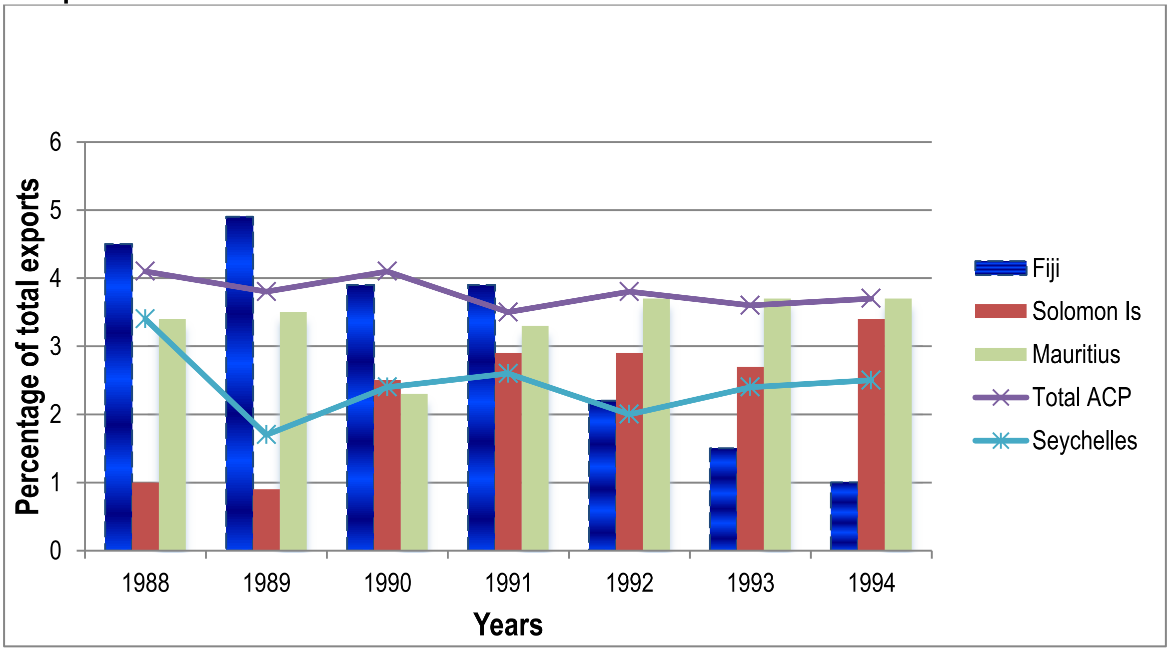
The industry gained strength in 1999 when the government entered into an agreement with Bumble Bee International, a North American canning company (Barclay & Cartwright 2007, p. 98). Under the Bumble Bee management, PACFO's market shifted to the United States and also shifted from mostly producing canned products to mostly exporting tuna loins (Sullivan & Ram-Bidesi 2008, p. 9). Exporting tuna loins has been a more viable option and helped revive the industry as there is a large market for the product. Frozen cooked loins are exported to canneries in California and canned tuna to Clover Leaf of Canada because of no duty on imports of canned tuna into Canadian market (Barclay & Cartwright 2007, p. 99).

Figure 10: PAFCO's Sales to Markets (Percentage of Market Share)

	UK		Canada		Japan		Other	
	Value	Qty	Value	Qty	Value	Qty	Value	Qty
1988	54	42	37	32	6	19	3	7
1989	57	58	34	20	6	15	3	4
1990	60	61	33	22	4	8	3	9
1991	56	60	39	28	2	8	3	4
1992	56	62	35	27	3	4	6	7

Sources: Pacific Fishing Company in Grynberg & White (1998a, p. 75).

Figure 11: Solomon Islands and Fiji Market Share in the EU Canned Tuna Market Compared to Other ACP Sources



Source: South Pacific Economic and Social Database, National Centre for Development studies, ANU, Canberra in Grynberg & White (1998a, p. 70).

PAFCO's strength included preferential European market access offered in the Lomé Convention. The industry's growth would have been impossible without the trade preferences, given losses incurred terms of government revenue in the 1990s (Grynberg & White 1998a, pp. 76-8). Being the only large commercial activity at Ovalau, PAFCO operations had a significant impact on the socio-economic development of the island. The industry has a profound influence on the activities in Levuka town to the magnitude that the town's economy is almost entirely reliant on the industry. With the expansion of the PAFCO over the years, infrastructural development such water supply, electricity, telecommunication, wharves and airports have contributed to the development of other businesses and related activities in Levuka town. In terms of employment opportunities for Ovalau and the neighbouring island's population, PAFCO has been the main source of employment. PAFCO provides jobs to about 70 per cent of the Ovalau's workforce (Barclay & Cartwright 2007, p. 99). In 2005, PAFCO employed about 800 locals (Barclay & Cartwright 2007, p. 99), and by 2011, the numbers had increased to 1000. However, the closure of the industry for six months in 2011 reduced the number of employees to 200 (fijilive News 2013). In 2012, the industry reopened retaining all the 1000 employees (fijilive News 2013). Some 70 per cent of the workforce are women who travel from every part of Ovalau (atuna 2013).

The industry, therefore, has been important in providing formal employment and cash income that had not existed on Ovalau. Almost the entire population of Ovalau was engaged in subsistence economy until the establishment of the PAFCO. Though PAFCO wages in the past were not attractive, it was crucial in improving the employees' livelihoods and living standards as vast majority of Ovalau's population lived below the poverty line.[35] However, poverty for much PACP rural population is seen as hardship as subsistence economy contributes significantly for their

[35] The World Bank has set the international poverty line threshold of $1.25 per day (Pogge 2008, pp. 27-8). This is controversial as each nation has its own threshold for poverty line.

survival (Pacific Islands Economist A, 2009). With income from PAFCO, people at Levuka were able to build corrugated-iron roofed houses (Barclay & Cartwright 2007, p. 99). Though many parts of Ovalau still lack key basic services like tap water, proper sanitation and household electricity, it is clear that employment opportunities at PAFCO has prioritised greater access to formal education and medical facilities (Pacific Island Economist A, 2009). So the social aspects of PAFCO have always been important (Barclay & Cartwright 2007, p. 99). However, employment conditions needed improvements. Like elsewhere in the world, women form the backbone of labour on lines in the cannery (Bain 1994). The heat, the long hours of standing, limited tea and lunch breaks, and the smell of fish have been the common complaints of PAFCO workers (Bain 1994). Discipline was stringent, with talking banned on lines, toilet visits discouraged and wage deductions were made for late arrivals (Bain 1994). Pressures to raise output were stressful (Bain 1994). Souring of relations between workers and management in the early 1990s led to a bitter strike by workers in 1993. The conflict between the management and workers combined with the lack of tuna supplies for processing led to low levels of sales in 1992 and 1993 which caused PAFCO to fail to break even in these two years (Grynberg & White 1998a, p. 74).

The new company Bumble Bee was also committed to maintaining the operation on the island for socio-economic reasons (Barclay & Cartwright 2007, p. 99). Additionally, the Fijian government throughout was committed to maintaining PAFCO at Levuka for social reasons, to make communities on Ovalau Island economically viable (Barclay & Cartwright 2007, p. 99). Therefore, PAFCO's reliance on the trade preference and in particular the premium price paid by Sainsbury firm was significant for the survival of PAFCO which contributed to the socio-economic development of the island of Ovalau.

In the 1990s, PAFCO's market shifted to the US under Bumble Bee management and as a result the industry no longer was involved in the Europe-PACP relations. While Fiji has signed the IEPA with EU, it had as of 2012, not submitted a notification to EU to utilise the 'global sourcing' derogation. PAFCO has been commercially uninterested in the EU market because of its contract with Bumble Bee cannery in Sante Fe Spring, USA is unlikely to change unless the cannery is closed (Hamilton, Lewis & Campling 2011, p. 169). In addition, PAFCO has focused on the processing of albacore tuna loins, which are not in high demand in Europe (Hamilton, Lewis & Campling 2011, p. 169).

Nonetheless, trade preferences enjoyed by PAFCO have clearly contributed to a long-term policy development in Fiji's tuna economy. Fiji's tuna industry made significant progress in the last two decades as number of private companies involved particularly in longline fishing has emerged. These are Golden Ocean Fisheries Ltd, Solander (Pacific) Ltd, Voko Industries, Sea Quest, Tosa Busan (Fiji) Ltd, Celtrock Holdings Ltd, Hangton Pacific, the Fiji Fish Group Ltd and Tri Pacific Ltd. Their fishing activity is mainly in Fiji's EEZ which covers a large area of some 1.3 million square kilometres and other waters of Vanuatu, Solomon Islands and the high sea pocket adjacent to Fiji waters (Fiji Trade and Investment Bureau 2009). As the cannery price of skipjack declined, the companies changed from pole-and-line to longline fishing targeting *sashimi*[36] and albacore tuna steak markets in the 1990s (Barclay & Cartwright 2007, p. 92). Investments in longline fishing increased in the 1990s and boomed in early 2000 (Barclay & Cartwright 2007, p. 95). In addition, some longline private companies have also developed fish processing facilities in Fiji and are involved in both semi and full processing of fish, i.e. heading, gutting, loining, filleting and value adding for exports markets and small quantity for domestic market (Fiji Trade

[36] *Sashimi* is a Japanese delicacy consisting of very fresh raw fish sliced into thin pieces.

and Investment Bureau 2009). Key exports are chilled or cooked tuna loins and *sashimi* to Europe, Japan and the US.

Fiji Fish, the largest longline company has made significant contribution in Fiji's tuna economy. It is a local long running company started in the late 1970s. Fiji Fish had some 40 vessels operating in 2005 (Barclay & Cartwright 2007, p. 96). Some longline fleet has also entered into joint ventures with Taiwanese vessel owners (Barclay & Cartwright 2007, p. 96). Based at Lami, adjacent to Suva city, the industry contributed to the infrastructural development in terms of a new jetty that caters for the growing fishing vessel traffic that use Suva as their base (Fisheries Industry Participant A, 2013). The jetty has enabled more efficient loading /unloading turnaround time for the increasing vessel movements (Fisheries Industry Participant A, 2013). In addition, a new fuel line is installed to cater for the increased traffic (Fisheries Industry Participant A, 2013). The industry also has a loining plant to export tuna loins and steaks (Fisheries Industry Participant A, 2013). The industry employs approximately 700 locals (Fisheries Industry Participant A, 2013). Fiji Fish has European Union accreditation and is exporting to London, Austria and Germany (Fisheries Industry Participant A, 2013).

Solander (Pacific) started in 1988 as pole-and-line fishing for skipjack tuna supplying to PAFCO cannery, but since mid-1992, it changed to longlining targeting *sashimi* market (Barclay & Cartwright 2007, p. 92). Solander is a New Zealand longline company, with its Pacific branch fishing in Fiji waters since 1992 and has sold 30 per cent of its shareholding to Fiji citizens (Barclay & Cartwright 2007, p. 95). According to interview conducted by Gillet in 2012, the company currently operates 13 longline vessels (Barclay 2013, p. 31). Gillet also notes that the number of employees in 2002 increased from 142 to 400 in 2012 (Barclay 2013, p. 33). As of 2005, the company contributed to Fiji's economy by investing more F$12 million, including $8.9

million on the fleet and $2 million on shore infrastructure for processing (Barclay & Cartwright 2007, p. 96). Another large firm, Golden Ocean Fish Ltd has been in operation since 2000. The industry's main business is longline fishing, processing and exporting of tuna and other deep sea fish. It has a fleet of more than 30 longline fishing vessels that fish within the Fiji's EEZ and its neighbouring Pacific Island countries. According to data compiled by Gillet in 2012, the industry has approximately 200 employees (Barclay 2013, p. 33). The industry exports loins and steaks to European countries such as United Kingdom, Spain, Italy, the Netherlands, and France. The Voko industry is based on the outskirts of Suva has a cannery but cans mackerel fish for domestic markets. As a result of several years of development, overall the fisheries sector has become the third largest natural resource sector in Fiji,[37] contributing F$91.9 million per annum to the national economy and approximately 2.7 per cent of Gross Domestic Product (GDP) (Techera & Troniak 2009, p. 12). In addition, the fisheries sector contributes indirectly to the tourism industry, which makes approximately twice the contribution to GDP of the fisheries sector (Techera & Troniak 2009, p. 12). Future benefits for exports to European market exist as Fiji is a signatory of IEPA which provides global sourcing provision. This offers Fiji the potentials of diversifying the tuna industry and increasing exports to European market. However, Fiji has not yet submitted a notification to the EU to use the global sourcing principle.

Since these industries increased their exports of tuna products to international markets, to boost trade and investment in the tuna industry, the Fiji government required reforms in trade and exports regulations to meet international food safety standards. With the hope of exporting to the European markets, with assistance from the Fiji Trade and Investment Board (a statutory body which comes under the Ministry of Trade and Commerce that aims to facilitate trade and investment opportunities in the country), Fiji implemented the EU's international food and safety

[37] The two leading sectors are sugar and other agricultural crops.

standards and established a Competent Authority (CA), which is Fiji's Ministry of Health. The CA was established by assistance of €137,000 from the EU in collaboration with the ACP Secretariat as the implementing agency (Barclay & Cartwright 2007, p. 98). Fiji has also upgraded its Food Safety Act 2003 by implementing the Hazard Analysis Critical control Point System (HACCP)[38], and the Standard Sanitation Operating Procedures Plan (SSOP) (Fiji Times Online 2012). PAFCO products, however, did not fully meet the international requirements and became downgraded to "List two" status in May 2008 due to deficiencies identified with Fiji's CA in being able to effectively guarantee that Fiji's fish exports meet the EU's strict SPS regulations (Campling et al. 2011). In the three years after losing access to the EU market, Fiji finally received approval from the EU DG Sanco to recommence exporting fish and fisheries products (Campling et al. 2011). Fiji regained its "List I" status, in 2012 and may now export to the entire EU member countries. Fiji aims that by 2015, all food establishments and food business operators should be HACCP certified (Fiji Times Online 2012).

Golden Ocean, Fiji Fish, Solander, Sea Quest and Tri-Pacific have upgraded their factories and vessels to meet EU standards and are considered "List I" exporters now. They also comply with HACCP accreditation standards. Their exports of non-sashimi grade fresh-chilled and frozen tuna to the high value for tuna steaks and *sashimi* market outlet in EU. The European markets for Fiji's exports are United Kingdom, Spain, Italy, The Netherlands, Austria, Germany and France. Therefore, the extensive process of putting in place, in particular, the European standards and establishing a CA in Fiji has significantly upgraded Fiji's food export regulations, and increased Fiji's competency internationally. In addition, for the sustainable development of the fisheries

[38] HACCP is a systematic preventive approach to food safety and biological, chemical, and physical hazards in production processes that can cause the finished product to be unsafe, and designs measurements to reduce these risks to a safe level. In this manner, HACCP is referred as the prevention of hazards rather than finished product inspection. The HACCP system can be used at all stages of a food chain, from food production and preparation processes including packaging, distribution and so forth.

sector, Fiji has signed a number of regional international fish and marine related conventions: United Nations Convention on the Law of the Sea; Convention of Biological Diversity; Convention on the Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean; The Wellington Convention for the Prohibition of Fishing with Driftnets in the South Pacific; Niue Treaty on Cooperation in Fisheries Surveillance and Law Enforcement in the South Pacific.

Therefore, the fisheries sector will continue to play a central role in the social and economic fabric of Fiji. The development of PAFCO into a large canning facility was significant influenced by the trade preferences of the Lomé Convention. Over the years, PAFCO has benefitted from trade preferences and become a large canned exporter of ACP group, and known for producing quality tuna for UK's Sainsbury chain of supermarket. PAFCO's reliance on trade preference was fundamental to the socio-economic development of the island of Ovalau. Levuka town's economy largely flourishes from the activities of PAFCO, as it is the only commercial activity of on Ovalau. Fiji's tuna economy continued to grow in the 1990s and 2000 with increased private longline fishing companies which have established tuna processing facilities. These companies over the years have become exporters of tuna loins and *sashimi* for European countries. However, in 1999, PAFCO after coming under Bumble Bee management shifted its market for tuna products to the US and Canada, is no longer a stakeholder in the EU-PACP fisheries relations.

Over the years, the tuna industry has become an export sector of Fiji and contributes to the economy in terms of foreign earnings, formal employment opportunities for locals, infrastructural development and several kinds of spin-off and associated businesses. To facilitate trade and investment in the tuna industry and improve Fiji's competency in international markets, Fiji has upgraded its trade regulations to ensure compliance with EU standards and other international food safety standards.

4.5.4 Solomon Islands Fisheries Case Study

Solomon Islands commercial tuna fisheries, was a started by Taiyo Gyogyo of Tokyo in 1971 as pole-and-line fishing with a small cannery and fish smoking plant. At the time, Solomon Islands were a British protectorate, so the agreement was secured between Taiyo Gyogyo and the British colonial administration. Solomon Island became fully self-governing in 1976 and achieved independence in 1978. In thinking about the country's post-independence economic development, Taiyo Gyogyo was considered a suitable foreign investor because it was a wealthy multinational company which in the post-war period pursued strong policy of diversification. It had more than seventy subsidiary companies (Meltzoff & LiPuma 1983, p. 13). At the centre was fishing and processing (Meltzoff & LiPuma 1983, p. 13). Its fishing record was excellent and it also had interest in the development of a shore base that would add value to tuna and provide employment opportunities (Barclay & Cartwright 2007, p. 203). As a result, in 1973, a joint venture agreement between Taiyo Gyogyo and the Governing Council was endorsed giving rise to Solomon Taiyo Ltd which opened its first shore base at Tulagi near capital Honiara (Barclay & Cartwright 2007, p. 203). In the same year a cannery commenced modest production (Meltzoff & LiPuma 1983, p. 15). In 1976, the second shore base was opened at Noro Western Province (Meltzoff & LiPuma 1983, p. 15). The Noro base expanded and became fully functional to replace the Tulagi base in 1990 (Barclay & Cartwright 2007, p. 203). The Solomon Taiyo cannery was a bigger venture than the PAFCO. It began employing large numbers of locals and by 1999 the factory employed about 2,500 locals (Barclay & Cartwright 2007, p. 204).

To sustain production, regular supplies of tuna were important. To begin with, Solomon Taiyo relied largely on its own fleet for catches. It had about 20 medium pole-and-line vessels and one group purse seiner (Barclay & Cartwright 2007, p. 203). In 1978, another pole-and-line company, National Fisheries Development (NFD) was established as a joint venture between Solomon

Taiyo and the Solomon Islands government with the aim that NFD catches be sold through Solomon Taiyo (Barclay & Cartwright 2007, pp. 203-4). However, in 1990 NFD was privatised and by 1999 its pole-and-line became uneconomical. (Barclay & Cartwright 2007, p. 204). NFD became owned by Tri Marine International, a tuna trading company. Solomon Taiyo's own fleet was never profitable because the vessels were too old according to the Solomon Islands government (Barclay & Cartwright 2007, p. 204). In the 1990s, other longline Japanese companies have been operating in Solomon Islands, such as Solgreen but caught *sashimi* for export rather than supplying Solomon Taiyo (Barclay & Cartwright 2007, p. 205).

Over the years of operation, Solomon Taiyo remained operational, but the Japanese investor company decided to withdraw in 2000 due to a number of reasons (Havice & Campling 2013, p. 2619). Fish supplies for processing reduced because since 1998 to 2002, global tuna declined drastically (Solomon Islands Diagnostic Trade Integration Study 2009, p. 269). The other external factor was that the UK buyers were no longer willing to pay a premium prices but were interested in the same quality and "environmental friendliness" (Barclay & Cartwright 2007, p. 210). The Japanese firm found the venture uneconomical with the loss of premium prices, in particular. In addition, political tensions in Solomon Islands during 1999 to 2002 also disrupted the operation and reduced production. To maintain the jobs, infrastructure, and foreign exchange earnings associated with processing, in 2001, the Solomon Islands government acquired all shares and renamed the fully government owned firm Soltai Fishing and Processing (Havice & Campling 2013, p. 2619). However, production kept declining (Solomon Islands Diagnostic Trade Integration Study 2009, p. 269) and Soltai's financial situation worsened nearing insolvency. The factory was refurbished, supported by government investment and overseas aid (Barclay & Cartwright 2007, p. 209).

The situation of the company as a whole was improved somewhat in 2004 when Soltai entered into a processing contract with NFD and its parent company, Tri Marine and set up a marketing arrangement with canners in Italy and Spain to sell loins produced by Soltai (Havice & Campling 2013, p. 2620). Soltai exports of loins to an Italian company which buys it free on board prices (f.o.b) meaning Soltai escaped the risk of the freighting process (Barclay & Cartwright 2007, p. 210). Loins are sold to Italy under the Cotonou Agreement and thus escape the 24 per cent tariff (Barclay & Cartwright 2007, p. 210). Since the fishing side of Soltai continued to suffer (Solomon Islands Diagnostic Trade Integration Study 2009, p. 270), even the loining agreement did not improve Soltai's production situation. Soltai's pole-and-line had peaked at more than 30 vessels in 1986 and in 2006, the fleet was reduced to only a couple of vessels operating (Barclay & Cartwright 2007, p. 210). By 2008, Soltai's pole-and-line fleet collapsed and its heavy financial losses reduced the processing side of the company (Solomon Islands Diagnostic Trade Integration Study 2009, p. 270). In 2007-2008, the government injected more funds for a new cold storage to allow the loining to operate at its full capacity (Solomon Islands Diagnostic Trade Integration Study 2009, p. 276). Then in 2009, Soltai entered in partnership with Tri Marine International with the hope to boost processing (Barclay 2013).

The main attraction for Solomon Taiyo for processing canned tuna was the preferential trade access to European markets. Solomon Islands exports to Europe initially started in 1976 under colonial administration as confirmed by Meltzoff & LiPuma (1983, p. 15) who observed that the joint venture exported canned skipjack to the EEC, and small amounts to Japan. Since Solomon Islands had already exported to the European market under British protectorate, upon independence, the government was more than happy to sign the Lomé Convention to continue exporting to benefit from the EEC's trade preferences. Trade preferences significantly contributed to the substantial increase in Solomon Islands market share since the 1980s as depicted in the

Figure 11. Sainsbury's was the main buyer for Solomon Taiyo Ltd which purchased 90 per cent of Solomon Taiyo's product (Barclay & Cartwright 2007, p. 96). Sainsbury's paid a premium price for canned tuna because of its quality meat and the "environmental friendly" pole-and-line method of fishing. By 1999, Solomon Islands became the largest domestic-based tuna cannery industry of all the Pacific countries in terms of volume and value (Barclay & Cartwright 2007, p. 206). Currently Solomon Islands benefits from the EU's EBA provisions available in the Cotonou Agreement. Solomon Islands is on the LDC status, therefore is eligible for the EU duty free concession through Europe's concessionary tax regimes for the LDCs under the EBA, while other PACP countries are eligible for tariff preferences under the "standard" Generalized System of Preferences (GSP) Scheme.

Solomon Taiyo was crucial in the post-independence capitalist development of Solomon Island capitalist economy. However, despite the years of trade preferences, Solomon Taiyo rarely made profits throughout its entire history (Grynberg & White 1998a, pp. 82-3). Nonetheless, Solomon Taiyo's employment contributed to the socio-economic betterment of the Noro local community. The vast majority of Solomon Islanders continue to live below the poverty line. Solomon Islands ranks 143th out of 187 countries on 2013 UNDP Human Development Index (HDI) ranking, classifying the country as having "medium" human development. Improvements in the HDI ranking over the years to a great extent were contributed by Solomon Taiyo and the associated businesses. The industry was important in providing formal employment and cash income, which had not existed around Noro. Reliance on subsistence economy was the main source of survival. The Noro facility employed large numbers of local people. According to the South Pacific Project Facility Report (1999), by 1999, the cannery had about 3000 employees (Barclay & Cartwright 2007, pp. 204-8). Large of numbers of women in particular have been employed in the processing and packaging activities. Although wages were not very attractive, it was crucial in contributing to employee's living standards. Most importantly, with the household income from Solomon Taiyo, the local community was able to access education and medical facilities which were initially difficult for many of the population to access.

In addition, the Solomon Taiyo aimed to be an efficient producer contributed directly to the development of human resource. The Japanese managers of Solomon Taiyo had stressed performance and productivity as early as 1975. For human resource development for the industry, the EEC had provided EDF to Honiara Technical Institute (HTI) to deliver programs to train workers of the fisheries sector (Meltzoff & LiPuma 1983, p. 41). At the time, Solomon Islands was not a signatory of the Lomé Convention as it was still British protectorate, so Britain as a major colonial power of the EEC directed Lomé Convention's EDF for developments in Solomon Islands. This was part of the development planning for independence within the broader NIEO agenda of the 1970s to assist Solomon Islands economic growth.

Moreover, the Noro facility has been crucial in the development of the Noro urban centre. The industry has generated "spin-off business", such as in consumer retail, wholesale, banking, transport, hardware sales, hospitality and fresh produce market (Barclay & Cartwright 2007, p. 208). Over two decades since the establishment of Solomon Taiyo, the town's port grew, becoming the second biggest in Solomon Islands, as a result of the expanding operations of the industry. Housing, roads, wharves, electricity, water and other infrastructural development at Noro were built as the cannery expanded (Solomon Island Government Official B. 2010). By mid-2000, the Noro cannery became a key player in the Solomon Islands capitalist sector in terms of having large turnover, providing employment and human resource development, and generating government revenue through duties and taxes (Barclay 2008, p. 110). For three decades up to 2000, tuna exports formed a significant portion of the total exports of the country was between 20 and 46 per cent (Barclay & Cartwright 2007, p. 208). As per Figure 11, significant increase in exports started since the late 1980s. The industry production and employment increased. Government revenue also increased but costs remained high and the company was still not profitable (Grynberg & White 1998a, pp. 79-81).

Exports to European market over the years have made Solomon Islands internationally competent in trade. To continue exporting to European markets, Solomon Islands government has taken considerable levels of initiative to invest in its own quality control and testing systems. To meet the EU food safety standards, the government established the Food and Safety Authority of the Ministry of Health & Medical Services as the country's Competent Authority (CA). In addition, the government has put forward an integrated approach through the Ministry of Health & Medical Services, Ministry of Fisheries and Marine Resources and Ministry of Agriculture and Livestock in has developing a National Food Security, Food Safety and Nutrition Policy 2010-2015, a framework to improving food security, safety and nutrition in the Solomon Islands (Kolly 2011, p. 5). This integrative approach would enhance Solomon Islands export role in global trade. However, prior to 2011, Soltai had a "List 2" status (not meeting full European food and safety standards) in terms of food safety for importation to Europe (Barclay 2008, p. 100). By 2011, the government was able to fully upgrade all regulatory processes and Soltai was accredited to "List 1" status of countries authorised to export canned tuna and loins to EU market (Fisheries Industry Participant B, 2013). The upgrading of these standards initially targeting tuna exports has improved the country's overall food safety regulations. While food safety is primarily focused on domestic systems and bringing about improvements to the health of the Solomon Islanders, it has clear linkages with the export sector when improvements allow the country to develop export standards. This would potentially attract foreign investors and increase industrialisation and diversification in the Solomon Islands economy.

However, while Soltai was wholly government owned from 2000-2010, its production reduced by two thirds, and therefore generated less spin-off than Solomon Taiyo because it did not contract local small businesses to provide services, such as transport and security (Barclay & Cartwright 2007, p. 211). In 2007-2008, Soltai was in serious financial crisis (Solomon Islands Diagnostic Trade Integration Study 2009, p. 276). According to the Premier of Western Province, Geoge Salingi Lilo, serious shortages of working capital prevented Soltai from attaining commercially sustainable levels of production (Solomon Star 2010). Soltai made a loss of almost SI$100 million from 2001 to July 2010 (Solomon Star 2010). It is clear that the Soltai model of state-owned enterprise (SOE) has been unprofitable. With the increasing private sector involvement in development, the Soltai model of heavy state involvement is seen as outdated. It is being suggested that the PNG model is more effective and viable in the long-term, whereby the government gets private sector investors to commit to develop onshore processing by making fisheries access licence conditional upon onshore investment commitments (Gillet 2008). So as part of the move to privatise SOEs, Solomon Islands government apparently relieved Soltai of some debts, to increase the attractiveness of the industry for investors (Solomon Islands Diagnostic Trade Integration Study 2009, p. 275). Therefore, at the end of 2008, Solomon Islands government and the Western Central Provincial government entered into an agreement with Tri-Marine International which has been operating in partnership with Soltai for restructuring the industry (Kolly 2011, p. 3) with the aim of turning it around into a profitable business. So in 2010, the Solomon Islands government partly privatised Soltai which is now owned by Tri Marine (51 per cent), the National Provident Fund (29 per cent), and the national government, and Western Province who each own 10 per cent (O Sifelo 2011). This change in ownership established Soltuna Ltd in 2012 to replace the Soltai Fishing and Processing.

However, according to Geoge Salingi Lilo, Tri Marine is not supplying enough fish regularly and not providing enough working capital as promised in the agreement (Solomon Star 2010). SolTuna's unhealthy financial situation continues to be a concern for the Solomon Islands government. Geoge Salingi Lilo reveals that the government eventually approached International Finance Corporation (IFC)[39] for advice on and support Soltuna restructuring in a manner that maximises the value of the current shareholders (Solomon Star 2010). IFC has agreed to lend US$10 million to Soltuna to help the nation retain a greater share of its tuna revenues (IFC News n.d.). Soltuna will use the funds to undertake a $27 million upgrade and expansion of its facility in Noro, which is expected to increase its processing capacity to 150 tonnes a day from 90 tonnes a day (IFC News n.d.). This is expected to increase the plant's yield, and allow Soltuna to process to a higher quality, securing more income from the exports. If Soltuna revives and produces at a full capacity, there may be problems supplying enough fish from the Solomon Islands EEZ in the years of El-Niño-Southern Oscillation (ENSO) [40] effects when fish is not available to surface fisheries (Solomon Islands Diagnostic Trade Integration Study 2009, p. 279). In addition, if more canneries/loining facilities are opened as Solomon Islands government is planning, NFD will not be able to meet the demand for raw fish and the factory will need to source from elsewhere (Solomon Islands Diagnostic Trade Integration Study 2009, p. 279). In this sense, the EPA's global sourcing provision would be attractive to the Solomon Islands.

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[39] IFC a member of the World Bank Group is the largest global development institution focused exclusively on the private sector in developing countries. IFC provides finance and investment advice to help the private sector find solutions to make bushiness profitable

[40] ENSO refers to variations in the temperature of the surface of the tropical eastern Pacific Ocean and in air surface pressure in the tropical western Pacific. The two variations are the warm oceanic phase, El Niño, accompanies high air surface pressure in the western Pacific, while the cold phase, La Niña, accompanies low air surface pressure in the western Pacific. The extremes of this climate pattern's oscillations cause extreme weather (such as floods and droughts) in many regions of the world. Developing countries dependent upon agriculture and fishing, particularly those bordering the Pacific Ocean would be the most affected.

It is evident that Solomon Islands government has been committed to maintaining operations for socio-economic reasons. Therefore, the signing the EPA with the EU may have the advantage of assisting with the development of onshore canning and loining (Solomon Islands Diagnostic Trade Integration Study 2009, p. 279). In addition, its being suggested that Solomon Islands should employ the resource sovereignty strategy, as PNG has for binding fishing access licences with onshore production and also invest in Solomon Islands based companies doing more rewarding trading and marketing business further up the tuna value chain (Solomon Islands Diagnostic Trade Integration Study 2009, p. 280).

The Solomon Islands government is keen to capitalise on its tuna resources to develop its rural economy at Noro and Bina. The overall plan for support of country's fisheries is part of the mid-term development strategy 2008-2010, but needs to be carefully integrated in the long-term national development plan (Solomon Islands Diagnostic Trade Integration Study 2009, pp. 63-4). In the mid-term development strategy, Solomon Islands government committed to putting wharf infrastructure projects at the centre of its rural economic development policy (Solomon Islands Diagnostic Trade Integration Study 2009, p. 146). The Noro Industrial Development project (had a budget of SI$4 million in 2008), is already an established township and industrial area developed in tandem with Soltai industry (Solomon Islands Diagnostic Trade Integration Study 2009, p. 147). Land is already developed and subdivided activity is concerned with attracting new investors for remaining plots (Solomon Islands Diagnostic Trade Integration Study 2009, p. 147). The Bina Industrial and Harbour Development project (which had a budget of SI$5 million in 2008) is designed on a similar concept, to develop onshore fisheries base with a large fisheries processing factory which would spawn development of associated industrial and commercial activities around it (Solomon Islands Diagnostic Trade Integration Study 2009, p. 147). However, the project has been on hold for some years due to the on-going land dispute as 80 per cent of land in Solomon Islands is customary-owned and Bina harbour issue is not yet close to being resolved.

In line of these development goals in 2011, Solomon Islands government was considering joint venture with foreign investors which have shown interest in developing onshore processing industries. Three major processing joint venture businesses are being pursued by the Ministry of Fisheries with assistance from Regional Economic Integration Unit (REI) of the FFA (Forum Fisheries Agency 2011). Possible business sites are Douma and Tenarau on Guadalcanal Island and Suafa Bay on Malaita's north (Forum Fisheries Agency 2011). Multinational companies from South Korea, the Philippines and Singapore are behind these ventures (Forum Fisheries Agency 2011). One of South Korea's large fish processor, Dongwon has made arrangement with the government to build a US$30 million cannery and fishing port on the island of Guadalcanal (Forum Fisheries Agency 2011).

As a result, the recent private investors' interest in developing processing factories in the Solomon Islands and the government's intention to drive its national development policies based on the expansion of tuna processing to a large extent, is determined by the on-going EU preferential trade access to the European market. It is clear that trade preferences have been crucial in developing a long-term development policy of processing tuna in Solomon Islands. The preferential trade benefits for Solomon Taiyo contributed significantly to the development of the Noro town and the overall Solomon Islands capitalist economy. Solomon Taiyo industry created formal employment opportunities for locals and generating associated businesses and activities. This has contributed to the improved livelihoods and living standards of the hundreds of locals even though Solomon Islands tuna industry was not profitable until 2010. Currently Solomon Islands exports to Europe benefit from the EU EBA. It is suggested that if Solomon Islands government signs a comprehensive EPA, the use of global sourcing will ensure the viability of the fisheries industry. The government has already invested in the development of Noro and Bina and has attracted foreign investors. Therefore, the Solomon Islands should remain closely involved in the EPA negotiations placing priorities on the fisheries and development component (Solomon Islands Diagnostic Trade Integration Study 2009, p. 175).

4.5.5 Papua New Guinea Fisheries Case Study

Papua New Guinea is richly endowed with natural resources, including mineral and renewable resources, such as forests and marine life which includes a large portion of the world's major remaining tuna stocks. Resource extraction has been key in driving PNG's development trajectory since 1960s (Havice & Campling 2013, p. 418). Agriculture, both for subsistence and cash crops provides a livelihood for 85% of the population. Oil palm production has grown steadily over recent years. Palm oil is now the main agricultural export. Coffee also remains the major export crop, followed by cocoa, coconut oil/copra and tea. Despite vast natural wealth, Papua New Guinea is a very poor country and poverty impacts on the daily lives of almost all of the population. Its human developing index ranking is 156th out 187 countries according to the 2013 UN Human Development Report. Resource extraction activities have boosted government revenue, but not generated employment opportunities for majority of the populations. Resource extractive industry has caused land disputes (more than 80 per cent of land in PNG is customary owned), environmental degradation, social unrests and political corruption (Dinnen 2001). Within this context, the PNG government has shifted its development plan to develop the relatively “conflict free” tuna industry to create employment and presents the government with the opportunity to legitimise a resource–oriented national development strateg (Havice & Reed 2012, p. 418).

Foreign fishing fleets started fishing in PNG waters in the early 1970s (Havice & Reed 2012, p. 418). They were largely unregulated and fished freely in PNG waters until independence in 1978, when PNG government demarcated its 200-mile EEZ and began charging fees (Doulman 1987). In the 1990s, the PACP countries through their membership to Forum Fisheries Agency (FFA) cooperated to improve the terms of the access agreement for fishing in their waters (Hyndman 2005). While the PACP countries made modest gains in access agreements, the national fishing industries were mostly unprofitable (Havice & Reed 2012, p. 418). Foreign firms were generally not interested in establishing onshore facilities due to market access challenges, inadequate infrastructure, and high labour and transit costs in the island economies (Campling & Havice 2007).

Development of tuna processing canneries in PNG started in late 1990s, much later than Solomon Islands and Fiji. Unlike the case of Solomon Islands and Fiji where trade preference access to European market has been the main influential factor in the development of tuna processing industries as largely state owned enterprise, onshore processing investments in PNG are attracted by the rich tuna stocks of the PNG waters and are purely private sector. PNG was the driving force in concluding the PACP IEPA negotiations and signed the IEPA in 2007. The continuing trade preference in the PACP IEPA is seen by government as enhancing development prospects for tuna industry. Until the mid-1990s, PNG was only confined to capturing value from tuna from access agreement fees.

According to ADB (2003), while the revenues from the access agreement increased through the 1990s, PNG's Department of Fisheries and Marine Resources (later reformed and renamed National Fisheries Authority-NFA) was losing more than US$1million annually, and operating without a resource management plan or financial accountability (Havice & Reed 2012, p. 418).

PNG has a highly productive and extensive EEZ, with an area of approximately 2.4 million square kilometres. FFA reported that annual tuna catch increased from 180,000 tonnes in 1997 to more than 900,000 tonnes (export value of US$766 million) in 2009 (Havice & Reed 2012, p. 419). The availability of rich tuna stocks in PNG waters and its worth in the global tuna market bolstered government's interest to capitalise on the resource by establishing processing facilities. PNG government in the mid-1990s consequently abandoned its policy of providing access agreements only.

The government arrived at a strong policy of tuna-based development, which aimed to exert sovereignty over the tuna resources within its national jurisdiction and obligate foreign private sector investors to develop onshore processing by tying fisheries access to onshore investment commitments (Gillet 2008). So the principle factor attracting investors to invest in constructing onshore canning facilities in PNG is access to the extensive tuna stocks in PNG's EEZ (Blomeyer & Sanz 2012, p. 17). The fisheries policy of linking the granting of fishing licences to investments in onshore tuna processing in PNG (Blomeyer & Sanz 2012, p. 17) has successfully attracted several private investors since 1997. Unlike state-driven model applied in the fisheries industry of Fiji and Solomon Islands, which cost the governments many millions of dollars over the years, the PNG government has sought private investment which has all been foreign.

Currently, there are three large private tuna processing industries in PNG which also own large fishing fleet to supply raw tuna their processing facilities. Large numbers of licences were given to fleets by the government with access to PNG waters. The largest investor is RD Tuna Canners Ltd established in 1997 in Madang. RD catches are also supplied to its two large processing plants in Philippines (Havice & Reed 2012, p. 428). South Seas Tuna Company (SSTC) was established in 2003 in Wewak. SSTC has some 16 fishing licences with access to waters of eight

PACP countries (Havice & Reed 2012, p. 429). It delivers only 10 per cent of its total catch to its PNG factory and the rest to processing sites outside PNG (Havice & Reed 2012, p. 429). Frabelle Fishing Corporation Ltd established facilities in 2006 in Lae. It has some 20 fishing licences, and it too exports the balance of raw tuna to its canneries in Philippines (Havice & Reed 2012, p. 429). RD and Frabelle (PNG) Ltd are producers of canned tuna and loins while SSTC is only a loin producer. Other investors such as Frescomar in Lae produce frozen tuna and International Food Corp (also in Lae) is a makerel fish cannery but recently started canning tuna (Blomeyer & Sanz 2012, p. 44). There are several more tuna processing plants under construction in Lae, and in Madang.

The second most important factor that influenced private sector interest to establish processing facilities in PNG is the continuing preferential access to the EU market for the PACP under the IEPA. This is deemed to continue in the EPA when it is concluded between the EU and the PACP states. PNG canners are able to compete by 21.5 per cent preferences vis-à-vis Filipino production and 24 per cent vis-à-vis Thai production (Blomeyer & Sanz 2012, p. 18). In particular, the derogation to the RoO in the IEPA is important for the overall survival of the PNG's tuna industry in that it helps make production profitable by freeing the operators from sourcing control (Blomeyer & Sanz 2012, p. 33). PNG exports the bulk of its canned tuna and cooked tuna loins to European markets and much of the new investments intend to make use of the derogation to the RoO (Blomeyer & Sanz 2012, p. 44). This development in the EU and PNG tuna trade and the PNG government's tuna based development strategy has strengthened the EU-PACP relations in a somewhat complex manner affecting each other's development in two ways.

Firstly, PNG's most important market is Europe, making EU the key tuna trading partner. European destinations for the two product categories differ. Tuna loin is almost exclusively taken by Southern EU countries, Spain and Italy which are the main canning states in Europe, while canned tuna is largely destined for Northern EU countries (Blomeyer & Sanz 2012, p. 66). While PNG's canned tuna and loin exports are pivotal for the development of PNG's economy, Europeans are concerned that the rising canned tuna exports, in particular, impacts negatively on the European tuna canning states. The greater EU consumption of PNG canned tuna generates negative effects on the European canning states' production, added value and employment (Blomeyer & Sanz 2012, p. 95). The EU have been taking 80-90 percent of PNG canned tuna exports, and according to 2011 export figures, it imported 99 percent of total exports (Blomeyer & Sanz 2012, p. 64). Canned tuna exports have increased by 25 per cent over the last five years and a substantial further increase is expected with increasing PNG production (Blomeyer & Sanz 2012, p. 38). The major EU markets presently are Germany, UK, Denmark and the Netherlands. Germany has consistently been the major market for PNG canned tuna importing over 45 per cent of the total exports in the period 2005-2011(Blomeyer & Sanz 2012, p. 66). The UK is another significant importer taking 23 per cent (Blomeyer & Sanz 2012, p. 66). Some canned tuna also goes to Spain, Italy and France but in a relatively small quantity.

The increased production to a great extent is driven by the derogation to the RoO in the IEPA and European canning states, Spain in particular, are not happy about this provision being extended to PACP countries in the IEPA. The European Parliament (EP) Committee on Fisheries as a result had voiced a series of concerns in its opinion on the derogation (Blomeyer & Sanz 2012, p. 35). There are fears that PNG tuna industries' ability to benefit and increase export to European countries may cause a considerable disruption to European canned tuna market and constitutes totally unfair competition for the European processing sector that is already at an economic disadvantage due to high labour costs, and severe environmental and health and hygiene constraints, to the extent that thousands of jobs is this sector are currently at serious risk

(Blomeyer & Sanz 2012, pp. 35-6). In addition, PNG is seen as a potential competitor threatening the viability of some Latin America countries where Spain has invested (Blomeyer & Sanz 2012, p. 19). As a result Europeans are concerned about PNG growing exports to Europe. Europeans are playing key roles in dominating the fisheries negotiations of the PACP group's comprehensive EPA. PACP countries spokesperson, Viliame Uasike Latu recently criticised the Europeans for pursuing their own interest as the EPA negotiations are overridden by fisheries aspects (Garrett 2013). According to Latu, the PACP states are concerned that European are trying to turn the EPA into a Fisheries Treaty which would force PACP countries to reform laws that would undermine PACP countries sovereignty (Garrett 2013).

Therefore, Spain and Italy as the key canning states have been extensively involved in negotiations of the fisheries aspects of the EPA to ensure that PNG's rising canned tuna export does not distort their canning activities and the overall European market. However, from the PNG perspective, the European market is crucial (Blomeyer & Sanz 2012, p. 64) for PNG canners that are important stakeholders in the government's tuna-based development strategy and the overall EU-PNG relations. In global trade, while PNG is a relative minor supplier of tuna products to Europe, the converse is not true since European countries are major markets from the PNG perspective (Blomeyer & Sanz 2012, p. 64).

Secondly, the European imports of tuna loins from PNG producers', however, are fundamental for sustaining the European canneries. Spanish interest in this has been dominant due to its rising role as a destination for PNG loin exports (up from nil in 2006 to an estimated 4,500 tonnes in 2011) (Blomeyer & Sanz 2012, p. 66). Italy has been the original major importer of loins and its overall demand has remained steady over the years (Blomeyer & Sanz 2012, p. 66). PNG exports of loin to Europe have grown significantly since 2005 and are expected to continue increasing. (Blomeyer & Sanz 2012, pp. 71-2). On the whole, about 60 per cent of PNG's loin export is destined for Europe (Blomeyer & Sanz 2012, p. 64). Tuna loin producers, therefore, are crucial for the viability of European canneries that occupy a significant position in both economies. This is so because European canners have moved away from the labour-intensive task of preparing "cleaned" loins and are reliant almost completely on loins from low labour cost areas.

As a result, Europe-PNG relations concerned with tuna trade and cooked tuna loins is a major dynamic factor in the relations (Blomeyer & Sanz 2012, p. 66). From 2008, it is clear that the effective net contribution to EU processors' raw material from the whole frozen tuna is overtaken by that from loins. EU imports of loin from all sources will continue to grow (Blomeyer & Sanz 2012, p. 71). The rising importance of loins in European processed imports is not only limited to PNG but has become a significant trade trend within the European tuna imports industry as a whole (Blomeyer & Sanz 2012, p. 69). While the major suppliers are the Latin American and Asian countries, PNG exports alongside these countries are growing fast but still small compared to Asia and Latin America (Blomeyer & Sanz 2012, pp. 69-71)

Besides these two complexities in the relations, while the EU provided the RoO derogation in the IEPA to provide opportunities for diversification in PNG's tuna industry, some EU firms are not interested in investments in PNG as they have already invested in Latin America. Spanish firms, in particular, have invested heavily in their former colonies of Ecuador, El Salvador and Guatemala because of a more compatible environment.

In addition, the RoO derogation is also generating negative impacts on PNG's tuna economy. The main aim of the preferential rules of origin is to establish a sufficient economic link between the products imported into Europe and the countries benefitting from the preferences granted by the later, in order to ensure that preferences are not wrongfully diverted to other countries for which they were not intended (Blomeyer & Sanz 2012, p. 36). The agreement, however, does the contrary. The European Parliament is concerned that PNG tuna processing companies employ mostly Asian workers on their fleet brought from other countries in the region rather than local workers, and pay inadequate wages (Blomeyer & Sanz 2012, p. 36). This practice of private investors in PNG brings local employment benefits for the country in the onshore processing but not in the fishing fleet. In addition, because the companies have large fleets with licence for access to PACP waters, means they are exploiting the RoO by not off-loading their full catch for processing in PNG but transporting much of their fish in the Philippines.

Moreover, the RoO derogations has led PNG government to the enact Employment of Non-citizens Act 2007. This is problematic. According to Department of Labour and Industrial Relations (2009) PNG's foreign employment laws open managerial, professional and highly skilled jobs to non-citizen employees, as well as citizens, in acknowledgement that suitable qualified /skilled employees for such positions cannot be sourced from with PNG. It allows foreign employment for professional and skilled position to be sourced from outside PNG (Hamilton, Lewis & Campling 2011, p. 52) and most of the tuna companies in PNG have a large expatriate management structure.

Therefore, the growing Europe-PNG tuna trade relations bring to light interesting theoretical insights. In order to support and contribute to Gilpin's state-centric realism theory, I draw on three key arguments of the theory. Firstly, to supports the Gilpin's state-centric realism argument that powerful countries are concerned about their interest in the international affairs, this chapter argues that Spain and Italy are selective in terms of their tuna imports from PNG. Spain and Italy are mainly interested in imports of tuna loins from PNG to sustain their own canning industries through value adding. While PNG is also producing large volumes of canned tuna for exports to Europe, Spain and Italy are not interested to import and are concerned that PNG canned tuna producers are potential competitors. Second, in support of state-centric realism theory's argument on non-state actors playing important roles in the international economic affairs, findings show that private investors are important stakeholders in Europe-PNG fisheries relations. It is clear that tuna processing companies' are interested in securing long-term resources because PNG has rich tuna stocks and also inclined to benefit from the European trade preferences. Havice & Reed (2012, p. 429) contribute to this argument of the theory by arguing that RD, SSTC and Frabelle as large tuna processing investors, have strategically invested in PNG to achieve their core business interests. They have invested primarily to secure long-term strategic access to tuna resources. Havice & Reed (2012, p. 432) argue that private firms have agreed to make domestic investments, but they live up to their obligations in a manner consistent with core business strategies which may include profiting from fishing, trading and/or processing activities while limiting expenditures and risk. Thirdly, findings of this chapter contribute to the key argument of the theory which holds the view that powerful states are concerned about their national interests in international relations. PNG is not powerful economically and politically compared to its European counterparts, but clearly aims to pursue its national interests in tuna fishing, processing and trade. It evident that PNG government's aim in devising and implementing a tuna based development strategy is to exert sovereignty over the country's tuna resources in order to link access agreements with onshore processing. Here Havice & Reed (2012, p. 432) contribute that PNG government has achieved considerable success in that it has confronted an international division of labour that has historically excluded the island-economy from participating in value-added activities in the sector, and in doing so has created formal employment opportunities for locals and attracted infrastructure investments. They argue that success of the strategy provides a rare example of a small economy has the capability to exert influence over a globalised tuna production landscape (Havice & Reed 2012, p. 430). In addition, Hobson (2000, p. 23) argues that all states in the international system are functionally alike in pursuing their national interest, but are differentiated only in terms of power capability. These findings contribute to the state-centric realism argument that less powerful states also have significant interest in international affairs.

The growing EU-PNG tuna trade in the last decade has significantly contributed to development of PNG's economy in several ways. Firstly, direct government revenue generated from the tuna processing activities is significant for the PNG's economy. Government revenue affected by tuna industry varied in the period 2007 to 2010 from US$4m to 10m (Hamilton, Lewis & Campling 2011, p. 50). By 2016, it is estimated the total net direct income generated by tuna operations could be in excess of K130 million per year (Hamilton, Lewis & Campling 2011, p. 50). Secondly, since vast majority of the populations live below the poverty line, the PNG government aims to ensure socio-economic benefits generated from the tuna industry employment are of central concern. Despite vast natural wealth, Papua New Guinea is per capita a relatively poor country. One of the reason the ACP has tariff free access to the EU and the reason PNG government has pushed for the global sourcing is social--the social betterment of its people (Blomeyer & Sanz 2012, p. 28).

The tuna processing factories in PNG provide access to cash employment for thousands of people. Direct employment has been between 6,400-7000 jobs annually in the period 2006-2010 (Hamilton, Lewis & Campling 2011, p. 50). As of March 2012, tuna processing involved 5,770 direct jobs, expected to rise to 20,000 by 2018 (Blomeyer & Sanz 2012, p. 27). The estimate for indirect jobs was 2,600, in 2012, rising to 5,000 by 2020 (Blomeyer & Sanz 2012, p. 27).

Multiplier effect arising from tuna industries create more businesses and activities which relate to tuna fishing and processing. This generates additional employment. In the processing line, the canneries employ some 80 per cent of women whom have very limited formal education and restricted access to land for growing food, and therefore have extremely limited economic prospects (Blomeyer & Sanz 2012, p. 29). Formal employment opportunities contribute to the living standards. Families are able to access the most essential basic services. However, the basic wages for the majority of the production workers are very low as PNG's minimum wage is not in line with the rising cost of living (Blomeyer & Sanz 2012, p. 29). It is not a living wage when considering the context of high and rising cost of living in urban areas (Blomeyer & Sanz 2012, p. 28). However, the canning industry is constrained by the cost structures of the main competitors, Thailand, Philippines, and Ecuador (Blomeyer & Sanz 2012, p. 29). While PNG basic wage is competitive with these countries, lower productivity rates and high cost of freights and utilities are such that investors argue that they are unable to increase wages under current situations (Blomeyer & Sanz 2012, p. 29).The potential to improve conditions and further increase employment in the medium to long term relies on improving the competiveness of the industry so that it remain profitable even when preferential access to EU markets is terminated (Blomeyer & Sanz 2012, p. 29).

Thirdly, it is clear that PNG governments tuna based development strategy is developing industrial zones to cater for the growing number of tuna industries and the expansion of existing ones, and the associated activities. The industrial zones are gradually springing into urban centres. Two large industrial zones that cater for tuna industries are Pacific Marine Industrial Zone (PMIZ) in Vidar, Madang, and Malahang Industrial Zone in Lae. Lae province is developing rapidly into an industrial urban centre. Most new investments are currently being approved for development in Lae. Currently there five new plans on tuna processing facilities in PNG; Majestic

Seafoods, International Seafood Corporation, Nambawan Seafoods, Halisheng Corporation, and Nuigini Tuna Ltd, each are at different stages of development (Hamilton, Lewis & Campling 2011). Four will be established in the Malahang Industrial Estate and one at the PMIZ at Vidar. Malahang Industrial Zone will continue to be developed canning industrial zone (Blomeyer & Sanz 2012, p. 18).

For the development of tuna industries, PNG adopted a private sector-driven model. In the mid-1990, PNG government devised a strong tuna based development strategy, which strove to exert sovereignty over its rich fisheries resources to oblige investors to establish onshore industries by tying fisheries access agreements. This policy since 1997 attracted several private investors to establish and operate tuna industries in PNG. PNG's rich tuna stock in its EEZ is the principle factor driving development of tuna industries. The overall survival of the industry in term of competing globally with the Asian producers is reliant on the continuing preferential access to European market in the IEPA. In particular, the global sourcing provision of the IEPA makes investments more attractive by allowing industries to source tuna from a wide range source. The EU is the principle tuna trade partner of PNG as bulk of the PNG's canned tuna and loins are exported to European countries. While PNG exports to European market continue to grow, PNG has become both a competitor and rather more significant supporter of European canning industry. An increase in EU canned tuna imports from PNG possibly generates negative effects on EU production, on value added and employment. However, an increase in EU cooked loin imports from PNG generates positive effects on EU production, added value and employment. The tuna processing industry is an important sector contributing to socio-economic development of PNG. The expansion of the industry has given rise to spreading industrial zones which are turning into urban centres. The tuna industry generates direct government revenue, employment and spin-off activities which, are contributing significantly to the development of the PNG's economy.

4.6 Economic Partnership Agreement: Major Change in the Relations

Relations under the WTO-compatible Cotonou Agreement laid the ground work for the EPA which takes the relations in a new direction. EPA is a WTO-compatible free trade arrangement that aims to govern EU-PACP relation in future. This section first provides understandings of the EPA as a free trade agreement (FTA) under the WTO trade regime. Secondly, while it is clear that provisions in the PACP IEPA on fisheries, has benefits for diversification and commercial development, it is argued that in bringing significant changes to Europe-PACP relations, the EPA is initiating substantial challenges in transforming the PACP countries' national development strategies.

The EU since mid-2000 has been negotiating EPAs with the ACP countries. Figure 12 shows the ACP group of 77 countries divided into six sub-groups based on the existing regional integration organisation; Africa, Central Africa, Eastern and Southern Africa, the Southern African Development Community, the Caribbean and the PACP group. The Figure also shows the ACP countries trade regime type with the EU and their United Nations Development Programme (UNDP) Human Development Index (HDI) ranking and value. This is to demonstrate the considerable differences in the level of economic development among the ACP countries. In addition, it shows the geographical scope of the ACP countries and illustrates the diversity of a group originally created by the EEC in order to facilitate the conduct of relations with the former colonies.

Of all the sub-groupings, only the Caribbean countries have signed a comprehensive EPA (involving goods and services liberalisation) as a regional bloc. In the PACP region, two (out of

14) countries, Fiji and Papua New Guinea have signed an interim EPA (IEPA) in 2009. In Africa, only one region has ratified an interim agreement and this was on a far smaller scale than the European Commission was pushing for; originally 12 Eastern and Southern African countries were negotiating this EPA, but the final deal only includes four (Pacific Island Trade Expert A, 2011). Instead many countries have been negotiating bilaterally with the EU and only 10 (out of 47) countries have signed an interim EPA. All IEPAs signed have established free trade areas for goods between EU and the various African ACP countries, compatible with the provisions of GATT Article XXIV. In the case of CARIFORUM grouping of the Caribbean, a full EPA compatible with the provision of GATS Article V (service liberalisation) was signed. In total 35 of the 77 ACP countries concluded negotiation on IEPA or an EPA with EU: 9 LDCs and 26 non-LDCs. Of the total 77 ACP, 38 are LDCs. Among the remaining ACP countries, 32 LDCs benefit from duty and quota free access to the EU under the GSP EBA arrangement and 10 non-LDCs are eligible for the standard GSP (Fontagne, Laborde & Mitaritonna 2008, p. 4). Negotiations with PACP countries continue for concluding full EPAs including a full range of trade in goods, services and trade-related areas to replace the IEPA.

Figure 12: Membership of EPA Negotiating Groups with the Current Trade Regime Status

Regional Grouping	Members [a]	HDI Value	HDI Ranking	Trade Regime
Central Africa (8)	Cameroon	0.495	150	IEPA
	Chad*	0.340	184	EBA
	Central African Republic*	0.352	180	EBA
	Congo- (Brazzaville)	0.534	142	Standard GSP
	Dominion Republic of Congo*	0.304	186	EBA
	Equatorial Guinea*	0.554	136	EBA
	Gabon	0.683	106	Standard GSP
	São Tomé Principe*	0.525	144	EBA
Eastern & Southern Africa (16)	Burundi*	0.355	178	IEPA
	Comoros*	0.429	169	IEPA
	Djibouti*	0.445	164	EBA
	Eritrea*	0.351	181	EBA
	Ethiopia*	0396	173	EBA
	Kenya	0.519	145	IEPA
	Madagascar*	0.483	151	IEPA
	Malawi*	0.418	170	EBA
	Mauritius	0.737	80	IEPA
	Rwanda*	0.434	167	IEPA
	Seychelles	0.806	46	IEPA
	Sudan*	0.414	171	EBA
	Uganda*	0.456	161	IEPA
	Zambia*	0.448	163	IEPA
	Zimbabwe	0.397	172	IEPA
Southern Africa (7)	Angola*	0.508	148	EBA
	Botswana	0.634	119	IEPA
	Lesotho*	0.461	158	IEPA
	Mozambique*	0.327	185	IEPA
	Namibia	0.608	128	IEPA
	South África	0.629	121	TDCA
	Swaziland	0.536	141	IEPA

Western Africa (16)	Benin*	0.436	166	EBA
	Burkina Faso*	0.343	183	EBA
	Cape Verde	0.586	132	EBA
	Gambia*	0.439	165	EBA
	Ghana	0.558	135	IEPA
	Guinea*	0.355	178	EBA
	Guinea-Bissau*	0.364	176	EBA
	Côte d'Ivoire	0.432	168	IEPA
	Liberia*	0.388	174	EBA
	Mali*	0.344	182	EBA
	Mauritania*	0.467	155	GSP
	Niger*	0.304	186	EBA
	Nigeria	0.471	153	GSP
	Senegal*	0.470	154	EBA
	Sierra Leone*	0.359	177	EBA
	Togo*	0.459	159	EBA
Pacific (14)	East Timor	0.576		EBA
	Micronesia, Fed. States of	0.645	117	GSP
	Fiji	0.702	96	IEPA
	Kiribati*	0.629	121	EBA
	Marshall Islands	0.738		GSP
	Nauru	0.721		GSP
	Niue**	0.794		GSP
	Palau	0.791	52	GSP
	Papua New Guinea	0.466	156	IEPA
	Samoa*	0.702	96	EBA
	Solomon Islands*	0.530	143	EBA
	Tonga	0.710	95	GSP
	Tuvalu*	0.711		EBA
	Vanuatu*	0.626	124	EBA
Caribbean (15)	Antigua and Barbuda	0.760	67	All Caribbean countries have signed EPA
	Bahamas	0.794	49	
	Barbados	0.825	38	
	Belize	0.702	96	
	Dominica	0.745	72	
	Dominican Republic	0.702	96	
	Grenada	0.770	63	
	Guyana	0.636	118	
	Haiti*	0.456	161	
	Jamaica	0.730	85	
	St Lucia	0.725	88	
	St Vincent & Grenadines	0.733	83	
	St Kitts and Nevis	0.745	72	
	Suriname	0.684	105	
	Trinidad and Tobago	0.760	67	

Compiled from UNDP Human Development Report (2013) and UNCTAD Least developed Countries Report (2013).
* represents Less Developed Countries (LDCs)
** represents non-UN members

4.6.1 EPA within the Broader Political Economy

European interests to formalise the EPAs is a part of the broader changes in the global political economy that is largely dominated by powerful countries. The restructure of the Lomé Convention to move towards a reciprocal and non-discriminatory trade liberalisation strategy was influenced by the predominant neoliberal norms proposed by the Washington Consensus in 1989 which influenced the development of WTO trade regime. To enforce WTO-compatible relations, the EU embarked on the EPA as a new plan to completely remove all the remnants of the non-reciprocal arrangement of the Lomé Convention. The European intention to pursue their interests in the new plan is also included. For Europe, the former colonies are still important economically and politically to preserve their sphere of influence (Kelsey 2005, p. 16). Kelsey (2005, p. 16) notes the key EU motives revealed by EU President who said that the ACP was on its priority: "The world is now a very different place. ... In a world now multipolar, the Union must make its presence felt in all regions of the world". In support of this argument, McQueens (1998, p. 422) argues that the EU aim to encourage trade liberalisation though the EPA is a mercantilist approach of tying groups of countries into bilateral agreements which aim to improve European countries balance of trade. European policy-makers are of the view that the EU existence in the ACP countries as a powerful economic actor through EPA relations will reinforce its political strength in the international affairs (Pacific Island Political Scientist D, 2010). However, this does not hold for the Pacific as much as it does for the Africa. The European Commission reveals that

EPAs as free trade agreements would bolster European countries interest in the developing economies:

> FTAs are economically beneficial, especially where they help the EU to bolster its presence in the faster growing economies of the world, which is our overriding interest. ... [T]his direct economic justification has also been supplemented by strategic considerations regarding the need to reinforce our presence in particular markets and to attenuate the potential threats of others establishing privileged relations with countries which are economically important to us. Political considerations are as important as the potential economic benefits and in some cases may be the primary motivation. FTAs are coming to be seen as an indicator of the strength of our relationship with a country or region (European Commission 1995).

European motivation to liberalise trade in their external relations is part of the broader agenda of the WTO trade regime. FTAs are a central feature of the WTO trade regime. All FTAs are registered with the WTO. By 2002, some 172 FTA, were registered (Panagariya 2002, p. 1415). The WTO ability to transform trading rules with FTAs is vested in WTO's legal personality (Ravenhill 2011, pp. 159-60). WTO compatibility requirement for countries participating in international trade has become obligatory given the legal feature of the rules in the trading system. This legal underpinning of the WTO trade regime provides the EU a far greater capability to enforce EPAs based on the logic that it is WTO-compatible. Given the EU's predominant role in the WTO rules-making, the large number FTAs globally are mainly driven by the EU. Suder (2011, p. 8), in support of this view, argues that the current boost of FTA negotiations and agreements as part of regional trade agreements, have become a central feature of the intensifying regional integration trends worldwide, and is conceptually led by European FTAs.

The link between WTO and FTAs is interesting in term of international relations theory. International regimes and rules governing political economy are enforced by major powers whose interests are favoured by those rules. The neoliberal focus of the WTO regime encourages free trade agreements like the EPAs are driven by EU which benefit their economies. But the world economy would have difficulty functioning without international institutions like WTO and IFIs (Gilpin 2001, pp. 83). Robert Keohane agrees with Gilpin that regimes are a necessary feature of the world economy and are required to facilitate efficient operation of the international economy. Among the tasks performed by regimes are reduction of uncertainly, minimisation of transaction cost, and prevention of market failures. International regimes created by self-centred states in order to further both individual and collective interests (Gilpin 2001, pp. 83).

While the EU is enforcing free trade agreements in the ACP countries, it is not willing to liberalise its own sectors in the same way. A nation might be able to increase its own relative gains in an international trading regime by exporting to other markets at the same time that it keeps own markets closed (Gilpin 2001, p. 90). Regime theory scholars have been debating of the regime theory compliance. The scholarly debate has not yet enabled us to predict when cooperation or defections from (cheating) a regime will in fact occur. The fundamental problem of uncertainty and hence of regime compliance has not been solved and probably never will; a player can never to be absolutely sure whether another player will cooperate or defect (Gilpin 2001, p. 91).

The EU's very large number of FTA arrangements in the developing world, are at various stages of implementation (Suder 2011, p. 8). The EU as a powerful actor in the FTAs behaves like a central hub to peripheral countries. The EPAs are the most relevant examples for EU's non-EU FTAs based on historic links, and many more are currently in the making (Suder 2011, p. 8). Others include the EU's Europe Agreement with Central and Eastern European Countries (CEEC)[41], twelve agreements with the Mediterranean countries[42] and new ones forged with major

[41] CEEC are Bulgaria, Czech Republic, Slovak, Republic, Poland, Hungary, Romania, Slovenia, Estonia, Latvia and Lithuania.

[42] Mediterranean partners are located in the southern and eastern Mediterranean. Among these are the three Maghreb partners, Morocco, Algeria and Tunisia; six Mashreq partners, Egypt, Israel, Jordan, the Palestinian Authority, Lebanon and Syria; Turkey, Cyprus, and Malta.

developing country trading partners, notably, Chile, Mexico, South Africa, and South Korea (Suder 2011, p. 8). Currently the EU is negotiating FTAs with India, Malaysia, Singapore, Ukraine, Canada, the Middle Eastern Gulf countries, the Association of South East Asian Nations (ASEAN) bloc, the Mercosur (also known as the Common Market of the South)[43], the Andean Community, and Central America (Suder 2011, p. 8). EU, therefore, acts as a "super hub" to periphery and the bloc peripheries in the CEEC, and the Mediterranean region (Enders and Wonnacott 1996). FTAs allow trade and investment diverted to the EU at the expense of the spokes, since this is least cost location for servicing these markets (McQueen 1998, p. 439).

The EPAs in the recent and complex FTAs include provisions for deep economic integration,[44] the most common of which relate to the removal of restrictions on investment flows (Ravenhill 2011, p. 175). But even though these are elements often found in common markets, FTAs such as EPAs do not aim to create a common external tariff within the regional groupings (Ravenhill 2011, p. 175). Suder (2008, p. 8) argues that trade agreements concluded in the recent years have taken the form of free trade agreements aiming for complete liberalisation and integration in

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[43] Mercosur, Common Market of the South, is an economic and political agreement among Argentina, Brazil, Paraguay (which is currently suspended), and Uruguay to promote the free movement of goods, services and people among member states. Mercosur's primary interest has been eliminating obstacles to regional trade, such as high tariffs and income inequalities.

[44] Deep integration involves establishing or expanding the institutional environment in order to facilitate trade and location of production without regard to national borders (Evans et al. 2006, p. 11). Burfisher, Robinson & Thierfelder (2004, pp. 10-1) and Evans et al. (2006, p. 10) have put forward the view that new regionalism can be characterised as involving many of the elements found in the deepest level of integration, or the achievement of full economic (and monetary) union, and may include (in rough order of increasing depth); regulatory harmonisation in financial/banking regulation and industrial policy to facilitating financial and foreign direct investment flows (real and financial capital mobility), liberalising movement of labor within the RTA, harmonising domestic tax and subsidy policies, especially those that affect production and trade incentives, harmonising macro policies, including fiscal and monetary policy, to achieve a stable macroeconomic environment within the RTA, including coordinated exchange rate policy, establishing institutions to manage and facilitate integration (e.g., regional investment funds, institutions to set standards, dispute resolution mechanisms), improvements of communications and transportation infrastructure to facilitate increased trade and factor mobility, harmonising institutional structures (e.g., legal systems, commercial law, and labour relations), and coordination of macros policy (establishment of monetary union based on a common currency and complete integration of monetary and exchange rate policy). The majority of the new regionalism features are achieved by EU integration however EU has not yet opened its market.

the global economy and are the least ambitious form of market integration compared to common markets, customs unions and single market unions. Suder (2008) and Pacific Island academics (Pacific Island Economist B, 2011) found this type of FTAs completely unattractive to developing country development agendas. As a result, due to the focus on complete liberalisation and integration of the PACP economies in the global economy, the PACP governments have signed the EPAs and for almost a decade, they are debating on the contentious trade liberalisation elements which are not compatible with their development needs (Pacific Island Economist A, 2010; Pacific Island Political Scientist D, 2010). The debate on this is also part of the Doha Round of negotiations for global free trade pact talks and this debate to a large extent contributed to the impasse of Doha Round in 2008. The extent to which trade must be liberalised under the EPAs is still a widely debated issue and it remains to be seen whether the WTO provisions regulating regional trade agreements will be revised in favour of the EPA scheme at the end of the Doha Round of negotiations for global free trade pact (Suder 2011).

The WTO deadlock reminds us that the Doha Round was to be the "Development Round" that would address the trade concerns of the least developed and emerging economies of the world. However, this has disappeared in talks over the years dominated by the developed countries' agenda. The Doha Round of trade negotiations came to a deadlock in 2008 as the poorest countries of the world remain under pressure to open their markets. The Doha round negotiations were set up to make trade fairer, but have not progressed. In the ten years since the WTO promised to deliver development changes, developing countries have been marginalised by the push from the powerful members of the WTO which aim to boost their economic and political interests through liberalised market systems while refusing to open their own markets for agricultural commodities that developing countries produce (Oxfam International 2006). The EU, together with the US as main the WTO members, have not moved away from advancing their special interests due to the unwillingness to address the rigid trade rules and the double standards from which they benefit (Oxfam International 2006). Many European countries including US and Japan continue subsidising their domestic industries. Europe has ignored its own development history which was based on state protection and regulation before liberalisation, and still refuses to liberalise its agriculture and fisheries sectors. Moreover, the idea that economic growth will result from free trade is strongly contested, not least for reasons that most industrialised countries relied heavily on tariff protection and subsidies to develop their own industrial sector (Ha-Joon 2002).

The impasse in WTO is over a divide on major issues, such as liberalisation of agriculture, removal of industrial tariffs and imposing non-tariff barriers, which would clearly affect ACP as they are part of EPAs. While the key issues such as liberalising the agricultural sector remain unresolved in Doha talks, the EU continues to pressure the African and Pacific states to conclude the WTO-compatible EPA. It is clear that EU is playing tough and ruthless in these negotiations, putting self-interest before the development needs of the ACP countries (Oxfam International 2006). While EU pushes for trade liberalisation in the developing countries, European governments view protecting their domestic agricultural sector and markets as important. These tensions have he Doha Round talks group agriculture negotiations around three important issues–the elimination of agricultural export subsidies permitted by developed countries, the reduction of domestic farm support (especially in the United States, Canada, Europe and Japan), and the lowering of high agricultural tariffs designed to keep low priced food products from developing countries out of northern markets (Drache & Froese 2009). The negotiation have faltered as developing and developed countries failed to bridge the entrenched positions on cutting farm subsidies and lowering industrial tariffs (Palmer 2012). Developed countries continue to maintain large subsidies in the agricultural sector and even with a number of their manufactured goods (Drache & Froese 2009). However, obligations applying to Brazil, China, and India are significantly stricter than those applying to the USA, EU, and Japan (Baracuhy 2012, p. 3). This should not come as a surprise, for established powers made those rules over several rounds of trade negotiation (Baracuhy 2012, p. 3). Disagreement is on how much rich countries should cut farm subsidies and tariffs on farm and manufactured goods in exchange for developing countries opening their own markets in agriculture, manufacturing and services (Palmer 2012).

Another highly debatable issue of the WTO trade regime has been the Singapore Issues of investment, competition and government procurement (Kelsey 2007, p. 84). These also have substantial focus in the EPA. Singapore Issues at the WTO were pushed by the EU, Japan and Korea, and opposed by most developing countries. Disagreements between developed and developing economies prevented a resolution in these issues (Kelsey 2007, p. 84). However, given the stalemate, the EU remains tough and has taken unilateral action outside of the WTO trade regime in pushing these elements in EPA to pursue European commercial interests. As a result the EPA negotiations with PACP countries have always been tumultuous. The PACP states for long have been battling with EU's over-powering and dominating attitude to revise and change many of the critical elements of liberalisation of trade in service and agricultural sector, and the Singapore Issues that would adversely impact on their economies development strategies.

EPAs are part of the broader framework of FTAs under the WTO's trade regime agenda. Since the EU is a key member of WTO and a highly integrated economic bloc, it drives a large number of FTAs with the developing world. The EU intention in FTAs is to boost the European countries' economic and political strength in global affairs. The EU as a powerful party in the FTAs behaves like a hub to the periphery and this allows EU to divert trade and investment to European countries at the expense of the periphery. The degree of trade liberalisation advanced in FTAs like EPAs is unattractive and incompatible with the development needs of the developing countries. As a result, free trade agreement have been a focus of intense debate in the Doha Round talks. Debates on this eventually led to an impasse trade in talks in 2008 as the developing countries continued to be pressured by the developed countries to completely liberalise all trade. Major contentious issues are liberalisation of agriculture, removal of tariffs and imposing non-tariff barriers, and Singapore Issues. These are ambitiously pushed by the EU in the EPAs. However, EU, US and Japan as key members of WTO and advocates of free trade continue to protect their sectors and are unwilling to address the double standards from which they benefit. The Doha Rounds addressing several issues on FTAs is yet to be concluded.

4.6.2 EPA Challenges PACP Countries Development Trajectories

EPA negotiation has caused much tension between the two parties and taken almost a decade, yet no position has been reached. The first reason is that it has been difficult for PACP governments to understand the complexities and consequences of the implementing the policies proposed in the agreement. Second is, that EPA negotiations face several challenges as it involves several EU and PACP entities which have different interest and perspectives on various aspects of the EPA.

First, PACP policy-makers for long have been unclear about the different aspects on the EPA and its consequences for their development trajectories. The technicalities of the WTO trade rules and its impact are becoming clearer to the PACP policy-makers now as they became more involved with EPA negotiations and several intense debates. PACP negotiators found the EPA a complex international agreement and are still unclear on the details of the document and its long-term consequence (Pacific Island Economist C, 2011). Hard information on what EPA would actually involve is only becoming clearer after the interim agreements were signed by PNG and Fiji (Stevens 2008, p. 211). This is because the agreement is highly detailed; “the devil is detail” (Stevens 2008, p. 211). PACP states have been slow to move beyond general issues building frustration by the EC’s rigid deadline in a way almost unparalleled in trade negotiations (Pacific Island Economist C, 2011). The question in the PACP region remains as to whether EPAs will effectively foster development within the PACP economies (Pacific Island Political Scientist C, 2009).

Second, the interest of the several EU and PACP entities involved in the negotiations has brought contradictions and inconsistencies. Tensions have increased in the last few years because individual PACP countries pursue different interests in negotiating the EPAs and because of increasing power politics of EU and the like minded Australia and New Zealand in setting the agenda in the Pacific region. The Pacific Island Forum which assists the PACP countries in trade negotiations have made attempts to collectively but PACP countries believe that PIF is not pushing their development needs and are divided over their different national interests and politics. There are tensions over power-relations between the PACP group and PIF because of the presence of Australia and New Zealand in the PIF as key members and donors. The Australia and New Zealand through the PIF are also pushing a free trade agreement called Pacific Agreement on Closer Economic Relations (PACER), similar to that of the EU’s EPA. The PACP countries experience in the PACER negotiations shows that the PIF is largely pushing Australia and New Zealand’s interest in the region and PACP countries believe PACER may cause major problems for their economies (Pacific Island Economist A, 2011). In 2009, PIF meeting at Cairns, Australia and New Zealand pushed for the established Office of the Chief Trade Advisor (OCTA) to assist the PACP countries negotiate PACER-Plus (Wolfenden 2010). However, the PIF depends on the EU resourcing to create the OCTA (Wolfenden 2010). The EU funding then got the PIF implement Pacific Integration Assistance Project (PITAP) to drive EPA's objective on regional integration through free trade policy outcomes (Wolfenden 2010). The PIF aim has been to get OCTA and PITAP push the agenda of the Australia and New Zealand, and the EU. Australia and New Zealand and the EU collaborate with each other on their specific free trade agreement and regional integration initiatives in the Pacific region. Part of the EU funding for PITAP will be allocated for OCTA to achieve its objectives on free trade and deepening regional integration (Wolfenden 2010). Therefore, not only are the bureaucrats from EU and Australia and New Zealand determining the pace and agenda of negotiations with help from an increasingly compromised Forum Secretariat, but the power politics of the region are as apparent and influential as ever (Wolfenden 2010). This is exposing differences between the Pacific Island Countries to their own disadvantage. While the concept of regionalism in the Pacific, regional integration initiatives of the Australia and New Zealand, power-politics in the region, and intra-PACP politics are pertinent issues in the EU-PACP relations, they are beyond the scope of the research and have been left for future research.

While the research finds that provisions in the IEPA for fisheries have benefits for diversification and commercial development, it argues that the overall trade liberalisation focus of EPA has significant challenges for the PACP countries development. The previous Lomé Convention did not emphasise on any particular development strategy in the ACP countries. The EPA, however, is clearly driven by free market ideology objectives. The PACP governments are concerned that the EPA is requiring them to consider significant policy reforms that would be irreversible (PACP Negotiator A, 2010; Fiji Government Official E, 2010). Although it is clear that PACP states have been embracing much of the current constellation of international institutions and Western donors, rules and norms which inform the EPA, they have been debating with EU to transform the EPA so that it addresses the development needs of their relatively small developing economies.

Two points need to be made clearer here. Firstly, there are doubts that the current format of the EPA will actually prove beneficial to PACP countries. Secondly, the process of forming EPAs is unlikely to be reversed and PACP countries are wary of permanently shifting their development policies to trade liberalisation and the development of private sector.

The ten years of negotiations between the EU and the PACP countries still have not arrived to a permanent deal. The agreement was supposed to have concluded in 2007/2008 but negotiations continue until the time of writing in 2013. Both sides have contrasting ideas about development. EU believes neoliberal market ideas would foster economic development and raise living standards whereas the PACP policy-makers believe that their economies still need protection. The EU policy-makers argue that the main focus of EPA is that it should promote growth, integration of the ACP states into the world economy and the eradication of poverty and boost economic development (Gasiorek & Winters 2004, p. 1337). In line with these broad objectives, the EU structured EPA negotiations in six thematic areas are; i) Market access, ii) Agriculture, include fisheries, iii) Trade in services, vi) Trade-related issues, v) Development Cooperation, and vi) Legal Requirements: e.g. dispute settlement (Gasiorek & Winters 2004, pp. 1337-8; Meyn 2004). The EU views the EPA objectives on trade liberalisation and regional integration as closely interrelated. Dearden (2008, p. 15) elaborates that the EU hopes that “the pace of liberalisation of trade” encouraged by the EPA will be a “function of the degree of regional economic integration and realised in a flexible and asymmetrical” in FTAs. The objectives are to help create larger markets (through regional integration) which is hoped to expand the productive capacity of the ACP economies and to encourage diversification (Gasiorek & Winters 2004, p. 1346).

While these appear ambitious objectives of the EU, in the PACP region these would be hard to achieve. PACP states have argued with EU-policy-makers that benefit from EPA for peripheral states are far less apparent (Pacific Island Political Scientist C, 2009). Developing countries island economies have a relatively small manufacturing base and in any case the requirements make little sense in a world of international production and where one of the objectives of the agreement is to integrate these economies more fully into global economy. With the hope of improving the EU's plan, the PACP group had submitted its own comprehensive proposal for a "pro-development" EPA text to the EC in July 2011 (Pareti 2012b). However, the PACP governments are in deep anxiety as their demands have been rejected in the draft EPA text released by EU in 2012 (Pacific Island Economist C, 2012). The draft text does not address the key PACP development challenges and is lacking in a number of critical details (Pareti 2012b). Trade observer Kelsey (2007) argues that PACP governments do not have to agree to EPA. Only Fiji and PNG, which account for the majority of trade with the EU, have signed goods only IEPA in 2009 that legally commits them to continuing negotiations towards a comprehensive EPA (Pacific Island Economist B, 2011).

The EU continues to dominate negotiations and tries to pressurize PACP governments to conclude negotiations (Pareti 2012b). A former Pacific Islands Forum (PIF) trade advisor confirms that since EPA is looking very uncertain in terms of potential benefits for PACP development, the region as a whole is not prepared to make a commitment (Pareti 2012a). In addition, commentators from various levels of the society such as ACP policy-makers, EU officials, PACP country politicians as well as civil society representatives, have increasingly questioned the development dimension of EPA. The concern led to a large coalition of PACP non-governmental organisations even campaign to 'stop EPA' (Fiji Times Online 2008; Traidcraft Website n.d.). The former PIF trade advisor observed that this has irked the EU negotiators (Pareti 2012a). He also observed that attitudes on both sides have hardened (Pareti 2012a). EPA negotiations, as a result, are creating much heat in the region and Europe-PACP relations are now fraught with conflicting views. It is disturbing that the region might be pushed to sign an EPA they did not believe was in their interest and as a consequence their already vulnerable economies may further suffer. PACP governments are concerned that the EPA has serious challenges for development in several ways.

First, the PACP governments are most concerned about the Most Favoured Nation (MFN) status of the WTO rules incorporated in the EPA. MFN is a status or level of treatment accorded by one state to another in international trade. MFN status extends reciprocal bilateral relationships following both GATT and WTO norms of reciprocity and non-discrimination. The non-discriminatory component of the WTO applies a reciprocally negotiated privilege to all members of the WTO without respect to their status in negotiating the privilege. This means a country that has been accorded MFN status may not be treated less advantageously than any other country with MFN status by the promising country. So an agreement for the formalisation of the EPA will trigger PACP group's trade liberalisation agreements with Australia and New Zealand currently being negotiated under Pacific Island Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER). PACER has a trigger clause designed particularly to ensure that Australia and New Zealand are not disadvantaged by the EU's free trade arrangement with the PACP countries, because they are also heading firmly in the direction of free trade (Firth 2005, p. 4). Australia and New Zealand have stressed that they would seek equivalent treatment from PACP countries from what they will offer to the EU under the EPA (Kelsey 2005, 2007). The negotiations for PACER-Plus were launched in 2009 and had their 6th round in March 2014. PACER Plus includes the Singapore Issues of investment and service liberalisations and implementation of competition policy. The PACP concern about liberalisation in the EPA is no so much to do with the concerns over the small volume of imports from Europe, but because it would trigger PACER and thus affect PACP's large imports from Australia and New Zealand, which could have serious consequences.

PICTA is a FTA signed in 2001 among fourteen PACP members of the Pacific Islands Forum instigated by Australia and New Zealand. As of 2008 it was being expanded to trade in services. PACER too, signed in 2001 is a framework agreement to deepen trade and investment liberalisation in the broader Pacific island region. PACER includes Australia and New Zealand, and commits all PICTA members' negotiations towards a free trade agreement. PACER is not a trade agreement in itself, but the trigger clause requires the PACP governments to consult with Australia and New Zealand with the view of negotiating a free trade agreement should they commence formal negotiations for free trade arrangements which would include one or more developed non-PIF country (Oxfam Australia and New Zealand Website, p. 7). Therefore, as with any broader economic impact of the EPA, PACP policy-makers' central concern is the possibility of the extension of any FTA to Australia and New Zealand. Although EU imports to PACP is not huge, the trigger clause extending free trade to Australia and New Zealand will impact significantly, as these countries are major trading partners of PACP countries. In a press release, Australian government announced recently its renewed support for PACER-plus trade with $1.8 million aid over three years to the PIF's OCTA to facilitate negotiations (Ministry of Trade and Investment of Australia 2013). This means if PACER-plus is concluded, would have a much greater consequences for the PACP countries. The inclusion of Singapore Issues in the PACER plus and EPA concerns the PACP countries most and this had led to PACP reticence on EPA. As a result, the bigger PACP, Fiji, Solomon Islands and PNG have become united in announcing that they would withdraw from EPA negotiations (Tabureguci 2014).

As a result, the MFN status of EPA and PICTA and PACER will compel PACP countries to significantly reform their policy environment by implementing free trade strategies. The EU argues that the EPA objective on macro-economic and structural policy reforms, sectoral policy reforms (agriculture and fisheries), and the development of the private sector are fundamental for economic growth in the ACP countries (Revised Cotonou Agreement). This a key concern for the PACP governments as it poses a number of policy, administrative and institutional challenges in development, including; replacing forgone tariff revenues, avoiding serious trade diversion,[45] regulating liberalised service industries, and liberalising internal trade within the regional bloc (Hinkle & Schiff 2004b, p. 1322). PACP governments, in particular, are concerned about the fiscal reforms which involve elimination of tariffs, a main source of government revenue and the introduction of new forms taxes. Since many PACP states have traditionally relied upon import duties as an efficient form of revenue collection, substantial decline in revenue would mean reduced budgetary allocation for agriculture and infrastructure, both of which are crucial for national development (Pacific Island Economist C, 2011). PACP policy-makers are concerned that reduction in government revenue will have adverse effects on PACP government's expenditure on social services such health, education and welfare (Fiji Government Official E, 2010; Pacific Island Economist D, 2011; Papua New Guinea Government Official A. 2011).

PACP governments will face further loss of revenue from the reduction in tariffs that would be required should the FTA be extended to Australia and New Zealand. Given the fact the EPA will trigger PICTA and PACER, the impact upon government revenues of duty reductions presents a far bigger challenge as Australia and New Zealand are the major trading partners of the PACP states. Tonga (import duties 65% of tax revenue), Kiribati (61%), Tuvalu (48%) and Vanuatu

[45] In international economics the term trade diversion means trade is diverted from a more efficient exporter towards a less efficient one by the formation of a free trade agreement or a customs union.

(40%) are particularly dependent upon tariff revenues (Dearden 2008, p. 7). Further complications will arise for the three PACP states, FSM, Palau, and Marshall Islands, which have a Compact of Free Association with the United States. The US could also demand a similar favourable market access provided to any other country (Dearden 2008, p. 5). The Joint Roadmap of 2004 that oversees the EU and PACP negotiation on EPA has acknowledged the implications of the EPA for PACER and that of the US ‘compact states’, and had made commitments that it will be reflected in all areas of negotiations (Dearden 2008, p. 15). However, no attention is given to these in the draft EPA (Pacific Island Economist C. 2012).

To eliminate tariffs, PACP governments are expected to adopt substantial fiscal reform by implementing tax reforms necessary to reduce reliance on tariffs. The three options for the PACP states are conversion of tariffs to excise duties, introduction of consumption tax such as value added tax (VAT) or exclusion of products from the FTA (Dearden 2005, p. 16). PACP countries like the Cook Islands, Samoa and PNG and Vanuatu have commenced fiscal reform and have already implemented VAT (Grandcolas 2004, p. 15). VAT systems have not helped countries maintain their earlier tariff based revenue levels (Pacific Network on Globalisation 2008, p. 24). VAT system is inequitable, if not unjust, as it will affect the poor most (Dearden 2005, p. 16; Sekwati & Malema 2011, p. 49) as it places the tax burden on the final user and makes the poor pay more. VAT as a tax on the consumption of goods and services is a hidden tax and governments can raise rates more easily than other taxes (Sekwati & Malema 2011, p. 49). This therefore, would raise consumer prices immediately and possibly lead to higher inflation (Sekwati & Malema 2011, p. 49). The inflationary impact could appear in the form of slow economic growth or even a recession and a lower real value of existing savings (Sekwati & Malema 2011, p. 49). Since low income people consume a higher proportion of their income than higher income people, a VAT could be regarded as regressive (Sekwati & Malema 2011, p. 49). The vast majority of the PACP countries' population are in rural areas and fall in the low to middle income category therefore would be hit the hardest by the inflationary nature of a VAT. Kiribati and the Marshall Islands had substantial domestic opposition to change the tax system to implement a VAT (Pacific Network on Globalisation 2008, p. 57). However, the Federated States of Micronesia (FSM) and Tonga and Tuvalu are doing a major restructuring of their tax systems and considering implementing a VAT (Dearden 2005, p. 16; Grandcolas 2004, p. 13).

Second, the implications of service liberalisation are another key concern for the PACP governments. In the area of service liberalisation, the EPA is much more complex than those of goods. The General Agreement on Trade in Services (GATS) of the WTO allows countries to choose which service sectors to liberalise (Stevens 2008, p. 212). Once countries agree to liberalise some sectors, GATS rules require that governments do not impose certain restrictions upon foreign operations such as limitations to foreign ownership (Stichele 2006). Another GATS discipline is that rules for foreign services providers are the same as for domestic service companies (Stichele 2006). GATS allow some exceptions. However, once implemented, it is difficult to reverse liberalisation under GATS. Despite the WTO agreement on services that calls for flexibility in relation to developing countries and commitments to 'special and differential treatment' under Cotonou, the EC is firmly committed to its call for reciprocal liberalisation of trade in services (Dearden 2008, p. 17).

The EU intention for services liberalisation is to open new opportunities for European firms in the ACP countries. European companies are the world's major exporters of services and major investors around the world, and therefore, need to expand beyond the European markets to continue their profit growth (Stichele 2006, p. 3). This would include fully taking over service companies in other ACP countries, and operating without restrictions (Stichele 2006, p. 3). The

EPAs will allow profitable conditions for Europe's multinationals and give them preferential access to ACP services markets (Stichele 2006, p. 3). Examples of European multinationals operating in Africa are banks like BNP Paris Bas or Barclays, supermarkets like Carrefour and Casino, water distribution and waste management companies like Suez (Stichele 2006, p. 1). Companies have substantial corporate rights in the WTO trade regime. Once the service liberalisation is implemented, the PACP governments' right to regulate their service sector will be severely curtailed when taken over by European firms. The EPA does state that governments retain the right to regulate as the primary purpose of the EPA is to restrict the ability of governments to choose how they regulate services and foreign investment (Third World Network 2009, p. 21). However, the PACP group in the negotiations have made demands to introduce a number of safeguards to protect domestic industries and sensitive products (Pacific Island Economist C, 2011). These included a clear statement of the rights of governments to regulate in the public interest and the right to delay implementing liberalisation until an appropriate regulatory regime is in place (Pacific Island Economist C, 2011). More importantly, they sought exemption from privatisation for public services such as health care, education and water supply (Pacific Island Economist C, 2011).

The PACP states' main interest in GATS is Mode 4 which is Temporary Movement of Natural Persons (TMNP). The GATS agreement covers four modes of trade in services in cross-border trade. PACP policy-makers believe that TMNP or Mode 4 included in the EPA would ensure substantial benefits from labour mobility access and human resource development assistance for training and qualifications (Pacific Island Economist C, 2011). Labour mobility was included as part of the services chapter of EPA but applied only to the movement of skilled workers (Pacific Island Economist C, 2011). According to a report compiled by an anti-globalisation NGO based in Fiji, the PACP countries have put forward three levels of demands on labour mobility (Pacific

Network on Globalisation 2008, p. 34). The three wide categories of work proposed are semi-skilled, trade and professional (Pacific Network on Globalisation 2008, p. 34). [46]

However, the European Commission could not proceed in discussions on this as it does not have the mandate to negotiate the TMNP. The European Commission argues that labour mobility involves the politically sensitive area of member states' immigration policies, as a result the EU has been reluctant to negotiate a collective agreement with the PACP group in this area (Dearden 2008, p. 18). In addition the EC's response to the request for enhanced rights of entry of unskilled workers into the Member States was rejected as this lay beyond the competence of the EC (Dearden 2008, p. 18).

However, the PACP states continue to press on for major advances in labour mobility. They emphasised that the Mode 4 of WTO's GATS allows flexibility which is incorporated in Article 41.4 of the Cotonou Agreement (Dearden 2008, p. 20). The Article states that the EPA is to encompass the liberalisation of services in accordance with the provisions of the GATS (Dearden 2008, p. 20). Therefore, the PACP governments emphasised the importance of Mode 4 access to the European countries labour market for workers. However, while the EC, in a Joint Declaration adopted in March 2007, expressed its readiness to support provisions for cross-border movement of PACP workers, it again emphasised that temporary worker migration fell within the competence of the Member States (Dearden 2008, pp. 20-1).

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[46] The first stage is: (i) Health Sector: midwives, nurses, nurse aids, and care givers: (ii) Building and Construction: roofers, concrete workers, masons, steel workers, fencers, glaziers, plasterers, painters, decorators, floor layers and wall tillers.This category is to be expanded later to include air-conditioning and refrigeration works, plumbers, electricians, carpenters, and joiners; and (iii). Tourism: hospitality workers including waiters, bartenders, chefs, pastry chefs, cooks, housekeepers, frontline managers, travel agents, tour operators and managers, tour guides and dive masters. Later this would be expanded to senior hotel managers and restaurant and catering enterprise managers (Pacific Network on Globalisation 2008, p. 34). In the second stage, the Intermediate Trainee category will be expanded to: (i) professional computing and other business services; (ii). audiovisual services; (iii) Wholesale and retail services; (iv) Primary and secondary educational services; (v) entertainment, sporting and recreational services, and (vi) transport services (Pacific Network on Globalisation 2008, p. 34).The third stage covers opportunities for short-term holiday schemes for PACP youth (Pacific Network on Globalisation 2008, p. 34).

It may be a wise decision for the PACP governments to move away from the narrow thinking that the labour movement scheme, if accepted by the EU, would solve PACP countries problems regarding employment. The PACP governments should view this labour mobility scheme as only one of several options for partially addressing the fundamental problems of limited employment and low incomes in PACP countries (Pacific Island Economist C, 2011). Beyond the opportunity for exposure and higher income earning for qualifying young trainees, and remittance gains for family members at home, the PACP states' request within Mode 4 is unlikely to address fully the region's most pressing needs and social problems such as the region-wide problems of growing poverty and inequality, burgeoning urban and youth populations, and the rising unemployment (Pacific Network on Globalisation 2008, p. 34).

Finally, the PACP governments have been concerned that the EU has used the EPA to secure negotiations on the Singapore Issues of investment, competition and government procurement which failed to achieve consensus in the WTO Doha Round (Kelsey 2007, p. 84). ACP countries have collectively demonstrated that they are not interested to include competition policy, investment and government procurement in the EPA negotiations. They described their disagreement with the EU on these issues as of a 'fundamental nature' (Oxfam International 2006) as the potential social, political and economic consequences of these agreements are still unclear (Kelsey 2007, p. 84).

In the 2006, the African Union Conference of Trade Ministers in Nairobi, the ACP ministers called on the EU not to press African countries to take up obligations that go beyond their WTO obligations, and called for these issues to stay 'outside the ambit of EPAs' (Oxfam International 2006). A similar comment was also made by Fiji's external trade minister Kaliopate Tavoala in a conference on EU-ACP trade relations in 2006 (Third World Network 2009, p. 24). The Singapore

Issue have no relevance to ACP development as they aim to entrench European business interests (Kelsey 2007, p. 84). The implications for ACP countries of negotiating the Singapore Issues have not been systematically analysed, but there is enough evidence to be of concern to ACP policy-makers. A pragmatic concern is the sheer cost of implementation. The costs of implementing new laws on competition would be substantial, and developing countries are still struggling to implement the WTO obligations on customs reform, intellectual property rights, and sanitary and phytosanitary measures (SPS) agreed during the Uruguay Round (Singh & Dhumale 1999). Yet the Deputy DG of Trade Karl Falkenberg insisted that there will be 'no EPA without investment rules and full reciprocity' (Oxfam International 2006).

The EU intends to enhance competition environment in the PACP countries by implementing the competition policy of the Singapore Issue. Since the EPA enforces 'nondiscrimination', PACP countries would be forced to implement advanced country type of competition policy and competition legislation. This means that PACP countries would be forced to treat giant European multinationals in the same way as their own far weaker companies (Singh & Dhumale 1999). This would prevent ACP governments from using investment policies that many other countries have used to build up national industries (including limits on ownership, performance on exports or local employment, or insistence on joint ventures with local firms) (Singh & Dhumale 1999). However, there is no clear consensus among the Pacific Island economist as to the best form for such polices to take (Anderson & Bosworth 2000, p. 158). Most of the PACP countries have no national competition policy or specific competition legislation. Only Fiji recently introduced competition law in 2010. However, it is for internal competition to make private sector more efficient by state regulation and not the kind the EU is enforcing that would open PACP economies to compete with foreign firms and remove PACP government's power to regulate (Pacific Island Economist C, 2012). Developing countries require special treatment in the sense of being allowed to pursue competition policies which are appropriate to their stage of development (Singh & Dhumale 1999). Enforcement of the competition policy of the Singapore Issue type requires a strong state which many developing countries may not have (Singh & Dhumale 1999). The PACP states are politically and economically weak. In these circumstances, a competition policy could simply lead to more corruption and rent seeking (Singh & Dhumale 1999).

While it is clear that EPA would be enforcing substantial reform, the PACP governments are concerned that reforms would incur substantial adjustment costs. They have repeatedly requested for additional funding specifically linked to the EPA to assist with any necessary structural adjustment, however, the EC refused all calls on this (Dearden 2008, p. 17). Smith (2006) has taken the most comprehensive assessment of the potential costs of adjusting to an EPA for the PACP group (Dearden 2008, p. 8). He identified four categories of economic adjustment costs of EPA; fiscal, trade facilitation, production and employment and skill development. His overall estimates for the entire ACP group totalled €9 billion; €3 billion for fiscal adjustment, €2.3 billion for trade facilitation, €1.5 billion for production and employment adjustment and €2.3 billion for retraining (Dearden 2008, p. 10). For the PACP group alone he suggests a total adjustment cost of €642 million; with a fiscal adjustment cost of €210 million, export diversification €175 million, employment/production adjustment €82 million, and skills/productivity €175 million (Dearden 2008, p. 10). Smith's overall estimate of the EPA adjustment costs for the PACP group for a period of five years totalled €184 million (Dearden 2008, p. 12). This assessment shows that PACP governments would require substantial funds to put in place the necessary structures to bring about reforms would fail if PACP governments are not able to secure substantial funds. To manage funds if provided, Smith (2006) recommends the establishment of a Pacific Regional Development Fund, encompassing a Trade Adjustment Fund

(Dearden 2008, p. 12). In addition given the significance of any renegotiation of PACER, as a result of the establishment of an EPA, such a Regional Development Fund would provide a framework for the EU, individual EU Member States, Australia and New Zealand, to support the necessary adjustment in the PACP countries (Dearden 2008, p. 12).

Therefore, the EPA is bringing extensive changes in the PACP countries' policies shifting their state-centred development towards complete market-oriented development. The full implementation of the EPA and the benefits from it are yet to be seen. The PACP governments are of the view that the EPA is not in their development interest, and as a result have resisted signing for almost a decade. In addition, the PACP governments are concerned that EPA also has a number of controversial elements which the EU intends to enforce unilaterally beyond WTO rules. The EU continues to push its agenda in negotiations and so far has failed to deliver an EPA with partnership and equality. The EPA is the EU's plan for PACP countries' development and therefore, it is clear that EU continues to try to set the agenda for them. European policy-makers believe that the EPA as a free trade agreement would bolster EU presence in fast growing economies and secure European firms' commercial interests. The European economic interest is supplemented by political consideration regarding the need to reinforce EU presence in particular markets and to reduce the potential threats of other actors' relations with ACP countries, which are economically important to European countries.

4.7 Conclusion

PACP countries' post-independence relations with their former European colonisers has been the most longstanding, spanning a period of almost 25 years of the Lomé Convention and 10 years of the successor Cotonou Agreement (which is a transition agreement currently allowing for the conclusion of negotiations for the comprehensive EPA). The EU as a result has become an important actor in the region shaping the development trajectories of the PACP countries for more three decades. The Lomé Convention of 1975 as the first agreement was formalised with an understanding between the two unequal parties to promote a mutually balanced set of interests. In doing so, the relations specifically were to distribute economic advantages to the weaker parties and facilitate their post-independence development within the framework of the NIEO, and enable partnership and equality in the asymmetrical relations. The ACP group perceived the Lomé Convention's trade and aid innovative regarding implementing the NIEO principles which the ACP group together with other G77 countries fought for to become UNCTAD project.

However, the rules for trade and aid were devised in a way to protect European geopolitical and economic interests. While the Lomé Convention's main attribute was its trade preference access to European markets, the rules for trade aimed to protect the European commercial interests. The rules for trade also had power to decide what ACP products and specific quantities of those products were to be exported to European countries. The aim was to control ACP exports and its potential threat to European industries. In the area of aid, the STABEX scheme also appeared inventive in terms of bringing substantial benefits to the ACP primary sector when shortfalls occurred. The ACP perceived STABEX the most important innovation of the Lomé Convention as it met one of the long-standing demands of developing countries to have a measure of insurance against primary commodity revenue instability without having to pay too dearly for it

(Grilli 1996, pp. 27-8). Least developed countries were exempted from repayment, and when repayable, STABEX credit did not enforce an interest charge. However, STABEX was not evenly distributed to all primary commodities and ACP exporters. It supported those important primary commodities which the European countries needed as raw materials for their industrial sector. STABEX clearly was not for processed raw materials therefore value added activities in the PACP countries were not encouraged. As a result, countries that received STABEX showed a market dependency on primary commodity exports encouraged by the scheme. It is clear that the Lomé Convention trade and aid encouraged developments in primary commodity exports but was not a coherent policy to facilitate diversification and industrialisation prospects in the ACP countries. Therefore, the Lomé Convention did not contribute to a major impact on the overall ACP development, as European interests averted attention from satisfaction of fundamental needs of the developing ACP towards increased production and trading of certain primary commodities that European markets required (Asante 1981, p. 672). Commentators such as Ravenhill (1985) and Cosgrove–Twitchett (1978) who had high hopes for the Lomé Convention in its early years eventually came to realise by the mid-1980s that the Convention could no longer be praised as a model for implementing NIEO objectives.

Nonetheless, the newly independent PACP states acted to further their interests for their economic development by capitalising on the opportunities offered by the Lomé Convention, and later on the Cotonou Agreement and the IEPA. The trade and aid was pivotal for the socio-economic development of the newly independent PACP states and without it there is no doubt that the problems of isolation, distance, small export markets, limited technical capacity and the external and environmental shocks would have been far more serious than they presently were. The trade preferences, in particular, significantly impacted on the development of the sugar industry and the tuna processing industry in the PACP region. The reliance on trade preferences over the years has developed the sugar and the tuna fisheries sectors into the key economic activities facilitating post-independence national development. The two industries have been crucial in the providing cash income to the locals and improved their livelihoods and overall living standards. The industries also contributed to the development of infrastructure, spin-off and associated businesses. Therefore, it is clear that Europe-PACP relations with preferential trade-induced economic growth has supported human development and the overall socio-economic betterment of the PACP people, both directly and indirectly, involved in the tuna processing industry and the sugar industry.

In transforming the Europe-PACP relations to ensure WTO-compatibility by formalising the Cotonou and IEPA, the EU continues to decide which PACP sectors to liberalise and which to protect through maintaining trade preferences. In making the relations WTO-compliant, the EU has ended the trade preferential price system for Fiji's sugar exports to Britain making a bleak future for the Fiji's sugar industry. Yet the EU maintains the trade preferences in the IEPA for PACP canned tuna and loin exports to European markets. The ongoing trade preferences are significant in influencing sustainable long-term fisheries policy of the PACP countries. Trade preferences have been crucial in the development of tuna processing industries in Solomon Island and Fiji. Nonetheless, Soltai Ltd of Solomon Islands and PAFCO of Fiji as government investments struggled to be profitable for a most of their histories. PAFCO no longer exports to European since Bumble Bee took over operation in 1999. With the aim to continue benefitting from trade preferences, Solomon Islands government has incorporated in its macroeconomic policy to support Soltai Ltd by allowing majority private ownership expanding loining facilities, boat projects, and to also strengthen relevant legislations (Solomon Islands Diagnostic Trade Integration Study 2009, pp. 63-4).

However, tuna processing canneries in PNG have been profitable investments expanding rapidly in the last decade. PNG export capacity is bigger than Solomon Islands and Fiji. Exports to European markets have increased dramatically in the recent years. This is influenced PNG's rich tuna stocks. For the development of the sector, PNG government in late the 1990s arrived to a strong policy of tuna-based development. The policy aims to exert sovereignty over the rich tuna resources within PNG's EEZ and obligate foreign private sector investors to develop onshore processing by tying fisheries access agreements to onshore investment commitments. The onshore processing investments in PNG are purely private sector driven and are mainly attracted by the rich tuna stocks. PNG government's sovereignty model over its resource is seen providing government with the commodity power. This empowered the government to implement the policy and push for special derogation to the standards RoO, for processed canned tuna and loins in the IEPA in 2007. The provision in the IEPA has potentials for diversification of the PACP tuna industry which was previously curtailed by the strict RoO. This is a significant change in the Europe-PACP relations. In addition, PNG as a politically and economically weak state is able to exercise its negotiating power to get EU consider providing the derogation to the RoO for fish products.

Since the bulk of PNG canned tuna and loins are exported to European market, the EU has become the principle tuna trade partner of PNG. As PNG exports to European markets continue to grow, PNG has become both a competitor and at the same time a significant supporter of the European canning industry. An increase in EU canned tuna imports from PNG produces negative effects on EU production, on value added and employment. This concerns the Spain and Italy which are the main European canning states and which also own canning investment abroad. However, an increase in EU cooked loin imports from PNG generates positive effects on European production, added value and increased employment opportunities. PNG's tuna processing industry has become an important sector contributing to socio-economic development of PNG. The expansion of the industry has given rise to industrial zones which are growing into industrial towns. The tuna industry generates direct government revenue, employment and spin-off activities which are contributing significantly to the PNG's economic growth. PNG tuna exports have surpassed all other PACP primary commodity exports making tuna trade the key focus of the Europe-PACP relations. While PACP countries have moved away from fish access agreement only and connected it to onshore processing, European countries like Spain continue to be interested in obtaining fishing access license from the PACP countries. PACP countries are concerned that Spanish fleet access to Kiribati waters would benefit Spain enormously compared to what Kiribati receives. In addition, there is concern about resource management as the agreement does not require their vessels to apply the PNA regional VDS scheme. The tuna related focus in the EU-PACP relations, therefore to some extent has filled the vacuum in relations left by the decline in Europe-Fiji sugar trade link.

While it is clear that the provisions provided for PACP tuna exports in the IEPA has benefits for diversification and commercial development, the overall trade liberalisation focus of EPA has significant challenges for the PACP countries development. PACP governments have been resisting EPA for almost a decade. They are concerned that the EPA is requiring them to consider significant macro-economics and institutional reforms that aim to implement neoliberal market-driven policies. PACP policy-makers, in particular of Fiji and PNG believe that neoliberal market policies are not in their development interest and their market still require protection. The PACP policy-makers find several key aspects of EPA's liberalisation agenda such as the MFN status of WTO rules, service liberalisation and the Singapore Issues highly controversial, believing these would have adverse effect on their economies. PACP governments are already undergoing the painful task of enforcing fiscal reforms which involve elimination of tariffs, the main sources of PACP government revenue. The PACP governments have been keen to in make major advances in the labour mobility in the service chapter of the EPA within the GATS provision of the WTO trade regime. However, the EU has rejected the PACP requests on the basis that labour mobility involves politically sensitive areas of European countries immigration policies and the EU does not have mandate to negotiate agreements on labour mobility. However, the EU continues to pressurise the PACP government to conclude EPA. It is depressing that PACP countries would be pushed to sign an EPA not addressing their fundamental developmental challenge. From a theoretical perspective, it is clear that PACP states had significant interests in the Europe-PACP relations for the development of the sugar and fisheries sectors as these sectors were almost entirely state-owned. Fijian government's involvement in its sugar and PAFCO, and Solomon Island's governments in Soltai is articulating that states have been the dominant actors in pursuing their national interest for economic development which the state-centric realism proposes as a key argument. However, state-intervention in these key sectors was not sufficient to stir major economic growth.

The role of private sector and the economic elites in determining national interests is noted in the international relations theory more generally did not exist in PACP countries for the vast period of the Lome Convention. While the Lome Convention encouraged export oriented growth, the small domestic private sector did not have full commercial capacity to invest in the sugar and fisheries sectors which for long have been PACP government's large state-owned enterprises. In addition, PACP economies until the 1990s to a great extent have been closed economies not keen in attracting foreign investors. So to the question of private sector economic elites playing a crucial role in facilitating state interest as suggested by Gilpin has been the case in the PACP countries. However, the increased emphasis on the FTAs and role of private sector in the Cotonou and IEPA has opened opportunities for foreign investors. More, the concern is that EPA focus on liberalisation will drive out the domestic private investors, most of which are small it is policy-makers fear that European MNCs may not act in the interest of the PACP economies. The debate on the importance of domestic investors versus the role of FDI for PACP development is worth pursuing, however space here does not allow for that. Solomon Islands, Fiji, and PNG are engaged in improving their foreign investments legislation in certain sectors to create a conducive environment for foreign investors. However, in Solomon Islands, domestic investors have not received similar advances in treatment (Solomon Islands Diagnostic Trade Integration Study 2009, p. 125). In the macroeconomic policy for the development of their fisheries sector, Solomon Island and PNG governments have incorporated a fisheries policy of linking the granting of fishing licences to investments in onshore tuna processing in PNG. As argued by Gilpin, the commitment of these countries in attracting foreign investors is based on the concept that it would benefit the countries national interest.

The EU motivation to adopt neoliberal market development perspective in its external relations is part of the broader agenda of the WTO trade regime to secure European political and economic interests in fast growing developing economies. While the EU is a powerful advocate of the neoliberal market development orthodoxy, European countries have not yet liberalised their own sectors and are unwilling to address in the WTO Doha talks the double standards from which they benefit. European Commission reveals that the European motivation for proposing free trade agreements is a clear political message to a country regarding its importance for the EU (European Commission 1995). Therefore, inequality and European dominance continues in the Europe-PACP relations to protect European interests and in setting the agenda for the PACP countries' development, which the PACP governments are only able to counter by refusal.

CHAPTER 5: Effects on the Political Development Trajectories of the PACP States: Through a Case Study of Fiji's Political Crises

5.1 Introduction

The main aim of this chapter is to explore how the EU has over the years influenced the political changes in the Pacific Island countries. Since the end of the Cold War Western donors including EU have attached political conditionality to foreign aid. Political ideas of democratic principles, rule of law, respect of human rights, good governance norms, and security and stability as essential conditions for development in Europe-PACP relations. The EU has recognised the importance of the "nexus" or the connections between the political elements and development since the end of the Cold War. In line with donor moves to expand structural adjustment conditionality to aid, political elements were included in the Lomé Convention IV in 1995 and strengthened by its successor, the Cotonou Agreement in 2000. This is a significant change in Europe-ACP relations which aims to influence all ACP countries' political development trajectories.

To explore EU influence and how it has changed the political environment of Pacific, this chapter has chosen Fiji's political crises as a case study in the Europe-PACP relations. The reason being, Fiji, with its succession of coups, is the only country in the PACP group in which the EU has attempted to apply political conditions. The EU intention to enforce political elements of democratic principles and practices, rule of law, human rights, good governance, and security and stability ideas as necessary conditions for development supports the state-centric realism theory's argument that norms, ideas, and values play important roles in international relations. While these normative ideas are widely considered fundamental to political development, Europe's decision to enforce or not enforce them at different points in the Europe-PACP relations may be characterised as having been driven by their political and economic interests.

Discussions at the EU-ACP level since the early period of the Lomé Convention on the inclusion of political elements such as a human rights clause was influenced by the widespread politically motivated violence in some of the African countries of the ACP group. However, former colonisers could not arrive to a collective European agreement on the inclusion of the human rights clause in the long period of the Lomé Convention for several reasons. Firstly, European support was dampened by the ACP countries' constant pressure to debate the question of apartheid in South Africa. Second, European countries for their own specific strategic reasons were not keen to commit in the complex race–related conflicts because the conflicts had directs roots in European colonialism. Third, European decision on non-involvement in the former colonies was driven by the bipolar politics. These reasons explain why the EEC did not engage in facilitating peace and stability, and attempt to enforce democratic principles and practices in Fiji, when an ethnically-driven coup in 1987 overthrew an elected regime causing much instability.

The transformed post-Cold War environment reorganised international relations and heralded a greater focus on democratisation of political systems. The new development orthodoxy in the development community for the offers of aid came to be built on the demand that recipient countries must adopt democratisation practices. This became a central feature of Western aid. EU aid, therefore, became linked to political reforms affecting ACP countries' governing systems requiring democratic principles and respect for human rights and fundamental freedoms as political conditions. By the time of the second coup in Fiji in 2000, the Cotonou Agreement incorporated a specific political dimension framework proposing the need for political dialogue and the enforcement of political conditionality elements in the ACP countries. Although this framework allowed EU a more resolute involvement in the politics and policy environment of the ACP countries, its approach during Fiji's 2000 civilian coup was sporadic, despite widespread politically motivated crimes. Commercial interests elsewhere have certainly been the primary reason driving the EU's focus away from Fiji. The EU attention shifted to other countries in crisis with which European countries had stronger economic relations than Fiji. It largely appears that the 2000 crisis in Fiji did not raise concerns as European countries no longer had any important trade relations with Fiji.

However, the international security context was transformed after the terrorist attack on 9/11. This substantially changed the EU's irregular approach in dealing with developing countries crises. Western governments and aid institutions came to a consensus that redefined the development agenda by encompassing security and stability as important conditions. As a result, the EU recognised the strong nexus between security and development and brought together the expansion of the political conditionality with the securitisation of development in the Cotonou Agreement in 2005. However, this was not an innovative approach of the EU to improve security and stability in the ACP countries. European concern for the increased nexus between security and development aims to deal with problems which they perceive largely as threats to their own security. This substantiates the state-centric theory's core argument that powerful countries are constantly concerned to protect their interests in international affairs. When Fiji experienced its 2006 coup, the EU was more engaged with Fiji's interim government. Immediately after the 2006 military overthrow of the Fijian government, the EU intervened within the Cotonou Agreement framework, playing an active role in holding talks and proposing a plan of action for the interim government to return to democratic rule as early as possible. However, the interim Fijian government rejected the EU plan. To punish Fiji for non-compliance, the EU continues to impose tough negative conditionality. The Fiji government's decision to challenge EU instructions illustrates the complexity of power-relations between the two unequal partners. The EU as a supranational actor is politically and economically far more powerful than Fiji, yet has not been able to bend Fiji to its will. Despite the comprehensive political dimension framework in the

Cotonou Agreement to enable the EU to intervene in the politics of the ACP countries, Fiji's actions highlight that the Fijian state is able to exercise its sovereign power in an anarchical international system.

5.2 Political Conditionality

Schimmelpfennig (2007, p. 127) defines political conditionality as a strategy of reinforcement used by international organisations and actors to drive change and stabilise political change at the state level. Smith (1998, p. 256) offers a broader, more EU-specific explanation stating that political conditionality involves the linking, by a state or international institution, of perceived benefits to another state in areas such as aid, trade concession, cooperation agreements, political contracts or international organisation membership, to the fulfilment of conditions relating to protection of human rights and the advancement of democratic principles. It entails both positive and negative conditionality. Positive conditionality can be explained as the benefit(s) states attain if it fulfils the required conditions, whereas negative conditionality inflicts a punishment that involves reducing, suspending, or terminating those benefits if the state in question violates the conditions (Nelson 1992a). This is most evident in application of sanctions and withdrawal of aid (Tocci 2008, p. 882). Political conditionality is associated with the IMF and the World Bank's economic conditionality regarding macroeconomic and structural reforms in the developing countries called Structural Adjustment Programs (SAPs).

Political conditionality is a feature of the post-Cold War period. The post-Cold war dynamic influenced European policy-makers to consider political conditionality as an essential element in its ACP relations in three significant ways. First, with the end of the Cold War, the political imperative of aid to keep former colonisers and most developing countries aligned to the Western bloc disappeared. After the end of the Cold War, the support for bad governance in autocratic states was no longer justified by containing the rise of communism. For instance, this is evident in *The Guardian* newspaper on 10 September 1993 reporting the then European Commissioner for Development Manuel Marin boldly announcing that: "In the past we gave support to the likes of Amin, Bokasa or Mobutu. That will never happen again" (Brown 2002b, p. 125). The shift in Western thinking emphasised that finance previously tied up in the "arms race" and other political agendas that was used to eliminate poverty in developing countries, would no longer be based on Cold War rivalries but on need (Arts & Dickenson 2004, p. 8). Therefore, the shift in Western thinking in the post-Cold War changed the Western donor's foreign policy motivations for attaching political strings to their aid policies (Arts & Dickenson 2004; Brown 2002b; Stokke 1995).

As a result, conditionality was brought one step further in the donor-recipient relations. Aid now became linked to political reforms affecting recipient countries' governing systems. In addition, the ascendancy of the Washington Consensus-driven neoliberal ideas in the post-Cold War also influenced this shift. The neoliberal development orthodoxy had both political and economic dimensions for development. It is clear that in the broader neoliberal discourse there are discussions on democracy and governance aspects of political conditionality and these are at the heart of debates about the transformation of the role of state, its relationship to economic development and decreasing the extent to which consideration of sovereignty limits donor interventions (Brown 2004, p. 29). The key objective of the political dimension of neoliberalism was to enhance a process of liberalisation in developing countries. Initially focused on the economy, the adjustment conditionality provided for an ascendancy of market-oriented approaches to development and economic policy together with the aim to develop liberal, law abiding, non-corrupt and democratic states that respected human rights as the basis for all subsequent development efforts (Brown 2004, p. 29). The widespread belief emerged that the establishment of democratic institutions would improve government's capacities to formulate and effectively implement market–oriented policies (Macdonald 1998). Thus, with the end of the Cold War, conditionality that had been used for economic policy was extended into the political realm led by the IMF and the World Bank. As a result, the post-Cold War brought an extension and entrenchment of the principle of conditionality with a much broader range of criteria that recipient countries have to fulfil in order to receive aid.

For theoretical understanding of the concept of political conditionality, liberal scholars have discussed benefits of promoting democratic principles and practices. Klotz (1995, p. 14) argues that democratic principles are righteous norms or beliefs which are shared understandings of standards of behaviour. In support, liberal scholars such as Moore (1995) and Bayart (1993) contend that democracies are less likely to go to war with each other. Smith (1998, p. 3) argues that promoting such universal norms will contribute to international peace and stability, something that has found voice in the EU after Cold War. In support of the liberal view, the Luxembourg European Council declared that "tensions and conflicts arising from overt and systematic violations of human rights and fundamental freedoms in one country or in a specific location are often a threat to international peace and security" (Luxembourg European Council 1991, p. 145). From this perspective, the European Council declared that expressing concerns about violations of human rights and requests to observe those rights aim to secure the fundamental rights that should not be considered as interference in the internal affairs of a state (Luxembourg European Council, p. 145). While states are independent of each other, at least legally as they have sovereignty, they are not isolated from each other and are embedded in international market and enmeshed in the international system (Jackson & Sorensen 2007, p. 2). In the international relations system, this means that countries with human rights violations and instability are a concern to other countries which have relations with the crisis countries. The EU claims that the introduction of political conditionality in the Cotonou Agreement aims to ensure that ACP countries' political and institutional environment uphold human rights, democratic principles, rule of law and good governance. Good governance is the transparent and accountable management of human, natural, economic and financial resources for the purpose of sustainable development which, according to EU understanding will entrench neoliberal economic development (Revised Cotonou Agreement 2010).

However, from a realist perspective, in an anarchical state system, conditionality has been criticised as an intervention and an illegitimate interference in the domestic affairs of other states which challenges state sovereignty (Smith 1998, p. 3). This is so because realists in international relations such as Bull (2002), Mearsheimer (2010), and Grieco (1988) argue that international system is anarchical. Anarchy in the context of the international system, implies there are no higher authorities, and because nation states are considered by realist as primary actors in international relations, an anarchical world would be one where there is no higher authority than that of the state (Bull, 1995). The state without any overarching political authority exists as a full sovereign of its people and territory, and enjoys the ultimate power of being completely self-determined. Therefore, interference in the political matters of another sovereign state is illegitimate from this perspective. For this reason, one of the key values that states are expected to uphold are order and justice (Jackson & Sorensen 2007, pp. 4-5). Realists such as Bull (1995) also argue that states are socially responsible actors and have a common interest in preserving international order and promoting peace.

While Western governments and donors believe the application of political conditionality will minimise conflicts and undemocratic practices in recipient countries, realists argue that the application of conditionality facilitates donor countries' and agencies' foreign policies such as commercial and geopolitical/strategic interests. Realists believe that consideration of human rights as universal principles may conceal other interests (Smith 1998). Traditional realists such as E.H.Carr argue that the so-called universal principles are really the “unconscious reflexions of national policy based on a particular interpretation of national interest at a particular time” (Carr 1946, p. 87). Though he was writing with reference to powerful state interest during the inter-war period, his argument has merit if examined from the perspective of shifting European countries’ approaches to human rights and democratic principles. The EU has considered human rights and democratic principles as a universal norm since the end of the Cold War, however these essential principles were not issues of concern to them during the Cold War, the period in which European countries overtly supported authoritarian regimes in developing countries to pursue their geopolitical and economic interests. Smith (1998, p. 3) argues that donors apply political conditionality in aid allocation for their own interests rather than those of the people of the developing recipient countries. Furthermore, Baylies (1995, p. 321) argues, political conditionality can create a new source of legitimacy for hegemony as a distinct type of hegemonic international order. In saying this, this thesis does not suggest that human rights and democratic principles are not crucial for national development, however it does question European states’ intentions and the way they have supported specific undemocratic regimes during the Cold War to now supporting democratic systems and applying strict conditions in aid allocation.

5.3 European Incorporation of Political Conditionality

This section examines the European attempt to incorporate political conditionality in the relations and the dynamics around it that took European countries so long before was incorporated in 1990 in the Lomé Convention IV and the expanded since then.

In the early phase of the Lomé Convention, European countries did not include human rights for two clear reasons. First, whilst the atrocities of the Ugandan crisis in the mid-1970s did raise awareness in governmental and non-governmental circles in Europe of the intricate relationship between development and human rights, the European governments could not arrive at a collective decision for the inclusion of human rights reference in the Lomé Convention. The Netherlands government supported its inclusion but major colonial powers like Britain and France were not keen to make such commitments. Britain found the Ugandan crisis (under dictatorship from 1971-1979) extremely sensitive as it had a racist underpinning. The Ugandan military headed by Amin ordered the expulsion of migrant Indians who had controlled vast majority of the economy and who were brought to colonial Uganda by the British Empire from British India to provide manual labour in construction and farm work (Rich 1990; Stoler 2009). Britain, as a result, was conscious that any intervention in the race-related conflict in Uganda would pose challenges to their internal politics as question would arise on the cause of the conflict having roots in colonial policy engaged in transporting of Indians as labourers. So, Britain did not intervene in the political crisis of its former colonies.

Second, the European countries' considerable support for the inclusion of democratic principles was weakened by the ACP group's constant pressure to debate the question of apartheid in South Africa. Fierro (2003, p. 57) contends that the South African apartheid question was one of the strongest points for the ACP countries which aimed to call for justice, and this significantly dampened the EEC's pressure on the human rights clause. The ACP countries collectively argued that racial segregation was nowhere more serious than in South Africa and urgent actions were essential (Former ACP Negotiator B, 2010). The ACP countries affirmed that they were ready to discuss the question of human rights, inasmuch as they were ready to discuss the nature of European relations with South Africa (Fierro 2003, p. 57). The ACP group was certainly right in treating the EEC's claim on human rights with suspicion as the latter continued to trade with the apartheid regime of South Africa (Fierro 2003, p. 57). The ACP group had initiated dialogue on human rights conditional upon EEC willingness to discuss the nature of its relations with South Africa, at the highest level (Fierro 2003, p. 57). It soon became clear that the debate on apartheid was going to weaken the whole issue (Fierro 2003, p. 57). The EEC on the other hand did not stop trading with South Africa (Fierro 2003, p. 57). When the EEC voiced human rights concerns, their credibility turned out to be low due to their lack of action against South Africa. This suppressed the Europeans to re-engage in discussions for including human right clause in the Lomé Convention.

There was no unanimous position by the members of EEC whether to include human rights in the Lomé Convention. However, on the eve of the opening of negotiations for Lomé Convention II, the European Commissioner for Development, Claude Cheysson called for appropriate reference to human rights in the Convention (Fierro 2003, p. 47). There was considerable internal public pressure in Europe for inclusion of an operational human rights clause in the Lomé Convention II (Fierro 2003, p. 49). In addition, there was indirect external pressure from the United States Carter administration due to its emphasis on human rights in US foreign policy (Fierro 2003, p. 50). The European Commissioner in fact had suggested the direct inclusion of Article 3 and 5 of the United Nations Human Rights (UNHR) (Fierro 2003, p. 47). UNHR Article 3 states that everyone has the right to life, liberty and security, and Article 5 suggests that no one should be subject to torture or to cruel, inhuman or degrading treatment or punishment (Fierro 2003, p. 48). However, the EEC members became divided on the legal effects that such a reference would take, and instead, included a modest human rights reference in the preamble of the Lomé Convention II (Fierro 2003, pp. 48-9). The British government had no plan to commit to the extent the Netherlands had made (Fierro 2003, p. 50). The British National Advisory had outright refused the idea of the human rights protocol in the Lomé Convention (Fierro 2003, p. 50). Other colonial powers like Belgium, France and Germany preferred only a short and vague reference to human rights in the Lomé Convention preamble (Fierro 2003, p. 50). Belgium argued that the inclusion of human rights would represent interference in the internal affairs of European countries (Fierro 2003, p. 50). France maintained that it was neutral on the question, although it considered it to be “politically naive” to draw links between aid and human rights (Fierro 2003, p. 50). Only the Netherlands in 1979 boldly incorporated human rights into its foreign policy, which explicitly emphasised its commitment to promote human rights as part of its overall foreign policy (Fierro 2003, p. 49). The Dutch National Advisory Committee proposed that human rights should be jointly (EEC/ACP) supervised within the framework of the Lomé Convention (Fierro 2003, p. 49). The Dutch government also called for the inclusion of a human rights protocol laying down the procedures for suspension in case of violation (Fierro 2003, p. 49). As the EEC members could not arrive to a collective decision for the establishment of a human rights clause in Lomé Convention II, it did include a reference to the UN Charter in the preamble of the Convention.

In the negotiation of the Lomé Convention III, the European Parliament took a stronger stance to push for a human rights clause. The ACP countries’ argued that the Lomé Convention was not the appropriate instrument for implementing human rights. Again, the ACP brought up the apartheid issue, and argued that they would cooperate to include a human rights clause in the Lomé Convention but they first wanted dialogue to eliminate apartheid policies from South Africa.

However, by this time, that is, the early 1980s, the ACP had become interested in the concept of human rights and had demonstrated their commitment by adopting the African Charter of Human and People's Rights (also known as the Banjul Charter) in the Organisation of African Unity (now known as the African Union). In support of the African Charter, in one of the negotiations of Lomé Convention III in October 1985, the Nigerian Ambassador asked "what can be said of the right to survival if such a right exists and what can be said of the relations between Europe and South Africa" (Fierro 2003, p. 57). The European Commission consequently dropped the strong human rights concerns. Lomé III was signed without the human rights clause, consciously avoiding it (Fierro 2003, p. 58). Instead the EC merely included in the Lomé Convention III the respect for the "dignity of man" as an essential objective for development (Fierro 2003, p. 58).

Third, it must also be considered that the Lomé Convention spanned the vast period of the Cold War when Western governments supported several authoritarian regimes in developing countries to contain Soviet influence. Europe significantly valued its relations with the former colonies during the Cold War (Lister 1997, p. 78). Thus, European agreement on the inclusion of human rights in the Lomé Convention would have significantly challenged their role as an advocate of democratisation in the ACP countries during the Cold War as they supported several authoritarian regimes such as in Morocco, Algeria, Tunisia, Egypt, Jordon, Syria and Libya (Lister 1997, pp. 78-80). Major European powers playing key roles in bipolar politics did not push for the inclusion of human rights in the Lomé Convention. In addition, the European countries' decision not to debate on South Africa, and maintain a low profile on human rights was more strategic for them than confronting the furious ACP countries making relations hostile in the context of bipolar politics and contradicting their own actions. Some EU policy makers revealed that it was difficult for the European powers to arrive at a collective decision on any ACP political issues given the fact that individual European countries pursued different interests in bilateral policies with in the Lomé Convention (EU Official G, 2010; EU Official D, 2009).

However, with the end of the Cold War, the need for the use of aid by Western donors to contain Soviet influence disappeared. This transformed post-Cold War environment brought change to the Western aid policies which led to linking aid to recipient countries' political systems by emphasising the need to uphold human rights and democratic principles. Given the broad consensus on the importance of political elements, the EU concluded that "... a strong political relationship was needed", to ensure continued viability of the EU-ACP relations (European Commission 1996). The EEC policy on political conditionality was implemented with a proposed resolution presented by the European Commission to the Council of Ministers in May 1991 (Brown 2004, p. 27) to be incorporated in its relations with the ACP countries.

The proposal claimed that the series of changes particularly from the end of Cold War enabled a higher profile for democracy and human rights in development policies (Brown 2004, p. 27). EU members including France and Britain showed strong support and approved the European Commission's increased attention on the issue (Brown 2004, p. 27). In 1991, the Council of Ministers passed a resolution on human rights, democracy, and development as a common EU policy in the ACP countries (Brown 2004, p. 27). In doing so, the European Commission implemented the overtly political aim for the first time and linked it to development in Article 5 of the Lomé Convention. Article 5 stated that development co-operation entails respect for and promotion of all human rights (Brown 2002b, p. 126). In this context, human rights was considered to include fundamental rights, civil and political rights, economic, social and cultural rights, making it broad and even vague (Brown 2002b, p. 126).

During this time, the EU considered its intervention for the transformation of the former Soviet Central and Eastern European Countries (CEECs) as experimenting with the implementation of political conditionality. The EU's experiment in former Soviet states gave impetus to apply political conditionality to transform ACP countries' political systems within the Lomé Convention. The EU plans for the CEEC in transforming their political and economic systems aimed to boost the European role in the disintegrated Soviet bloc (Seppo & Tyrvainen 2008, pp. 3-4). The considerable achievement of the EU was that of peace and stability "within its neighbourhood" which included the 2004 historic enlargement of the EU (Seppo & Tyrvainen 2008, p. 5). The EU intervention in the CEEC was seen as confirming that political conditionality could be applied in all its other developing countries relations to improve the developing countries' political systems (Seppo & Tyrvainen 2008, p. 5).

In renewing the Lomé Convention in the mid-1990s, the EU took a strong position. The 1995 Lomé IV-bis Article 5 was amended allowing human rights, democracy, good governance norms and the limiting of military spending to be included as the basis of development (Brown 2002b, p. 130). The amended Lomé Convention IV increased the importance of Article 5 stating that the primary objective of respecting human rights, rule of law and democratic principles shall constitute an essential element of the relations with the ACP (Brown 2002b, pp. 129-30). In case of violation of Article 5, the European Commission would unilaterally decide on the mechanism for suspension of the Convention (Brown 2002b, p. 130).

The arrival of the Cotonou Agreement in 2000 further strengthened the European emphasis on the increased importance of political conditionality in a specific political dimension framework. The Cotonou Agreement also included the importance of the aim to expand and strengthen the concept of political dialogue (also referred to as policy dialogue) in the political dimension framework which was also incorporated in the 1995 Lomé IV-bis in Article 30 (Arts 2005, p. 156). The political dialogue provides EU the framework to conduct talks and discussions with the ACP countries on the promotion and application of democratic principles and practices, good governance and rule of law (Holland 2002, p. 203). The basic premise underlying the political dialogue framework is acknowledged in the Cotonou Agreement preamble "that a political environment guaranteeing peace, security and stability[47], respect for human rights, democratic principles and the rule of law, and good governance are part and parcel of long term development" (Arts 2005, p. 156). For the reinforcement of the political conditionality elements which required deeper EU involvement in the politics and polices of the ACP, Article 8 states that the Cotonou parties "shall regularly engage in a comprehensive, balanced, and deep political dialogue leading to commitment on both sides" (Arts 2005, p. 160). There is thus such a wide scope for issues requiring political dialogue. Article 8 (4) verifies what sorts of issues can to be taken up for political dialogue in which political conditionality elements are clearly emphasised. It refers to specific political issues of mutual concern or of general significance for the attainment of the objectives of the Cotonou Agreement, such as the arms trade, excessive military expenditure, drugs and organised crimes, and of ethnic, religious, or racial discrimination. The dialogue shall also encompass a regular assessment of the developments concerning the respect for human rights, democratic principles, the rule of law and good governance (Arts 2005, p. 161). In case of violations of human rights and democratic principles as stated in Article 366a of Cotonou Agreement, the EU has the right to suspend cooperation (Brusco 2001, p. 106) . To do this, it indicated, consultation should engage in a constructive dialogue that would contain the analysis of the situation and explanations that would lead to the remediation of the situation (Brusco 2001,

[47] The elements, peace, security and stability were incorporated after the transformed global security context since the 9/11 incident. See discussion on this under the subheading "2006 Military Coup" of this chapter.

p. 106). The same applies to serious cases of corruption. Article 96 and 97 deal with the consultation procedure to be followed, and the measures to be taken in case consultation does not solve the problem, mentioning suspension of the application of the Agreement as a measure of last resort (Brusco 2001, p. 106). The development of the comprehensive political dimension framework in the Cotonou Agreement reinforcing political conditionality and policy dialogue was a notable change in Europe-ACP relations that only began with the end of the Cold War.

5.4 Application of Political Conditionality in the ACP Countries

Before focusing on the Fiji case study, this section first examines European application of conditionality within the Cotonou Agreement framework in the more politically unstable countries of Africa. While the Cotonou Agreement had a more structured framework for dealing with crises, the EU approach was inconsistent as ethnic conflicts increased in African countries. ACP countries such as Haiti, Ethiopia, Eritrea, the Democratic Republic of Congo, and Sierra Leone were politically unstable in the period from the late 1990s to early 2000. It is clear that the EU intervened in these crises with a standard plan that required the crisis country to hold elections through a multi-party system, and if violated, withdrawal of aid and sanctions follow to punish the crisis country (Pacific Island Scientist C, 2009; Fiji Government Official B, 2009). They are of the view that elections would normalise the situation immediately (Pacific Island Scientist C, 2009; Fiji Government Official B, 2009). While elections are important, they do not resolve the conflicts entirely because deep-seated racial discords like in Fiji continue to brew and further shape the political landscape (Pacific Island Scientist C, 2009). It is worth noting that political culture comprising political attitudes and values and beliefs which structure voters' attitude to political process (Heywood 2002, pp. 200-1) are important for the success of national elections and democratic processes. This is yet to properly take shape in the many ethnically torn states to enable long-term political stability.

In Haiti, the EU started consultations in September 2000 after the overthrow of the Haitian government in July 2000. The consultation was initiated by the EU in response to irregularities during the elections earlier in the year (Arts 2005, p. 170) . However, it soon became clear that there was sharp ACP-EU division on the significance of the irregularities involved and more generally, on understanding of the situation in Haiti and the necessity for, and appropriateness of, sanctions (Arts 2005, p. 170). Haiti is one of the poorest countries of the world where poverty has contributed to the worsening of ethnic conflicts. In the EU-ACP consultations on Haiti, the ACP countries stressed the need for supportive attitudes to help organise elections and consolidate its democracy rather than impose sanctions (Arts 2005, p. 170). The EU negotiators were not convinced in taking action as suggested by the ACP officials, and broke off consultations at the end of January in 2001 (Arts 2005, p. 170) without taking any serious consultation as outlined in the political dimension framework of the Cotonou Agreement. After having just one formal meeting with Haiti officials, in early 2001, the EU terminated further consultations and imposed severe sanctions on Haiti which remained volatile until mid-2000 (Arts 2005, p. 170). In the ACP press release in February 2001, the ACP General Secretariat emphasised the need for consultations (Arts 2005, p. 170). He argued that the aim of consultations was to remedy a situation, and sanctions should be a last resort (Arts 2005, p. 170). The ACP Secretariat strongly appealed to the European delegation to engage in meaningful consultations with Haiti, whose economic condition was already in a very precarious situation (Arts 2005, p. 170). The ACP call, in effect, led to an ACP vote of “no confidence” in the EU’s implementation of Article 96 of the Cotonou Agreement on the consultation procedure in relation to Haiti (Arts 2005, p. 171). The ACP strongly challenged the EU’s irregular approach towards Haiti and called for productive consultations in future (Arts 2005, p. 171). The Haitian example, as a result, became a textbook example of a failure to implement Article 96 of Cotonou Agreement consultation procedure in a constructive and proper way (Arts 2005, p. 171). The ACP call for support of Haiti eventually led the EU from 2005 to release aid reinstituting rule of law and budgetary support and humanitarian assistance from 2007 (Barnett, Miller & Loffman 2008, p. 11).

Political crisis in Cote d'Ivore started with a military coup in 1999 and lasted until 2002. Cote d'Ivore had a vibrant economy with rich resources and was known as "the jewel" in Western Africa. Due to much ACP criticism about the EU failing in consultation with Haiti, in February 2001, Article 96 was invoked to begin consultation procedures with Cote d'Ivoire because of human rights violations and political irregularities and violence during presidential and legislative elections (Arts 2005, p. 172). The crisis was not as serious as in Haiti. The EU consultations with Cote d'Ivore were less challenging due to less complexity in the crisis. To overcome the political and military crisis, several peace negotiations were held under the guidance of France, African Union, and the United Nations with strong involvement of the former French colonial power. (Roth 2009). France is an important aid donor of and trade partner of Cote d'Ivore (Roth 2009). Consultations with Cote d'Ivore were smooth and led to positive outcomes that brought a mutually acceptable conclusion (Arts 2005, p. 172). At this time the ACP had emphasised that the aim of the consultation procedure was to remedy problems, and not apply sanctions (Arts 2005, p. 172). Given the European resource access interest in Cote d'Ivore, the EU representative considered this demand justified and agreed for consultations on Cote d'Ivore to be conducted according to the rules governing the political dialogue (Arts 2005, p. 172). This resulted in joint decisions to extend consultations. Intensive dialogue continued and ended at the end of June 2001. The EU negotiators were convinced of the good will of the authorities involved (Arts 2005, p. 172).

In Sudan, conflict started in 1990 and lasted until mid-2004. The EU was seen holding talks but not in a constructive way that could help resolve the conflict. The EU decided to suspend assistance in March 1990 due to civil war despite the non-existence of an enabling clause in the Lomé Convention to suspend cooperation on the ground of violations (Roth 2009, p. 62). In 1994, the EU imposed an arms embargo, which was outside the framework of the Lomé Convention (Roth 2009, p. 62). Proper formal dialogue between EU and Sudan only started in November 1999 when the conflict became brutal (Roth 2009, p. 62). The Darfur ethnic conflict became atrocious by mid-2000 (Kubicek & Parke 2011). By September 2004, it was clear that the events in the Darfur amounted to genocide (Flint & De Waal 2008). The EU capability to intervene in Darfur was constrained by a lack of unity amongst the EU, with various member states offering competing conceptualisations of the conflict and thus favouring different approaches to the region.

The calls for intervention from both the victims of the Sudanese-government backed *Janjaweed* militias and the non-governmental activists grew louder as the death toll mounted in 2003-2004 (Kubicek & Parke 2011, p. 61). However, major international actors like the US, the EU, NATO, and individual European countries refused to deploy military forces to stop the killing (Kubicek & Parke 2011, p. 61). Instead they preferred humanitarian aid and financial support for the small African Union (AU) peacekeeping force (Kubicek & Parke 2011, p. 61) to take action. However, under the CSDF[48] the EU had earlier sent peacekeepers on nearly two dozen missions in the Balkans, the former Soviet space, the Middle East, Africa and Asia (Kubicek & Parke 2011, p. 63). In 2003, the EU sent 1800 troops to Congo in its first non-European CSDP mission and in 2008-2009, it sent over 3000 troops to Chad (Kubicek & Parke 2011, p. 65). If these forces had

[48] After NATO intervention in Kosovo in 1999, the EU decision for taking a military actor position led it to create its own military/peacekeeping forces under the Common Security and Defence Policy (CSDP), the military arm of the CSDP. The main goals of the CSDF are laid out in the EU's Security Strategy of 2003. It specifically stated that EU should be ready to "share in the responsibility for global security" whereby "protecting human rights" is fundamental to internal order, and that the EU aims to develop a "strategic cultures that fosters early, rapid, and when necessary, robust interventions" (Javier 2003).

been deployed in Darfur, it is argued they could have significantly assisted the AU forces (Kubicek & Parke 2011, p. 65). The EU chose an easy option instead, to apply sanctions (Kubicek & Parke 2011, p. 65) because Sudan did not have any political and economic significance to European countries, due to its extremely impoverished condition.

5.5 Case Study of Fiji's Political Crises

5.5.1 1987 Military Coup

The first coup in 1987 was executed to stifle collaboration between the Indians and indigenous Fijians for a non-racial political discourse. Both before and after Fiji gained its independence from Britain in 1970, tensions between the indigenous Fijian and Indian ethnic groups (comprising an estimated 46 per cent and 49 per cent of the 1987 population, respectively) continually manifested in social and political unrest (Ramesh 2007). Parliamentary elections in April 1987 resulted in the replacement of the indigenous-led conservative (Alliance Party) government of Prime Minister, Sir Kamisese Mara with a multi-ethnic Labour-led coalition government supported mostly by the ethnic Indian plurality. The Coalition led government was in office for only a month, from 14 April 1987 to 14 May 1987.

The result of the April 1987 election was a narrow victory to the Labour-NFP Coalition, which won 28 seats to the Alliance Party's 24 (Norton 1990). Voting generally followed the usual ethnic pattern, but there was a modest flow of ethnic Fijian support away from the Alliance to the Coalition, which received 8.5 per cent of Fijian communal votes (Norton 1990). The Coalition had drawn the bulk of its support from the Indian community who were sugar cane growers and the Fiji Labour Party, which was essentially multiracial. The Alliance Party also suffered from a low turnout of ethnic Fijians and an increase in support for other Fijian parties and independents (Norton 1990). Nevertheless, as provided for under the 1970 constitution, the parliament was still composed of 22 indigenous Fijians, 22 Indians and 8 General Electors members, and the chiefs retained their constitutionally-guaranteed dominance in the Senate (Sutherland 1992). The Coalition Ministry was made up of 6 Fijians and 1 part-Fijian and 7 Indians, a balance of participation between the two main races never before achieved by a government in Fiji (Sutherland 1992). The government was headed by Dr Timoci Bavadra, an indigenous Fijian, and the ministries considered to be essential to Fijian interests, such as Home Affairs, Fijian Affairs, Labour, Land, Forests and Agriculture, were held by indigenous Fijians (Sutherland 1992).

Despite the ethnic balance of the Coalition Ministry, there was an immediate backlash amongst radical nationalist Fijians. An organised movement of opposition to the Coalition government, which named itself the Taukei ('Owners of the Land') Movement, soon developed. A wave of rallies and marches in Suva and across Viti Levu declared that Fijians had lost control of their own country. Their numbers were swelled by nationalists angry at the toppling of their high chief by a minor chief from another another clan. A month later from the swearing in of the elected Prime Minister, on 14 May, twelve masked men, led by Colonel Sitiveni Rabuka, entered parliament and abducted the Coalition members at gunpoint. Rabuka's stated motivations in the coup of 14 May were to protect traditional chiefly-based society. He was, however, also attempting to balance the radicalism of the Taukei Movement with the authority of the chiefs who supported the coup but who were concerned that the Taukei Movement could lead to violence and undermine the post-independence accommodation between the chiefs and Indo-Fijian and European business interests. Rabuka staged a second coup on 25 September 1987 in support of an outraged reaction from the Taukei Movement. The supporters of the Taukei Movement was angered by the agreement between Mara, the Governor-General, Ratu Ganilau, and the ousted

Prime Minister, Dr Bavadra to draw up the Deuba Accord to form a caretaker government drawn from both the Alliance and the Coalition Parties. When Ganilau refused to step down as Governor-General, Rabuka dismissed him, revoked the 1970 constitution and declared Fiji a republic.

Violence and looting increased on the streets of capital, Suva immediately after Rabuka seized power on14 May. Despite the escalating use of violence aimed to suppress and dis-empower the targeted Indian population in the absence of a legitimate political system and independent judiciary[49] (Griffen 1991; Kelly 1998; Lateef 1990; Leckie 2000), the international community, although somewhat disquieted by the event, ultimately took no action to intervene (Ramesh 2008). The political crisis occurred at a time when the Lomé Convention had incorporated the political conditionality and political dialogue framework to intervene in political matters, but according to Smith (1998), European countries were still debating on the inclusion of a human rights clause. While this was a legitimate reason for being unable to facilitate reconciliation, the European intention to maintain an apolitical relationship with Fiji due to the bipolar context was to protect European interests during bipolar politics. But this in itself is a political reason to choose to be apolitical. EEC-Fiji negotiations on aid and trade continued with the self-instated military regime, which occurred without any disruption. When the military regime in October 1987 declared Fiji a Republic State and revoked the 1970 constitution, the Commonwealth responded that its membership had lapsed. While Fiji was not part of the Commonwealth, Britain-Fiji sugar trade continued without international or economic sanctions. The British authorities maintained

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[49] Violence was fuelled by racialised, anti-Indian rhetoric that promoted images of Indo-Fijian as *vulagi,* or foreigners who had seized the rights of the indigenous to govern Fiji. Sunday Observance Decree was severely enforced. Women washing and even children playing were taken to the police station and military barracks and punished with inhumane practices such trampling in mud or crawl on hands and knees. Indo-Fijian social gatherings were totally banned except in the case of death ceremonies when a certain number of hours were allowed for the actual burial ceremony but no further gathering was allowed for the mourners.

regular dialogues with the illegitimate Fijian military government on sugar trade and were not willing to engage in dialogue on the undemocratic practices in the aftermath of the coup for several months (Former PACP Negotiator B, 2009; Fiji Government Official C, 2009).

There were several reasons that the Europeans did not intervene. First, at the time of the 1987 coup, the extreme racial conflict during the South African apartheid period was a far more serious world issue, and debates between the European countries and the ACP group on South Africa had weakened the European position to intervene in political matters elsewhere. While Europeans showed support for the inclusion of democratic principles in the Lomé Convention, their commitment was weakened by the ACP's vigorous debate on apartheid and Europe's relations with the South African regime. In Fiji, while the Europeans had regular dialogue on the trade and aid matters of the Lomé Convention, they maintained an apolitical stance on Fiji's political situation, as their credibility turned out to be low with ACP pressure to debate on EEC and South Africa relations.

Second, the European countries were reluctant to intervene in their former colonies which were experiencing ethnic conflicts emerging from continuities of colonial structures having clear origins in colonial policy. Any agreement on the inclusion of human rights and democratic principles would have obliged them to intervene in the political crisis of their former colonies, giving rise to questions of colonial policies which have been the key cause of post-independence crises. The continuity of colonial policies which significantly entrenched racial segregation in the post-independence period had contributed to the 1987 ethno-political conflict. The colonial history of Fiji is interpreted largely in terms of administrative regulation of racial claims and relations (Cottrell & Ghai 2004, p. 3). Colonial rule therefore developed Fiji as a deeply bifurcated society (Norton 1990). To govern the colony of two major ethnic groups, migrant Indians and indigenous

Fijians, the “divide and rule” policy of the colonial power was implemented which perpetuated ethnic division leaving a painful legacy for Fiji, as a former colony (Yabaki 2009). Furthermore, British colonial practice of importing Indians from British India, under the indenture system of the colonial period, led Indians becoming the majority community by the 1950s. Competition between the two ethnic groups for political power and economic wealth has caused problems in modern Fiji.

Similar colonial polices which transported Indians to work as labourers in other British ACP former colonies have also resulted in ethnic politics leading to conflicts in the post-independence period. A number of studies on British ACP former colonies by Carroll and Carroll (2000) on Mauritius, Jagan (1997), Mars (1995), Misir (2002), Roopnarine (2002) on Guyana, and Ferkiss and Ferkiss (1971) and Hookumchand (2000) on Trinidad reveal that Britain’s colonial policy to introduce migrant Indian labourers contributed to ethnic conflicts which have been at the core of their post-independence politics. The antagonism increased due to the system of social inequality in which the colonial policies had encouraged the segregation (Norton 1981, p. 311). Hostility, for instance in Guyana and Fiji, became obvious when migrant Indian populations surpassed the indigenous population by 1950, gained education, and competed for urban jobs and started dominating the economy (Norton 1981, p. 311).

In Fiji, ethnic conflicts intensified and took permanent shape through the racialised colonial policies that established an electoral system based on communal voting structures in the post-independence period. The prominent feature of the colonial structure in the communal electoral system remained intact until mid-2000. Upon independence in 1970, the Fiji Constitution adopted the colonial governance framework, adjusting it only slightly to the reality of British departure (Cottrell & Ghai 2004, p. 3). The key problem of the communal voting system was clear as it encouraged the development of a two dominant party system of government and opposition demarcated largely on the basis of race (Lawson 1988, p. 35). This in turn encouraged a racially-oriented political discourse, which during election campaigns, was exaggerated as party leaders appealed to perceived racial interest as a means of consolidating their respective bases for communal support (Lawson 1988, p. 35). The communal electoral system produced significant levels of ethnic nationalism in the political system in the post-independence period (Lal 1988, 2006; Ramesh 2010). This continuity of colonial electoral laws therefore significantly contributed to gross imbalances in the racial composition of both government and opposition parties (Lawson 1988, p. 35).

This became the root of the 1987 coup that overthrew the elected government (Cottrell & Ghai 2004, p. 3) and the coups later in the country's political history. The Bavadra government significantly challenged the 17 year rule of the Alliance Party led by Mara, one of the indigenous High Chiefs, who had sought to present his political party as the protector of Fijian interests, drawing support from the indigenous population (Lawson 1988, p. 35). Because the 1987 election had brought the first change of government since independence, the nationalist indigenous Fijians became alarmed that Fijian nationalism and rights and customary practices may be challenged (Mori 2006). The coup brought an escalating use of violence aimed to stifle and dis-empower the targeted Indian population in the absence of a legitimate political system and law and order (Ramesh 2008). Had the former major colonisers became interested in intervening in their former colonies to resolve conflicts, the complexity of the race-related conflict possibly led them to demur (Pacific Island Political Scientist D, 2010; Pacific Island Economist B, 2011). It could be argued that if human rights clause in the Lomé Convention had been included, it would have forced them to be become politically involved in such sensitive matters.

A third reason for non-intervention by European parties was that the 1987 coup occurred during a period of the Cold War, when European countries were least interested in democratising regimes but preferred strong authoritarian governments in the developing countries to contain Soviet influence (Pacific Island Political Scientist D, 2010). The geo-political security context of the Cold War period had precluded the West from placing overt demands for political conditionality on politically sovereign nations in the developing world (Brown 2002b, p. 123; Brusco 2001, p. 105; Holland 2002, p. 197). The European countries were conscious that their involvement in the bipolar politics would have seriously breached the human rights clause had it been included in the Lomé Convention. Bipolar politics had serious implications for the African countries as European countries supported several dictatorship regimes as pro-Western during the Cold War. By 1970, half of the independent countries in Africa that gained their independence in the 1960s and started out with multiparty systems had military governments. Between 1960 and 1985, there were 131 attempted coups in Africa, of which 60 were successful and three countries had six successful military coups (African Studies Centre n.d.) Indeed, out of 54 independent African countries, only six countries have not experienced an attempted or successful coup since they became independent (African Studies Centre n.d.).

In the Cold War political context, the European countries feared the non-aligned Bavadra government, who gained attention for being anti-West, may disrupt their geopolitical and economic interests in the PACP region. Bavadra government policies were in stark contrast to the previous Mara government's which were known to be friendly and supportive of US and other Western governments interests in the South Pacific region (Griffen 1991). European countries, particularly France and Britain, and US were of the view that the change in regime brought by the military coup was to their advantage (Pacific Island Scientist A, 2010). France had 'no interest in other countries' politics' and planned for its military aid to Fijian military to continue' (French

Diplomat A, 2008). This meant they were supporting the military which overthrew an elected governments and supported violent nationalist aims. The European powers had no intention to push democratisation and observation of human rights as their non-intervention in political affairs was a clear message supporting the military overthrowing of the Bavadra government (Pacific Island Political Scientist B, 2009). As the first substantial change in the government since Fiji's independence in 1970, the Bavadra government was elected with the hope to bring new changes to the Fijian society and the PACP region as a whole (Griffen 1991). In doing so, the new political climate under the Bavadra government fell short of protecting the West's geopolitical interest. Western geostrategic interests in the region remained strong during the Cold War period (Bedford 1987). However, the Bavadra government's strong non-aligned policy was based on a belief that there was no Soviet threat in the region and that they should commence relations with the Soviet Union (Bedford 1987). It was hoped this approach would bring a regional change towards non-alignment (Pacific Island Political Scientist B, 2009). Clearly, the Bavadra government objectives for Fiji and the region on the whole were not in the interest of the European countries, and as a result, Europeans did not see why they should push for the return of the elected Bavadra regime.

Fourthly, the Europeans became concerned that the non-alignment policy of the Bavadra government would have significantly stirred anti-colonial sentiments in the PACP region, which was already widespread at the time due to French nuclear testing and continuing French rule in the Pacific Island region. The Bavadra government was to engage in a robust campaign to end French nuclear testing in French Polynesia and support the independence movements in New Caledonia, French Polynesia and the Indonesian-occupied area of West Papua (Bedford 1987). Nuclear testing in the Pacific region, in particular, was a more serious issue that ruled out any chance of human rights being raised by the European countries. The continuing French nuclear testing in French Polynesia from 1966 to 1996 became a serious concern for the Pacific Island governments and evolved into a region wide anti-nuclear campaign. However, France supported the 1987 strong military action in Fiji with aid, with the view that the military's attempt to curtail fundamental freedoms would suppress anti-colonial movements in support of Kanak[50] liberation in New Caledonia which had been stirred by the Bavadra government (Pacific Islands Political Scientist B, 2009). The 1987 coup appeared to have relieved the then French government that its interests were no longer under threat (Pacific Islands Political Scientist B, 2009). To support a strong military, the French government assisted the Republic of Fiji Military Forces to form an Air Wing by providing two helicopters as part of its military aid package (Fiji Government Official E, 2010). French officials in Fiji mentioned that the French government's aid allocation to Fiji is not affected by the political situation (French Diplomat, A, 2008), meaning aid has no conditions. To significantly depart from the previous government policies, the Bavadra government was anti-colonial and was seen as disrupting European interest. Therefore, political and strategic reasons were influential in suppressing European countries in intervening in Fiji's 1987 military coup to restore peace and stability.

5.5.2 2000 Military-Backed Civilian Coup

Unlike, the 1987 coup, the 2000 coup occurred at a time when the transformed geopolitical context of the post-Cold War period had significantly changed the European countries' position on the inclusion of human rights and democratisation clauses in the Cotonou Agreement. In the Cotonou Agreement, the European countries made a firm and collective decision on political and economic matters relevant to its aid and trade policies. As a result, the arrival of the political

[50] Kanaks are the indigenous inhabitants of New Caledonia, which is an overseas collectivity of France in the southwest Pacific. According to the 2009 census, they constitute 40.3% of the total population of New Caledonia with 99,078 people. New Caledonia was annexed to France in 1853, and became an overseas territory of France in 1956.

dimension framework in the Cotonou Agreement which included elements of political conditionality and political dialogue attributed a clear and strong association between the politics and/or governance, and trade and aid related development. This became the focus of development co-operation of the post-Lomé Convention relations. This section argues that despite the complex political dimension framework in the Cotonou Agreement, the EU approach remained sporadic in acting within its framework to facilitate reconciliation and stability during the 2000 crisis in Fiji. This occurred because the EU was involved in facilitating reforms and stabilising the political situation in other fast- growing economies which were far more important trading partners of the EU than Fiji at the time. Commercial interests seem to be the reason why the EU was more focused in normalising instabilities in African countries and did not consider facilitating stability and reconciliation in Fiji.

With the beginning of the 21st century, the political situation of several developing countries remained unstable and effectively undermined democratic processes in Ethiopia, Eritrea, the Democratic Republic of Congo, and Sierra Leone (Holland 2002, p. 223). Democracy, which became the key political concept of the Cotonou Agreement, remained fragile in ACP countries (Holland 2002, p. 223). In Fiji, the concept of democracy was constantly debated following the 1987 coup (Larmour 1994; Ravuvu 1991). This led some nationalist indigenous Fijians believe—"democracy is a foreign flower unable to take root in Fijian soil" (Pacific Island Political Scientist B, 2009). Of all the ACP countries, for Fiji the year 2000 was going to be important. Fiji was given the opportunity to host the signing ceremony of the post-Lomé agreement in the capital Suva on 8 June 2000. The Agreement was already informally known as the "Suva Convention". It was more than symbolically important to sign the post-Lomé agreement at the scheduled venue. A number of development concerns within Europe-PACP relations were going to be high on the newly elected Mahendra Chaudhary government's agenda (Former PACP Negotiator, B, 2009). The most important was the elimination of preferential prices which were unfavourable for Fiji's sugar industry (Former PACP Negotiator, B, 2009). The Fijian government was seeking major financial support from the EU for the restructure of the sugar industry (Former PACP Negotiator, B, 2009). However, the civilian coup on 19 May 2000 which ousted a year-old Chaudhary government just a month before the scheduled date for the new agreement's signing ceremony scuttled all plans for hosting this momentous event in the hub of the PACP region. This forced a last minute cancellation and shifted the venue for signing the new agreement to the Benin capital of Cotonou.

Surprisingly, at the Benin capital in Cotonou when the fate of the political dimension of the Europe-ACP relations was sealed more firmly in the Cotonou Agreement, the coup events in Fiji were unfolding in deeper crisis. The ousted Chaudhary government officials had already spent the first month in captivity out of 56 days and violence was on the increase, driving hundreds of Indians off their farms and villages in the refugee camp in the Indian Cultural Centre complex outside Lautoka city. Lawlessness, looting, violence and uncertainty escalated as the events at the Parliamentary complex where the Chaudhary government officials were held hostage unfolded, deciding Fiji's future. Holland (2002, p. 138) observed that at the signing ceremony of the Cotonou Agreement, the question of Fiji's suspension was not raised and an interim Fiji government representative was permitted to sign the Agreement. At the time of the signing ceremony of the Cotonou Agreement (on 23 June 2000) there was no legitimate government in the country (from 27 May to 4 July 2000) (Pacific Island Political Scientist B, 2009). This questions Fiji representative's legitimacy for being the signatory and the EU credibility in allowing a representative from a country which had no government at the time (Pacific Island Political Scientist B, 2009). This in itself contradicted the European emphasis on democratisation principles and practices.

The EU approach to facilitate reconciliation and stability was sporadic during the crisis. Since the late 1990s, the EU focus had shifted to bringing stability in other crisis countries which had greater trade and economic weight with the European countries. The shifting focus to other fast growing economies was emphasised in the European Commission's "1996/97 Green Paper" which verified the EU's growing attention to the introduction of democratic reforms in developing regions like the Soviet countries, Latin America and a number of Asian countries (European Commission 1996). In particular, the EU played a key role in the political and economic reform of the former Soviet countries with the aim to integrate them into the EU, which took place in 2004 (Kelsey 2005, p. 16). In addition, a decade of large-scale armed conflict in and the collapse of Yugoslavia became a serious concern for EU policy-makers and this featured high on the EU's agenda (Former ACP Negotiator B, 2010). After the arrest of the Serbian President Milosevic Slobodan in April 2001, who was responsible for the atrocities committed by the Yugoslavian army in Croatia and Kosovo, the EU became deeply involved in fostering peace and reconstruction in the former Yugoslavia, pushing for democratic reform and free market policies (EU Official C, 2010). As a result**,** EU attention to a great extent was diverted closer to home.

The EU attention around 2000 had also shifted to resource rich African countries in crises. For resource access, in the late 1990s, the EU had redefined its trade policy with countries which produce important raw materials needed by the European countries (Roth 2009). European countries' rising commercial interest in Africa led to far greater EU involvement in conflict resolution processes in Côte d'Ivoire, Zimbabwe, Liberia, Republic of Guinea and Guinea-Bissau from late 1990s to early 2000s (EU Official C, 2010). Crises in these countries have been on a huge scale involving lawlessness, serious human rights violations and brutality (Roth 2009).

Several commentators confirm that the African countries the EU intervened in have substantial economic potential in agriculture and mining; vast majority of their raw materials are imported by the European countries (Gibbon 2003; Mayer & Fajarnes 2005; Otsuki, Wilson & Sewadeh 2004). For instance, Republic of Guinea has substantial reserves of bauxite, gold and diamond and it is the world's largest bauxite producer after Australia (Mayer & Fajarnes 2005). Liberia exports its timber to the European countries. Liberia has signed a timber accord with the EU called the Voluntary Partnership Agreement (VPA) (Nayar 2011). The EU-devised VPA is also concluded with other African counties such as Ghana, Cameroon, Republic of Congo and Central African Republic. In Zimbabwe, the bulk of the resources were owned by the minority white settlers who controlled two-thirds of Gross National Income until recently (Kanyenze 2004, p. 39). The EU concern in Zimbabwe was that the 2000 crisis instigated by President Mugabe was fueled by legacies of racial polarisation and land repossession which has seriously affected the British settlers who dominate the commercial agricultural sector supplying to European countries (Muzondidya 2010). Côte d'Ivoire is the largest producer of cocoa beans. Cocoa beans, bananas and fresh pineapples are the key exports to European countries (Mayer & Fajarnes 2005).

Therefore, given the economic importance of African countries to the European countries, the EU has focused on these countries' political matters holding talks, negotiating and implementing appropriate measures until some level of democratic process was restored, such as increasing the monitoring, supervision and assessment of programs by independent national bodies and the European Commission (EU Official C, 2010). Europeans saw their intervention as important to normalise situations to enable the ongoing important trade relations (EU Official C, 2010). As a result of European economic interest elsewhere, the 2000 crisis in Fiji did not raise concern as European countries no longer had any important trade relations with Fiji. Despite the comprehensive political dimension framework, the European approach was inconsistent. Fiji no longer remains a key exporter to EU as its main exports, sugar and canned tuna declined dramatically since the mid-1990s. Tuna exports to the UK declined when Fiji's tuna processing cannery PAFCO came under new management from US firm Bumble Bee. This restructure shifted PAFCO exports to US markets (Barclay & Cartwright 2007). Sugar in Fiji-Britain trade also became less significant due to the WTO proposed changes and increasing beet sugar production in the European countries.

Despite declining European trade relations with Fiji, sectors of Fijian society severely affected by the coup desperately waited for the international community, whom have been advocates of democratisation, good governance and rule of law, to intervene to minimise crimes against them. Lawlessness and human rights violations were so brutal that many sections of the society were hoping to engage in dialogue with important international actors in the region, such as the EU (Fiji Labour Party Official A, 2010). Work by Susanna Trnka (2008) captures the 2000 coup as Fiji's most violent political upheaval as she spent time in the country collecting empirical data immediately after the coup. She notes that never before had the country experienced such levels of violence and much of the civilian violence was directed against Indians, their homes, businesses, and properties (Trnka 2008, p. 3). Indian families were physically assaulted, had their houses burnt at night when residents would be asleep, had their crops uprooted and animals slaughtered and taken to the parliamentary complex to feed the group supporting the coup, and were eventually driven out of villages and off their farmlands (Trnka 2008, p. 3). I recall my memories of the terror, residing in capital Suva at the time. The mass mobilisation of armed civilians and the deliberate release of notorious indigenous prisoners from the high security Naboro Jail made it appear that the country was on the brink of bloodshed. Violence against Indians was intense in areas of Dawasamu, Muaniweni, Korovou, Vunikasi, Vunidawa and Nausori, which were in proximity to Naitasiri province, the area known for nationalist support. The fears were so deep that many had no choice but to abandon their homes and spend months living in tents, making up Fiji's first refugee camp in Lautoka. Many Indians were forced to leave jobs and nearly all Indian children quit school for months. I did not feel safe to resume university studies for almost three months. Violence in the countryside forced farmers to abstain from work on their farms due to the fear of being captured and assaulted. Fear of food and fuel paucity brought more anxiety. Human rights violations were so brutal that it was compared to the Ugandan and Bosnian/Kosovo political crisis. The New Zealand Herald editorial headline read "Echoes of Uganda in Fijian Horrors". It reported:

> There is a chilling familiarity about the plight of ethnic Indians in the Fijian village of Vunikasi. The looting and torching of homes and robbery at knifepoint evokes horrific images seen all too recently in Bosnia and Kosovo… If Fiji's terror rekindles images of Kosovo, a potentially closer parallel may lie with Idi Amin's expulsion of Asians from Uganda in 1972 (The New Zealand Herald 2000).

According to interviews with various non-state organisations, including the deposed Prime Minister's Labour Party and the various sugar industry institutions remained highly optimistic of having dialogue with the EU (Fiji Labour Party Official A, 2010; Fiji's Sugar Industry Official E). Concerned about the plight of the country, after being released from hostage, the deposed Prime Minister Chaudhary made personal attempts on an unofficial visit to Brussels to inform officials about the severity of the situation and seek prompt action from the EU (Fiji Labour Party Official A, 2010). However, there was no immediate positive invitation from the European parties to dialogue to help curb further crimes from being committed and prevent further deterioration of the situation (Fiji Labour Party Official A, 2010). Dialogue with Fiji could have taken place under Article 8(6) of the Cotonou Agreement, which states that political dialogue is conducted within and outside the institutional framework at national, regional or ACP level, in order to encourage the introduction of all sections of society, including the private sector and the civil society organisations, into the mainstream of political, economic and social life (Arts 2005, p. 161). In addition, Article 8(6) emphasises representatives of civil society actors alongside regional and sub-regional organisations shall play an important role in the dialogue process. These appear innovative clauses of the Cotonou Agreement, however the EU was not pragmatic in its approach. These clauses were not implemented to conduct dialogues.

Sections of Fiji's society intended to exchange information, foster mutual understanding and facilitate the resolution process as stated in Cotonou Agreement, however, they were not given the opportunity to do so even in the most dire situation (Arts 2005, p. 160; Holland 2002, p. 201). Article 8(5) of the Cotonou Agreement adds two other items to the political dialogue framework, namely, policies to promote peace and policies concerning violent conflict (Arts 2005, p. 161). These are stated in Article 8(3) which sets a wide scope for dialogue with the Cotonou Agreement as to subject matter. However, there are no requirements of form, rather dialogue is not only confined to formal institutional framework of the agreement but shall be informal according to need (Arts 2005, p. 161; Holland 2002, p. 201). The EU could have acted under these Articles when sections of Fijian society requested European help to engage in dialogue to stabilise the volatile situation.

After several months of lawlessness and chaos, the EU's formal consultations with Fiji only began in October 2000, five months after the coup (Holland 2002, p. 138). Surprisingly, while the short-lived coup in the Solomon Islands in 2000 was the subject of an immediate condemnatory press release, and the discussion of pre-election events in Zimbabwe occurred in both the General Affairs Council and the European Parliament during May and June 2000, official statements regarding dialogue with Fiji were not issued (Holland 2002, p. 138). The lack of international community's assistance to a great contributed to the fact that peace and reconciliation never made way into the post-2000 coup period. Looking for evidence of reconciliation after the 2000 coup, the Amnesty International researcher Heinz Schurmann-Zeggel, observed:

> … experience shows that sweeping past human rights abuses under the carpet will not lead to stability and security, and will fail to bring about lasting peace both among and between ethnic groups. If reconciliation is to work, there must be truth and accountability (Davies 2005, p. 39).

In the absence of any reconciliation process since the ousting of the Chaudhary government in May 2000, ethnic politics entrenched xenophobia in society. The EU had its own plan which was primarily concerned with holding elections by mid-2002. According to the European Commission, the plan included respect for human, civil, political, economic and social rights for all citizens; the adoption and promulgation of the new constitution by popular referendum before 2002; and the holding of free and fair elections before July 2002; the performance of judicial procedures against those who carried out the coup (Commission of European Communities 2001, pp. 2-3). The interim government appointed in July 2000 was led by a nationalist, Laisenia Qarase (who remained in office until he was ousted from power by the military coup in December 2006) called an early election to win support from the ongoing vigour of the nationalist groups. The election took place in August 2001 putting Qarase in office again. Elections brought a gradual resumption of cooperation between the EU and Fiji. The European Commission was happy that Fiji had adhered to implementing its plan of action.

The EU's sporadic approach relied on the government which was overtly for the nationalist cause (Former PACP Negotiator, B, 2009; Fiji Labour Party Official A, 2010). The reports provided by the interim government to the EU ensured that it had adopted a return to constitutional rule (Arts 2005, p. 171). The EU was convinced with the report agreeing that restoring the Constitution and bringing the authors of the coup to justice were important goals (Arts 2005, p. 171). The EU also announced its plans to pursue dialogue and examine Fiji's request for additional aid in light of the improvement of the political situation (Arts 2005, p. 171). Soon after the 2001 election, the EU aid Commissioner, Paul Neilson, commented that the EU recognised the efforts made by the Fiji government in promoting national reconciliation and ensuring a return to rule of law and constitutionality (European Centre on Pacific Issues 2004). However, this was far from the reality. The Fijian society in the post-2000 coup period actually plunged deeper into racial politics and saw the election of a nationalist government supported by pro-coup indigenous groups.

Tensions kept brewing as the overthrow of the Chaudhary government had opened space for radical politics, and social insecurity continued. While the EU had pushed for elections as a key and speedy recovery solution, this did not make any difference to the growing ethno-nationalism and deep fragmentation of Fijian society. Qarase's newly political party which won the 2001 election made a coalition with the explicitly pro-coup party and formed a government with far more extremist ideas (Ramesh 2007). This was the turning point between the nationalist Qarase government and the military Commander making obvious the intra-indigenous conflicts amongst the several indigenous clans about power politics and the fate of the government. The Qarase government's racist policies continued gaining support from the majority of the indigenous population. By 2005, it appeared that politics overridden with race issues was reaching a saturation point—the majority of the non-indigenous community lost faith in their government as their basic rights were under constant threat. By 2005, cases of non-accountability, abuse of office, nepotism, misuse of public property and financial mismanagement became widespread (Fraenkel & Firth 2009). In May 2005, the government proposed a number of controversial Bills. One such Bill was for "Reconciliation, Tolerance, and Unity" that was devised to grant amnesty to the 2000 coup leader, George Speight, and the other participants in the insurrection (Fraenkel & Firth 2009). At the time there were a number of coup-related civil and criminal cases and a number of government ministers charged, convicted or were yet to be convicted for their roles in the 2000 coup (Fraenkel & Firth 2009). If the Bill were passed it would have given powers to suspend criminal and civil proceedings for politically motivated crimes (Ramesh 2005). Such racially-oriented Bills strengthened indigenous unity and nationalism which returned the Qarase political party to power in 2006 elections. As ethno-nationalism strengthened, Qarase and his supporters came to power in the quest to reclaim the motivation of the coup and to eradicate the Indians from the nation's power structure (Fraenkel & Firth 2009).

It is clear that the EU failed to identify, or perhaps ignored the fact that the 2001 election actually occurred at the zenith of indigenous ethno-nationalism and racist bills being passed that drew more indigenous nationalism. Despite the comprehensive political dimension framework in the Cotonou Agreement, the EU approach in resolving conflicts was characterised by considerable variations in focus and intensity. The EU approach was inconsistent in facilitating the resolutions in the aftermath of the 2000 civilian coup as it had focused attention in the other ACP crisis countries which have been more important for EU trading. As a result the political conditionality provisions in the Cotonou Agreement did no benefit Fiji in terms of transforming its undemocratic practices and facilitating lasting peace and reconciliation in the aftermath of the 2000 coup. Had the EU been more willing in its approach to engage in dialogue with various sections of the Fijian society, it would have, potentially, facilitated measures towards national reconciliation and enhanced the credibility of its partnership approach in the political conditionality framework. In addition, the violence and chaos that lasted months fuelling ethno-nationalism in the post-coup period could possibly have been reduced. Concerns were about the kind of nationalist Bills the post-coup nationalist government was proposing, growing nepotism and corruption in the public sector, growing ethnic nationalism, mounting tension between the nationalist government and the military and intra-indigenous conflicts escalating in the post-2000 coup. It appeared that the country was on the brink of becoming a failed state. The military commander, Voreqe Bainimarama (who took office of the Prime Minister after 2006 coup) fell out with the Qarase government claiming it was important to eliminate racial politics for the long-term betterment of the country (Ramesh 2005).

5.5.3 2006 Military Coup

Unlike the previous coups in Fiji, the 2006 military coup was widely condemned by the international community. Also unlike the previous coups, the EU reacted swiftly to the 2006 military takeover. While this coup compared to the previous ones was staged in a non-violent manner with almost no civil unrest and violence and a much lesser degree of human rights abuse compared to previous coups, the EU showed extreme concern and started discussions with the Fijian interim government right away. This may be seen as reflecting EU's security concerns and policies in external relations, which was influenced significantly by the transformed global security context after the 9/11 incident. The EU adopted a hard-line approach to punish Fiji's interim government led by military commander, Bainimarama by imposing tough negative conditionality.

Post-9/11 security imperatives have been reshaping the EU patterns of action beyond its borders. The fall-out from 9/11 and the increasing prominence of security and terrorism-related issues impacted in a major way on donor policies (Maxwell et al. 2004). EU policy makers became seriously concerned that political conflicts elsewhere could be breeding grounds for terrorist activities which would be detrimental for European countries and would seriously damage their trade links. Both Europeans (71 per cent) and Americans (76 per cent) shared concerns about international terrorism, and have similar perceptions of the threat (Kaunert 2009, p. 42). While there is substantial benefit for the United States in dealing with the European states through the EU's supranational forum, the EU gains recognition as an international actor from the global superpower (Kaunert 2009, p. 42). The EU achieves a certain recognition on the world stage in high politics and security, areas in which the EU was originally not intended to be involved (Kaunert 2009, p. 42). The new security agenda has been a more intense concern with politically unstable countries—as problems in their own right but also as possible sources of exported security problems (Kaunert 2009, p. 42). Donors and trade partners therefore have come to consider that trade and aid could only achieve development goals if peace, security and partnership between rich and poor countries were taken as highly relevant factors in the development equation.

It is clear that immediately after the terrorist attacks which occurred on 9/11, the EU devised a series of security measures within its borders and it external relations. The European Council on 21 September 2001 developed a "coordinated and inter-disciplinary approach embracing all EU policies" (Bretherton & Vogler 2006, p. 114). The potential for political direction in development was increased by the incorporation of the Development Council into the General Affairs and External Relations Council in June 2002 (Bretherton & Vogler 2006, p. 114). Then in 2003 the European Commission developed the European Security Strategy (ESS) emphasising the significance of the relationship between development priorities and security concerns. The ESS proclaims "[s]ecurity is the first condition for development" (Bretherton & Vogler 2006, p. 114). The ESS document explicitly refers to coordination of EU instruments, including the EDF allocations to ACP countries (Bretherton & Vogler 2006, p. 114). A 2003 European Council report emphasised that "[a]ll of these can have an impact on our security" in terms of the safety of Europe and that of third countries (Bretherton & Vogler 2006, p. 114). The ESS therefore heralded a shift from humanitarian concern towards protecting the EU and its citizens, and the issue of "state failure" became a far more securitised angle (Banim 2008, pp. 4-5).

These policy changes at the European level in the wake of the 9/11 incident called for securitisation of development in the Cotonou Agreement. Engagements with “fragile states” and post-conflict peace building have become core focal areas for the EU’s external policy (Blockmans et al, 2010:3). In support, with regards to the issue of politically weak and fragile states, Hout (2009, pp.16) argues that the EU’s policy formulation demonstrated “strong security overtones, and that the EU response fits in with the overall trend of securitisation of development”. When the Cotonou Agreement was reviewed in 2005, amendments on the fight against terrorism (Article. 11a) and on cooperation in countering the proliferation of weapons of mass destruction (WMD) (Article. 11b) were included in the political dimension pillar (Cotonou Agreement 2005). The fight against the proliferation of WMD became an essential element of the Cotonou Agreement and the EU undertook to provide ACP states with additional resources apart from the European Development Fund to carry this out (Robinson 2006, p. 82). As a result, the EU insistence incorporated a new article on “security conditionality” which has the potential to open the door to the use of development funds for security purposes and increases the need to monitor closely how funds are spent (Robinson 2006, p. 82). Critics argue that the EU intention for the increased nexus between security and development is to tackle problems which the European countries perceive primarily as threats to their own security (Popovic 2007, p. 27). These “novelties” were not introduced with the primary aim to increase security of the developing countries (Popovic 2007, p. 27), rather the EU concern is about European security and protecting European economic links. This supports the state-centric realism theory that powerful countries are concerned about protecting their own interests in international affairs.

As a result, the EU approach to ACP countries’ political instability significantly changed. When the Fijian military overthrew the government on 6 December 2006, the EU became committed to playing an active role within the political dimension framework of the Cotonou Agreement in facilitating peace-making and reconciliation processes, and democratisation. While the EU in the aftermath of the coup was seen intervening swiftly taking a comprehensive approach to deal with the crisis, the series of detailed EU consultations with the interim regime and guidelines prepared to restore democratic rule were rejected. The EU made its first statement on 11 December 2006, four days after the coup, and criticised the military's action as illegal and called for "the urgent and full restoration of democracy as well as return of civilian rule as soon as possible" (Commission of European Communities 2007). Then the EU prepared a set of guidelines for formal consultation with the interim government which started on 18 April 2007 in Brussels (Commission of European Communities 2007). The consultation led to the preparation of a document titled "Conclusions of the European Union" which listed commitments the Fijian government had agreed to undertake (Commission of European Communities 2007). During the consultations, it was clear that the EU was pushing its plan for Fiji's political development. Without paying much attention to Fiji's turbulent political history and the smouldering tensions in the post-2000 coup period, and with virtually no consultation with the parties in conflict to enable reconciliation, the EU began pressuring the interim government to hold elections and return to democratic rule. The EU asked the interim government to adopt a schedule setting out dates for general elections to be held before March 2009 (Delegation of European Union for the Pacific 2007). The EU insisted this be submitted to Brussels by 30 June 2007, which the interim government did (Delegation of European Union for the Pacific 2007). The "Conclusions of the European Union" for the Fijian government to take action included, among other things, that the process leading to and the holding of the elections would be jointly monitored, adapted and revised as necessary on the basis of mutually agreed benchmarks (Delegation of European Union for the Pacific 2007).

While the interim government had cooperated with the EU in all consultations and agreed to the plan set out by the EU, it also prepared its own plan (EU Official C, 2010) with the hope of shaping Fiji's political development trajectories by removing sources of conflict from the country's political system. This however, was not discussed with the European parties. In working on its own plan, the interim government disappointed the EU on 10 April 2009 when it suspended the Constitution, and with some changes the Bainimarama government was reappointed under a new legal order. Fiji's own plan and its actions show that the interim government challenged the EU's decision and proposed strategy. Although not announced publically, interview with a high ranking official of the Prime Minister's office indicated that the country's development agendas should not be dictated by foreign actors (Fiji Government Official B, 2009). Instead of holding elections in early 2009 and following the EU plan, the interim government announced a delay in elections. A statement from the Prime Minister's office proclaimed that in order to end the coup culture of Fiji and the racial politics and discord, the abrogation of the Constitution was necessary to set guidelines for the major task the government had on its agenda, a major reform of the electoral system and related laws (Fiji Government Official B, 2009).These actions on the part of the interim government surprised and infuriated the Europeans who remain persistent that Fiji should follow their directives (Fiji Government Official B, 2009). Given the extensive criticism of the military regime from the international community, the regime showed its rigid approach in dealing with them and renounced almost all international intervention. According to interviewees of the Prime Minister's office, this coup unlike the previous coups was systematically staged and has a strategy in place to transform the country's political landscape away from racial politics.

European inability to bend Fiji to its will in the 2006 coup needs to be unpacked from a broader context of Fiji's international relations to reflect on Fiji's rising agency in relations with the EU.

Fiji's actions to a great extent have been a reaction towards Western donors and their in dominance in the region. Foreign dominance of the PIF has been a concern for PACP governments of Fiji, PNG and Solomon Islands. The dominance of Australia and New Zealand in the PIF and the collaboration of the two countries with the EU to intervene in the politics and policies of Fiji and other PIF members are well documented by scholars and NGOs (Grynberg 2013; Henningham 1995a; Oxfam International 2006; Pacific Network on Globalisation 2008; Ramesh 2010; Sutherland 2000). Apart from the EU's direct relations with the PACP, it also exerts influence in the region through its EU- Australia Partnership Framework that was launched in 2008 to support of shared foreign policy and security interests. Since foreign relations of the PACP with these countries is already tensed from the larger powers' domineering approach in pushing free trade agreement, the Fijian government's relations with them further soured from their widespread condemnation of the military regime and allegation of human rights abuse. Dr Daivd Robie, director of Auckland based Pacific Media Centre points out that the Commodore Bainimarama's great distaste for the PIF has been particularly due to the hypocritical way the PIF has treated Fiji since the military coup. Fiji's bilateral relations with Australia and New Zealand soured rapidly with the implementation of targeted sanctions against military regime, including a travel ban against regime's officials, suspension of seasonal worker schemes, a ban on munitions trade and a cessation of military to military interaction (Larsen 2012). In addition, Australia and New Zealand used their influence in the PIF to suspend Fiji'is membership of the PIF in 2009 and extend Fiji's exclusion from important regional affairs like the PACP meetings with EU, blocking Bainimarama taking over leadership of the MSG in 2010 (Herr 2012). In the same year Fiji was suspended from the Council of the Commonwealth. In response Fiji expelled Australia's High Commissioner in 2009, and New Zealand's in 2010, cutting diplomatic communications to bare minimum (Larsen, 2012). To counter the domineering approach of these actors, Fiji reacted by ignoring and ultimately rejecting instructions and deadlines to return Fiji to democracy. The military regime consequently took a far more assertive role in implementing its plan to deal with its internal problems without foreign interference.

As a result, the EU enforced negative conditionality to punish the interim government. This is having serious consequences for Fiji's sugar industry, which had been the main export earner and provider of rural employment. The EU's decision to cancel the huge amounts of aid allocated for the reform of the sugar industry not only affected government revenue but the very livelihoods of thousands who rely directly on the sugar industry, such as the cane farmers, cane cutters and mill workers. The entire restructure of the industry was dependent on the F$350 million the EU was going to provide for in a span of eight years to cushion the fall in world sugar prices (EU Official C, 2011). According to economist Dr Biman Prasad of the University of the South Pacific, between 2006 and 2010 Fiji's sugar industry would have received US$86 million worth of aid which did not eventuate (Radio New Zealand International 2010). Prasad was concerned that aid would have helped make the sugar industry more competitive (Radio New Zealand International 2010). It would be difficult for the government to carry out the reforms to the sugar industry without EU support (Radio New Zealand International 2010). Therefore, Fiji's sugar industry continued to suffer as the EU continued with its negative aid conditionality. However, this has not changed direction of the interim government to re-consider the EU democratisation plan.

Findings reveal that despite the economic consequences of the sanctions, the interim government's assertive position in turning its back to its longstanding trade partners and donors was due to its commitment to its new 'Look North Policy' in 2010 (Larsen 2012; Tarte 2011). This foreign policy trend aims to seek new foreign relations to help replace the loss of traditional support. China filled the vacuum in becoming an important aid donor. Russia is strengthening ties through visiting officials and more recently South Korea welcomed Fiji to set up a new diplomatic mission (Larsen 2012).

The EU decision to take a more active role in its external relations was influenced significantly by the transformed global security context after the 9/11 incident. The EU reacted swiftly to the 2006 coup and facilitated plans for Fiji to return the country to democracy as soon as possible. Because Fiji's interim government did not follow the EU's instructions to hold elections as per their proposed date, the EU imposed tough negative conditionality by withdrawing aid allocated for the reform of the sugar industry. The EU's attempt's to intervene in the political development trajectory of Fiji, however, has not worked, as the current government simply refused to follow the EU plan and is implementing its own plan.

5.6 Conclusion

It is clear that although Europeans have been concerned about including a human rights clause in the Lomé Convention since the atrocities in Uganda in the mid-1970s, they could not arrive to a collective decision on the inclusion of a human rights clause in the agreement. While European countries such as the Netherlands showed extensive interest for inclusion of human rights clause in the Lomé Convention, major colonial powers like Britain and France were not keen for several reasons. Firstly, the European countries relations with South Africa's apartheid regime meant the ACP demand to dialogue on South Africa effectively suppressed the European position in pushing for the inclusion of political elements in the Lomé Convention. Secondly, major European powers were reluctant to include a human rights clause which would have obligated them to intervene in the ethnic-driven post-independence political crises of the former colonies. A large number of political crises in the former colonies had roots in colonial policies, which would have been embarrassing and sensitive for former colonisers to deal with. Thirdly, the long period of the Lomé Convention overlapped with the Cold War. European countries' involvement in bipolar politics aimed to protect their economic and political interests. They did not see it as being in their interest to enforce human rights and democratic principles at the expense of the anti-Soviet actions during the Cold War.

The European non-involvement in the 1987 military coup in Fiji shows that former colonial powers intended to keep out of Fiji's deep racial conflicts, which were caused by continuities of the colonial polices and structures. Another key European motivation for being apolitical was the belief that the change in regime brought by the military coup was to their advantage. They saw the Bavadra government as non-aligned and not supporting Western interests. In addition, the policies of the Bavadra government would have significantly stirred anti-colonial sentiments in the

PACP region, which was already widespread due to French nuclear testing and the continuing French rule in the Pacific region. Therefore, to protect their interests, European powers took an apolitical stance. They refrained from dialogues and placing demands for democratic principles on Fiji when regular EEC/British discussions with the interim government on the sugar trade and the overall trade and aid instruments of the Lomé Convention continued.

Europeans only became concerned to include political elements to improve the political system in the ACP countries in the post-Cold War period. The introduction of the complex political framework in the Cotonou Agreement constituting political conditionally and political dialogue brought a political dimension to the Europe-PACP relations. This is a major change in relations. However, the overall European approach was erratic despite the comprehensive framework. The introduction of human rights, rule of law, democracy and good governance norms as essential elements for development, therefore validates the state-centric realism argument that norms and ideas play important roles in international relations.

Thus, despite the political dimension pillar which allows deeper EU involvement in the politics and policies of ACP countries, Europe was not concerned by the events of Fiji's 2000 coup. EU's attention was diverted to crises in other developing countries with which the EU had stronger economic ties. In the period from the late 1990s to early 2000s, the EU was deeply involved in conflict resolution in a number of African countries which have been important EU trading partners. The 2000 crisis in Fiji did not raise much concern as Fiji no longer had any important trade link with European countries. Its main export, sugar, which enjoyed preferential price was challenged by the WTO rules and was also affected by government's inconsistency in the industry and non-renewal of sugar cane land leases. Thus, there was no EU concern that 2000 political instability was going to interrupt important trade relations. Commercial interests certainly seem to explain why the EU had an inconsistent approach in the ACP countries on political conditionality. Despite the complex political dimension framework in the Cotonou Agreement to deal with crisis, the failure to intervene worsened the social and political situation in Fiji, leading to a further coup six years later.

Security threats, stemming from the War on Terror and rising global insecurity following the terrorist attacks of 9/11 transformed the global security context and eventually changed EU's inconsistency in dealing with developing countries' crises. The EU recognised the strong nexus between security and development. This influenced EU strategies and policies and contributed to greater coherence in the EU's external action. The European policy-makers came to believe that there cannot be sustainable development without peace and security, and without development and poverty eradication there will be no sustainable peace. This shift in EU's thinking since the 9/11 incident brought the securitisation of development in the Cotonou Agreement. As a result, the political dimension framework of the Cotonou Agreement was amended in 2005 to include the security agenda. This brought a further change in the focus of the relations on political matters.

Theoretically, it is clear that political norms, democratisation, rule of law, respect of human rights, good governance agenda, and security and stability as necessary conditions for development have brought a political dimension to the relations. This is a major new emphasis in the Cotonou Agreement. This substantiates the state-centric realism argument that norms, ideas, and values play important roles in international affairs. Investigations of this thesis contribute to the theory by arguing that these political norms became dominant norms in informing the new development orthodoxy and are driven largely by powerful states in their aid policy as universal norms. Critics argue that the so-called universal principles in the donors' aid program are for their own national interests rather than those of the people of the developing countries (Carr 1946; Smith 1998).

Further, they argue these novel political norms were not considered important by Western donors during the Cold War (Popovic 2007). Critics argue that the European intentions for the new political norms emphasising increased nexus between security and development were not introduced with an aim to increase security and stability in the developing countries but to tackle problems which the European countries perceive as threats to their own security (Popovic 2007).

In this heightened security context, Fiji's 2006 military coups received a different European approach. The EU immediately intervened to hold talks with the interim government and was seen as playing an active role facilitating the return of an elected government. The EU held various consultations and prepared its plan of action. While the EU did act this time, its actions may still be seen as narrow in focus and sporadic**.** The EU failed to identify the fact that tensions since the overthrow of the Chaudhary government in 2000 led to increasing radical politics and social insecurity. Its plan was narrow focusing on the importance of holding a national election by March 2009, which would have not, on its own accord, solved the deeper political and social problems causing instability in Fiji.

While the interim government agreed to all of the EU demands on paper, it had its own plan to shape the country's political development trajectories. The interim government officials felt that their country's development priorities should not be determined by foreign actor's plans and polices. Instead of preparing for a national election, the government abrogated the country's Constitution in April 2009, and announced a delay in election. The interim government's aim is to end the coup culture and build a multicultural society which it sees is only possible by transforming the political structures that had legitimated racial politics since the colonial era. The aim is to end ethno-nationalism, which during the previous coups encouraged ethnic Fijians to react violently to restore control over the nation's political system. The reforms undertaken by the current military government on the country's electoral system, Constitution and land use system provides some hope for lasting peace and stability. The EU, however, is tight lipped on these transformations currently underway, and continues to put in place tough negative conditionality. The EU's decision to cancel huge amounts of aid allocated for the reform of the sugar industry not only affects government revenue but the very livelihoods of thousands who rely directly and indirectly on the sugar industry. The Fiji government's decision to challenge the EU plans is a clear change in the relations that had not existed before. The negative aid conditionality affecting the ailing sugar sector has not changed the position of the government to re-consider the EU demands in return for release of aid. The Fiji government's decision to challenge the EU instruction illustrates the complexity of power relations between the two unequal parties. The EU is a bigger player with a massive economic power over Fiji, however it has not been able to influence the Fijian government to adhere to its proposed plan. The Fijian interim government did not give in to the international pressure. The interim regime is seen as acquiring significant power and agency in taking such an assertive role in cutting ties with its longstanding Western donors and trade partners. This is seen clearly emerging from the regime's commitment to and reliance on its 'Look North Policy', especially with China. Therefore in this case, the EU plan was not able to shape the political development trajectories of Fiji in any significant way in the long-term.

CHAPTER 6: Conclusion

The Europe-PACP countries' relations remain challenging even decades after the Pacific Island countries gained independence. In the colonial era, relations set up by the Europeans aimed to benefit them politically and economically at the expense of their colonies. Since decolonisation, relations have changed somewhat, but former colonisers remain powerful in setting agendas for the former colonies, most of whom have been unsuccessful in improving their economic performance in the global political economy. The key contribution of the thesis has been to provide an understanding of this state of affairs by examining the history of relations between Europe and PACP countries. The Europe-PACP countries' relations are a subset of the broader relations between Europe and its predecessor organisations, and the ACP group. Whilst Europe has established increasingly complex relationships with developing countries in all parts of the world, the Europe-ACP relations that started in the early the 1960s and continue to the present day, are the most highly structured and long-standing relations. Europe-PACP relations within this broader framework of Europe-ACP relations are managed by legally binding contractual agreements encompassing trade and aid instruments. The trade and aid arrangements started with the Lomé Convention in the 1970s, and continue through to Economic Partnership Agreements (EPA) in the current era. Pacific Island countries together with the African and the Caribbean countries formed the ACP grouping of former European colonies in order to become signatories of the Lomé Convention which marked the beginning of Europe-PACP relations.

The key finding of the research is that European interest for political influence and resource access continues in the Europe-PACP relations. EU-PACP relations involve several European and PACP stakeholders which exert influences in formulating and implementing polices and managing of the PACP countries tuna resources. These different entities have different interests and perspectives (Blomeyer & Sanz 2012). As a result, the EPA negotiations are burdened with complexities and inconsistencies as both parties have difficulty achieving unity and collective action as individual governments have different national interests regarding EPA.

The earlier phase of the EU-PACP relations had strong clear roots in European colonialism. The French and British compromise for the continuation their interests similar to that of the colonial era brought the more comprehensive Lomé Convention, in which the Europeans focused on making their bilateral relations with the former colonies more systematic. EU-PACP relations evolved from the British colonial and industrial history. British interest in the Lomé Convention for resource access in the former colonies gave rise to key trading "Protocols" for primary commodities; Sugar, Beef and Veal and Banana Protocols which continued in successive Lomé Conventions. For Britain, sugar was the most important international commodity since the colonial trade. At the heart of Britain's ongoing colonial economic interest in the former colonies of the ACP was its prodigious cane sugar industry. As a result, the Sugar Protocol became the key feature of the Lomé Convention and the basis for EU-PACP relations. The Sugar Protocol succeeded the Commonwealth Sugar Agreement of 1951 which was a sugar trade arrangement between Britain and its colonies, including the former sugar colonies. The importance of Sugar Protocol was costing the EEC between 200 and 700 million ECU per annum and amounted to 25 per cent of the annual running costs of the entire Lomé Convention (Grynberg 1996, p. 21).

British national interests were driven by the interest of Tate & Lyle refinery which was the main importer of almost all ACP cane sugar. The reason sugar was so important to British government was because the refineries were crucial in maintaining the British economy at the time. Therefore, keeping Tate & Lyle refineries operational meant saving employment for thousands in the most economically depressed areas of Britain. Fiji's sugar industry which the British established using the indenture system of the late 1800s, remained a relatively large-scale production operation throughout the 20th century. From Fiji's perspective, given the level of economic dependence on the sugar industry, Fiji had significant interests in securing sugar export arrangements with the EEC upon gaining independence in 1970. Fiji's Foreign Policy, as result in the post-independence period was focused on sugar exports to European markets within the preferential price system offered in the Lomé Convention. Fiji exercised its agency and played a profound role in negotiating the Sugar Protocol prices. Had it not been for the existence of Fiji's sugar industry and its close link with Britain, the PACP countries would not have been parties to the Lomé Agreement in 1975.

These economic interests of the British and the Fijian government, and Tate & Lyle at the time were to a great extent influenced by the 1970s oil-induced commodity crisis. This situation to a great extent brought a confluence of interests and induced the EEC and the ACP countries to commit in the Lomé Convention. The 1970s crisis bolstered the role of the Convention as a primary commodity agreement. When it was clear that the 1973 oil crisis had plunged the world into deep economic crisis, the former colonies appeared high on the EEC agenda and the old colonial trade was given renewed prominence. The period of deep uncertainty over future resource supply led to a speedy conclusion of the all negotiations of the Lomé Convention. In addition, the sudden realisation of the former colonisers' high dependence on former colonies' resources gave birth to the cohesive and aggressive G77, which included largely the ACP countries. The G77 took advantage of the oil crisis-induced anxiety and acquired immense commodity power to push the NIEO in the United Nations Conference on Trade and Development (UNCTAD). The rise of the G77 as a powerful bloc in international affairs with vast commodity power had demonstrated that the balance power had tilted in favour of the developing countries. Developing countries in the UNTCAD have been pushing for compensatory schemes and preferential trade system, but the EEC refused. It became willing only when the energy crisis rocked the world and “when Europe felt it had to make at least one highly symbolic concession to the pressures of NIEO” (Grilli 1993, p. 115).

As a result, the key proposals of the NIEO, namely, the preferential price system and the compensatory system for export earnings became the main constituents of the Lomé Convention. These provisions reflected the gradual acceptance by the European countries of demands made by the ACP countries, whose political and economic importance increased with changing external circumstances (Grilli 1993, pp. 113-5). Fijian government therefore used the external event and the commodity power to pursue its national. Had it not been the oil crisis and the European anxiety over fear of raw material paucity, the Lomé provisions would not have taken a form so generous in terms of providing ACP countries preferential access to European markets but would have continued with little alteration as per the terms laid in Yaoundé II Convention (Moss & Ravenhill 1982, p. 841).

The significant changes to the Lomé Convention were also influenced by the external environment. The EU responded to these changes by re-arranging the content of the relations, and adding new elements to ensure that the relations continued without significant disruptions to European geopolitical and economic interests. The post-Cold-War dynamics produced more dramatic transformations to the Lomé Convention at the end of the 21st century, resulting in the Cotonou Agreement and the EPA. Europe’s rising faith in market principles of the ‘Washington Consensus’, democratisation and the ‘good governance’ agenda, and the establishment of the WTO international trade regime brought notable changes in the relations. The transformed global security context after 9/11 brought further changes. These dynamics of the post-Cold War period became new neoliberal development orthodoxy which had both political and economic dimensions.

In the economic sphere, the EPA aim is also to enhance the EU economic role and also reinforce its political strength in international affairs. European motivation for trade liberalisation in EPAs is to firmly establish the EU presence in the resource rich and rapidly growing developing economies. In support of this claim, McQueen (1998, p. 422) argues that the EU motivation to encourage trade liberalisation though the EPAs is aimed to pursue European economic interests to improve their balance of trade. This was revealed by the European Commission in a 1995 report, which argued that the EPAs economic justification has also been supplemented by strategic considerations regarding the need to strengthen the EU presence in particular markets and to reduce the potential threats of others establishing relations with countries which are of economic significance to European countries (European Commission 1995). In support of this European interest, the European Commission claims that political considerations are as important as the potential economic benefits and in some cases may be the primary motivation (European Commission 1995).

The move from the Lomé Convention to the Cotonou was significantly influenced by the transformed global trading system of the post-Cold War period. The trade liberalisation agenda of the WTO trade regime significantly challenged non-reciprocal nature of the Lomé Convention. The EU legitimised the plan in terminating the Lomé Convention on the grounds that all non-reciprocal arrangements of the Convention were incompatible with the WTO trade regime and must now conform to the new trade regime. While had desired to maintain the trade preference regime, such schemes under the WTO became illegal. As result, the special preferential regimes for the ACP countries have run into difficulties in GATT/WTO because they are not in line with the "Enabling Clause", which covers only preferential treatment for all developing countries as provided under the GSP (Tangermann 2002). In addition, major difficulties in GATT/WTO became clear in the various successive banana disputes. The WTO Dispute Settlement Panel ruling on the Banana dispute in 1997, found EU's preferences for banana imports from the ACP countries 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. This legally meant that all specific EU preferences for the ACP countries, and all other similar schemes of other developed countries, were considered illegal under the GATT.

As a result, the EU requested a GATT/WTO waiver, which was granted in 1994, to continue providing the special trade preferences to the ACP countries (Tangermann 2002). It lasted until the expiration of Lomé IV, i.e. 29 February 2000 (Josling & Taylor 2003). Therefore, the challenges to the EU trade preference regime and the ruling of the WTO Dispute Panel compelled the EU to comply with Enabling Clause of GATT/WTO Article I and make the post-Lomé Convention relations WTO-compliant. Due to this international change, Fiji's sugar exports to Britain on preferential piece system have undergone gradual 36 per cent price cuts to adjust to the world market price. In adding, the dumping of sugar in the world market by the non-ACP producers and the European beet producers led to declining the importance of Britain-Fiji relations.

The vacuum in the EU-PACP relations left from decline in the Britain-Fiji relations in sugar trade to some extent has been filled by the recently increasing tuna related focus. The EU involvement in the PACP fisheries sector is part of its increasing global role in fisheries to access tuna in other countries waters as European waters have overexploited. PACP countries' waters have richest reserves of tuna in in the world's ocean and remain relatively under exploited. Spain and Italy, as the main canning states in Europe, have a significant tuna processing sector. To sustain their canning facilities, Spain in particular is playing key roles in fisheries negotiations of the PACP group's comprehensive EPA to ensure that any conclusions on fisheries should offer them maximum benefits. In addition, Spain has been critical of the global sourcing provisions of the PACP IEPA. For Spanish government and its tuna canners, the global sourcing led-expansion of PNG's tuna sector is problematic as PNG would be a potential competitor in terms of canned tuna exports to Europe. But Spain also regards PNG canneries a significant supporter of the European industries in terms of supplying loins to sustain canning industries. Given the large tuna stocks, to pursue its national interests, PNG has exercised its power and agency for the inclusion of the global sourcing principle in the negotiation of the IEPA. PNG's aim with the global sourcing has been to implement its tuna based national development strategy to allow the government to acquire more power and exert sovereignty over its large fisheries resource.

While the PACP countries are minor supplies to European market compared to African and the Latin American countries, recent EU-PACP trade negotiations have been dominated by fisheries negotiations. The PACP countries' spokesperson, Viliame Uasike Latu recently criticised the EU, arguing that they are too concerned about advancing their own interests in the EPA and that when negotiations take place they are overridden by tuna fisheries trade (Garrett 2013). According to Latu, the PACP states are concerned that the EU is trying to turn the EPA into a Fisheries Treaty to access fish resource, which would force PACP countries to reform laws that would undermine the countries' sovereignty (Garrett 2013). European canners are not interested establishing canneries in the PACP countries due to their more beneficial offshore investment in the former colonies of Latin America. Given its largest and most advanced fishing fleet in the world, European countries like Spain have been interested in obtaining fishing access license from the PACP countries and have secured access to Kiribati's large EEZ. PACP countries are concerned that this agreement would benefit Spain enormously compared to what Kiribati receives. In addition, there is concern that the agreement does not require Spanish vessels to comply with the PNA's regional VDS scheme for fisheries management.

Theoretically, the deployment of state-centric realism is a fruitful conceptual framework to examine the continuing European countries' interest for resource access in the EU-PACP relations over the period. However, the PACP countries at different points in the relations were also seen exercising their agency to push their nation's development interests. The evidence of the ACP countries in the G77 forum in the pushing the NIEO and the specific Fijian government's interest in sugar exports which is evident in Fiji's Foreign Policy, provides the potential for the development of the state-centric realism to show how less powerful states pursue their interests in relations with powerful states. Like Fiji, other ACP countries would not have been able to exercise their agency individually on their own. But they were able to exert significant influence through a cohesive G77 and demonstrated the clear probability of balance of power being tilted towards the ACP countries. More recently, PNG in negotiating the IEPA exercised its agency in influencing the European parties to grant the 'global sourcing' derogation for the development of its fisheries sector. The ACP countries attempt to challenge the unequal economic and political power of the Europe provides potential for further expansion of the Gilpin's theory that assumes that powerful countries are dominant in power-relations.

The deployment of the state-centric realism view on non-state actors such as multinational firms playing important roles in determining international affairs is valuable in investigating the dominance of Tate & Lyle economic interest in the driving the British government interests in cane sugar trade. In addition, the theory's assumption has been useful to examine private sector involvement in the expansion of PACP countries fisheries sector. While Gilpin recognises the role of non-state actors in his state-centric realism theory, he dismisses their dominance in international affairs giving prominence to the state role. While this is clear in the Lomé Convention sugar talks in which British government allowed Tate & Lyle to be an important stakeholder, but Tate & Lyle role was secondary to the government's role. Gilpin adds that firms are closely attached to and ultimately dependent on their respective home economies (Gilpin 2001, p. 288).

Moreover, the application of the theory's assumption on norms and ideas having significant influence in the international political economy also provides useful insights. The neoliberal development agenda has significantly transformed the relations. However, the state-centric realism does not imply that dominant norms and ideas such as neoliberal norms, are particularly advocated by powerful states to promote their interests in a globalised economy and are legitimised by the WTO trade regime. It is clear that the WTO trade regime has a formal legal status which gives WTO considerable power. The legal personality of the regime is clearly having a counterproductive effect in the sense that it is challenging the trading interest of powerful countries which created it. This is supported by influential regime scholars such as Keohane (1995) and Krasner (2009) who argue that while the international organisations play important roles in terms of providing solutions to technical, economic and other problems associated with the world economy, they invariably affect the economic welfare, national security, and economic autonomy of individual states. This is clear in the WTO regime's ability to challenge the European special trade preference regime in the WTO Dispute Panel and bring it to conform to WTO rules. Therefore, it can be argued that the legal personality has the ability to encroach upon the sovereignty of nation-states through its mandatory multilateral agreements (Hopper 2012, p. 150). The legal status of the WTO having substantial power to undermine national interest further blurs the theory's assumption that international system is anarchic. Some variants of realism such as neorealism and structural realism have come to consider that globalised political economy is challenging the state role. They argue that states and their power are important in the international system but all play their role although in a much more tightly defined system (Nicholson 1998, pp. 96-7).

The key finding on the impact of the trade and aid provisions demonstrates that the ACP countries' economic performance in the global economy has not improved despite the Lomé Convention being perceived as an innovative set of arrangements aimed to implement the NIEO principles. The outstanding feature of the Lomé Convention trade was the nonreciprocal trade system which included the preferential trade system designed to provide tariff and quota free access for ACP exports to European markets. In the early phase, the Lomé Convention trade provision was considered an important source of economic growth in the ACP countries because trade-driven economic growth contributes to human development and the overall socio-economic betterment of the ACP people. While the Lomé Convention appeared attractive to ACP countries' development in the 1970s, the logic for the trade and aid rules was not to implement a coherent set of policy framework to encourage diversification and industrialisation prospects in the ACP countries. Rather, the trade and aid rules were carefully devised to protect the European countries' economic interests and this inhibited the ACP countries' ability to capitalise on Lomé Convention's trade and aid provisions. Furthermore, it proved more difficult to facilitate development from exporting primary commodities than the ACP countries had hoped in the 1970s.

Nonetheless, on more specific EU-PACP level, the research finds that the trade and aid over the years have positively influenced the development of certain primary sectors of the PACP countries, which significantly contributed to the development trajectories of PACP countries. Trade preferences of the Lomé Convention, in particular have been pivotal for the development of Fiji's sugar sector, and the tuna fishing and processing sector in Fiji, the Solomon Islands and

Papua New Guinea. It had a profound impact on the development of the sugar and the tuna processing sectors, transforming them into important economic activities and export sectors for PACP countries. Fiji's economic prosperity in the post-independence period would have been impossible without the benefits its sugar industry received from the preferential trade arrangement of the Lomé Convention. Overall about 250,000 people or 31 per cent of the population has been directly and indirectly reliant on the industry. The industry was crucial in generating growth in the rural economy of Fiji giving rise to several rural towns. On the national level, the sugar industry-reliance on preferential price support has contributed considerably to improvements in the country's Human Development Index (HDI), and ranks Fiji as a lower-middle income developing country. However, the EU decision to make its trade relations compliant with WTO rules has ended all its nonreciprocal trade arrangements of the Lomé Convention. Only the Sugar Protocol with its preferential price mechanism for ACP countries' sugar exports was rolled over to the Cotonou Agreement. European attempted to reform the EU sugar regime to make it WTO-compatible has caused the termination of Sugar Protocol in 2009 with 36 per cent reduction in preferential prices gradually occurring since 2006. This is one of the main reasons contributing to the bleak future for Fiji's sugar industry in addition to Fiji's domestic problems. The EU's trade and aid relations thus have contributed to economic development in this sector and the removal of trade preferences and withdrawing of aid is having detrimental effects on Fijis' sugar economy.

Because the European governments have not yet liberalised their imports of processed fish, trade preferences for tuna exports to European markets that continue in the PACP IEPA are an important source of economic advantage for PACP processing. Trade preferences have been important in terms of contributing to a sustainable long-term policy for the development of the tuna processing industry in the PACP countries. The EU also included in the IEPA the derogation to the rules of origin (RoO) of fish products, which PNG pushed for to increase supplies of fish to benefit its rapidly growing tuna processing sector. In addition, the change in the RoO of fisheries products is a fundamental change in the Europe-PACP tuna trade relations. The derogation to the RoO brings the potential to increase PACP exports to European markets and provides some prospects for diversification of the PACP tuna industry, which in the past was curtailed by Europe's rigid RoO.

Fiji's and the Solomon Islands' tuna canneries have long benefitted from the trade preferences. PAFCO and Solomon Taiyo exported high quality canned tuna to be sold by the UK's Sainsbury store as an upmarket branded product. This was significant for the survival of the two canneries and contributed to socio-economic development outcomes in both countries. PAFCO and Solomon Taiyo industries have been crucial in providing formal employment and cash income. Although wages were not high, it was important in improving the livelihoods and overall living standards of people in Noro and Ovalau who had very few other options for cash employment. The tuna canneries have also led to developments in infrastructure and several spin-off and associated activities and businesses.

However, both tuna processing industries in Fiji and the Solomon Islands made only modest progress in the expansion of the canning facilities due to a lack of raw tuna supplies for processing and a number of internal problems. Sainsbury's withdrawal of premium prices in 2000 also affected PAFCO and Solomon Taiyo's profitability. PAFCO's market shifted to the US after it was taken over by Bumble Bee for management in 1999 and stopped exporting to Europe. Solomon Taiyo underwent several changes in ownership and management and is now known as Soltuna. The Solomon Islands government has partly privatised Soltuna operations with the hope to boost processing capacity. Soltuna's shift from supplying canned tuna to loins to Europe is significant in the survival of the industry. Soltuna continues to benefit from the EU's EBA provisions for tuna exports to European markets. The Solomon Islands government have been committed to maintaining the tuna processing operations for socio-economic reasons. Solomon Island did not sign the IEPA but the EU's EBA is an important source of economic advantage for its continued fish processing and exports to European market.

The expansion of PNG's tuna sector since the late 1990s has been mainly influenced by the rich tuna stocks in its EEZ. The strong tuna-based development policy which is exercises sovereignty over the resources and obligates foreign private investors to establish and operate on-shore processing by making fisheries access agreements as conditions for onshore investments commitment. The boost in onshore private investments has been caused by the attractiveness of the trade preference continued in the IEPA for PACP countries' processed tuna exports to European markets. The private sector model applied to PNG's tuna processing have increased the country's canned tuna and loin exports to Europe. The private sector model is significantly influencing national development plans in Madang Province and Lae city developing industrial zones and ports. The tuna industry provides access to cash employment for thousands of locals. As of March 2012, tuna processing involved 5,770 direct jobs, expected to rise to 20,000 by 2018, and 2,600 indirect jobs in 2012, expected to rise to 5,000 by 2020 (Blomeyer & Sanz 2012, p. 27). The multiplier effect creates more businesses and activities that support tuna industries, generating additional employment.

Europe-PNG tuna trade relations provide interesting theoretical insights. First, the PNG government's tuna based development strategy provides expansion of the main argument of the state-centric realism in that success of the strategy provides a rare example of a small economy exerting influence over a globalised production landscape (Havice & Reed 2012, p. 430). Second, the kind of private investor-led development encouraged by PNG is different from Giplin's view.

He is of the view that multinational firms are essentially national firms competing with one another around the world (Gilpin 2001, p. 288) . In addition, he argues that MNCs are closely attached to and ultimately dependent on their respective home economies (Gilpin 2001, p. 288). These views are challenged as the complexity of globalisation has changed the dynamics of production and distribution of goods. There are several actors in the chain and there is no one owner that owns or control the entire chain. There are several actors in the chain of production and distribution (Russell & Hanoomanje 2012).

While the conclusion of a comprehensive EPA for the PACP group is deemed to include some benefits in the tuna processing sector in terms of diversification of the industry, on the whole, the free market-driven agenda of the EPA is an immense challenge to the PACP countries' development. After intense and, at times, acrimonious negotiations on the EPAs, the 2007 purported deadline ended with most PACP and many African countries unwilling to conclude the EPA. PACP governments have been reticent for almost a decade about concluding the EPA. The WTO-conformity requirement of the EPA aims to enforce trade liberalisation although the EU itself has not yet done this. While the liberalisation of trade with EU may not be significant because EU imports from the PACP countries are not huge, the MFN status of the WTO rules will trigger PACER extending free trade to Australia and New Zealand will have a significant impact because these countries are major trading partners of PACP countries. In addition, the EU has gone beyond the confines of the WTO to include Singapore Issues in the EPA which has generated much debate. If PACP countries conclude the EPA, they would have to undergo significant macro-economic and sectoral policy reforms.

The PACP policy-makers find the EPA incompatible with their development strategies. They perceive that trade liberalisation will not address the development needs of their relatively small economies. They believe their economies still require some level of protection in global trade. At the time of writing, negotiations with PACP countries are still conflicted on several issues of trade liberalisation and no common position has been reached. The unresolved critical issues in the EPA include: concerns about market access; transitional period for tariff liberalisation; quantitative restrictions; export taxes; bilateral safeguards; agricultural safeguards; food security; the treatment of infant industries; and the MFN clause.

The EPA would enforce administrative and institutional challenges in all ACP countries, including: replacing forgone tariff revenues; regulating liberalised service industries; and liberalising internal trade within the regional bloc. Fiscal reforms involve elimination of tariffs, which would mean reduced budgetary allocation for agriculture and infrastructure, both of which are crucial for national development. PACP states have traditionally relied upon import duties as an efficient form of revenue collection. The implementation of tax reforms to replace tariff revenue is already taking place in some PACP countries.

Moreover, the PACP governments are deeply concerned about the little known impacts of the Singapore Issues of investment, competition and government procurement incorporated in the EPA. In the area of service liberalisation, the EPA is much more complex than those of goods. If implemented in the PACP EPA, the PACP governments' right to regulate their service sector will be severely curtailed since the primary purpose of the EPA is to restrict the ability of governments to choose how they regulate services and foreign investments (Third World Network 2009, p. 21). The EU intention is to open new and more opportunities for European firms which are already the world's major exporters of services and are aiming to expand beyond the European markets to continue their profit growth (Stichele 2006, p. 3). Liberalisation of service sectors in the EPA will allow European firms to take over service companies and also privatise state services of the ACP countries, and operate without restrictions from the harmonised trade rules (Stichele 2006, p. 3).

The research also finds that the EU attempt to assist in resolving political crises in the ACP countries have been sporadic in approach and driven mainly by their economic and security interests. Investigations through the case study of Fiji's political crisis of 1987 reveal that the former colonial powers in during the Lomé Convention could not arrive to a consensus *to* support inclusion of political elements in the Convention. As a result, Europe could not enforce the observation of human rights and rule of law during the crisis following the ethnically driven military coup. Former colonisers were conscious that the 1987 military coup (and the later coups of 2000 and 2006) was largely a consequence of Fiji's deep-seated racial conflict, which was stirred by the continuities of the colonial structures in the country's political system. Europeans had feared that any agreement on the inclusion of a human rights clause or any other democratic principle would have obliged them to intervene in the political crisis of their former colonies, and this would have left them to face questions regarding colonial policies that have been stirring post-independence political crises in Fiji. Cold War politics also contributed to non-intervention European countries in the ACP countries crises. Nonetheless, European policy-makers had regular consultations with the interim military-backed government on the progress of economic relations within the Lomé Convention. France, in particular viewed that the elected Bavadra government of 1987 would have significantly stirred anti-colonial sentiments in the PACP region, which was already widespread due to French nuclear testing and continuing French rule in the Pacific Island region.

By the time the military-backed civilian coup in 2000 destabilised Fiji, the changed geopolitical context of the post-Cold War had brought consensus amongst Western donors that offers of aid is attached to demands that recipient countries must adopt democratisation practices. The EU aid therefore, became linked to political reforms, affecting the ACP countries' governing systems requiring democratic principles, good governance, respect for human rights and rule of law as political conditionality. These political elements were instituted in the mid-term review of the Lomé Convention in 1995 and further strengthened in the Cotonou Agreement which contains a specific political dimension framework. Although the political dimension framework formalises European involvement and intervention in the politics and policies of ACP countries, the EU approach was inconsistent. Despite the widespread politically motivated crimes and several months of civil unrest in 2000 in the Fiji, the EU did not attempt to intervene to hold talks to help stabilise the situation. Commercial interests caused the EU to focus on transforming the neighboring Soviet controlled Central Eastern European Countries (CEEC). In addition, Europeans were more interested to resolve crises in African countries with which the EU had stronger economic relations than Fiji. From the late 1990s to the beginning of the 2000s, the EU was deeply involved in conflict resolution of a number of the African countries which have been important EU trading partners. Therefore, the crisis in Fiji in 2000 did not raise concerns in Brussels as Fiji no longer had any important trade links with European countries.

The EU's sporadic approach in dealing with developing countries' crises suddenly changed in post-2000 due to the rising global insecurity since the 9/11 incident and the threats from the War on Terror, both of which changed the global security context. The EU strengthened is focus on the strong nexus between security and development. This nexus influenced the EU strategies and policies and contributed to the coherence of the EU external action; that there cannot be sustainable development without peace and security, and that without development and poverty eradication there will be no sustainable peace. As a result, the political dimension framework of the Cotonou Agreement was amended in 2005 to include a security agenda, bringing further change in the focus of the relations. However, some commentators such as Popovic (2007) argue that these innovative ideas about development are not aimed to increase the security and development of the developing countries. Rather, the increased nexus between security and development aims to tackle problems which Europeans perceive primarily as threats to their own security.

In this transformed global security context, the EU immediately intervened following Fiji's 2006 military coup to hold talks with the interim government and was seen as playing an active role facilitating the return of the elected government. The EU had held various consultations and prepared its own plan of action for Fiji to implement. However, despite having finally decided to intervene and respond immediately to the crisis in 2006, the overall approach remained narrow in focus and sporadic. The EU failed to identify or may have ignored the fact that tensions in Fiji since the 1987 coup led to increasing racial politics and social insecurity emanating from the country's political system. Without any reconciliation following the 2000 coup, tensions kept brewing making it more complex with the growing intra-indigenous Fijian discord that increased due to power-relations conflict among indigenous clans. This to a great extent led to the 2006 political upheaval. Without paying attention to the context of the conflict, the EU pushed ahead with a narrow plan that emphasised the importance of holding a national election by March 2009.

While the interim government agreed to most of the EU demands, it implemented its own plan to shape the country's political development trajectory. The Fijian government plan challenged the EU demands that power and power-relations play important role in international affairs. The interim government officials felt that their country's development priorities should not continue to be shaped by foreign actor's plans and polices. Instead of preparing for a national election as agreed according to the EU plan, the interim government abrogated the constitution in April 2009, and announced a delay in elections. This was a part of the interim government's plan to transform the colonial continuities of the political system and end the coup culture to build a multicultural society. The government believes this is only possible by transforming the political structures that had legitimated racial politics since the colonial era. The rationale is to end ethno-nationalism, which during the previous coups encouraged ethnic Fijians to react violently to try to restore their control over the nation's political system. While the research does not support coups, and considers Fiji's current government not a legitimate regime, the reforms it has undertaken on the country's electoral system, the Constitution and land use system provides some hope for lasting peace and stability.

The EU, however, has not at all commented on these transformations currently underway in Fiji, but continues to put in place tough negative conditionality because Fiji has not followed European directives to implement their plan. The negative conditionality is adversely affecting the already ailing sugar industry. Huge amounts of funds allocated for the reform of the sugar sector were cancelled after the 2006 coup. The Fijian government is critical of the EU's negative conditionality which they argue undermines its objective of alleviating poverty in the ACP countries. The government argues that in fact, the withdrawal of funds allocated for sugar industry have only led to greater socio-economic challenges faced by the communities that European aid was designed to assist (Government of Fiji 2011, p. 9). The Fijian government has further criticised the EU for withdrawing aid from one of the higher priority areas, which has hindered current efforts to rescue an industry that continues to be a source of livelihood, both directly and indirectly, for more than a quarter of Fiji's population (Government of Fiji 2011, p. 9). The practice that aid should go only to those with "politically correct" governments ignores the fact that it is people and not governments, who need help (Government of Fiji 2011, p. 9).

The EU continues to discount that in all probability, it is the people, who have little impact on political events are the very ones who bear the brunt of the withdrawal of aid assistance. It is unfortunate that politics has been used to deprive Fiji's sugar industry of the much needed assistance that was originally offered by the EU for the industry's restructure and to reduce the adverse impacts of the cumulative sugar price cut imposed by the EU as a result of its own sugar policy reforms. Nonetheless, the interim government is not willing to change its position to re-consider the EU demands in return for the release of aid. The Fiji government's decision to challenge the EU plans is a clear change in the relations that had not existed before. The unequal power-relations between Fiji and the EU have changed over time as Fiji exercised its sovereign power in relating to a powerful foreign actor. In the Mara era, the power relations that existed were to negotiate a better position for Fiji in relation to sugar trade. In the recent years, it has refused to follow EU directives and to accept the loss in aid that ensued. This provides potential for the further development state-centric realism's argument that power and power-relations play important role in international affairs. It is clear that the kind of hard power in the military and economic areas the theory proposes for international relations (Gilpin 2001, p. 17) is not playing a role in Fiji's attempt to challenge EU. Fiji's non-cooperation to comply with European instructions and agenda illustrates the complexity in the unequal power relations. The EU is a bigger partner with massive economic power over Fiji and its supranational negotiating institution, the European Commission, has considerable ability to pose challenges to the mechanics of negotiations. However, the Europeans have not been able to bend Fiji to their will. Thus, the EU has not been able to influence or shape the political development trajectory of Fiji in any significant beneficial way in the long-term. This in itself suggests that Fiji does not regard the EU as an important trade partner and donor. This shift can be explained by the Fiji government's recent 'Look North' foreign policy, which has given opportunities to establish relations with largely non-European countries such China, Russia, Indonesia and of the Middle East. China and Middle Eastern countries have started providing financial assistance to Fiji. However, the EU continues to set the agenda for assistance for PACP countries' economic and political developments, which Fiji can only accept or reject. Fiji cannot set the terms of assistance in the way a donor does.

While Europe-Fiji relations experience the complexity of the unequal power relations, and remain constrained over political matters since the 2006 coup, the PACP region-wide disagreement on EPA and the continued refusal to sign it, is another example of the PACP demonstrating agency to not simply do as the EU dictates. Current developments on the EPA negotiations indicate that Europe-PACP relations have reached saturation point. As attitudes have hardened and relations become more and more fraught over outstanding issues in the EPA, the fourteen PACP governments showed their solidarity and gave an ultimatum to the EU in a letter written in June 2013 to the European Development Commissioner. PACP countries showed a further rejection of the EPA informing the Europeans that they are ready to terminate the negotiations if Europeans do not take into consideration their development needs (Garrett 2013). The letter written by the PACP spokesperson Viliame Uasike Latu expressed the PACP countries' concerns about Europe's treatment of the region, and that all countries are very disappointed with the EU's failure to respond to their requests and that they are now ready to take the extraordinary step of walking away from the talks (Garrett 2013). Further, the letter states that they have been trying to negotiate for ten years and all members are now serious about pulling out (Garrett 2013). The PACP countries' move has surprised the European parties and has not only challenged the complex power-relations between the two but indicates to Western policy-makers and practitioners the need to remove inequities within the international political economy.

The PACP continues to hope for a benevolent, development-oriented approach so that a fair EPA can enable PACP countries address their development priorities. The EU however is ignorant and continues to push its commercial interests and does not consider the serious challenges confronting the Islands' development. When cooperation between the North and South is necessary in an ecologically fragile world, there are disturbing signs that the EU intends to intensify its control over the ACP economies and over global resources. Although the PACP states have not been key players in deciding the shape of their relations with the EU and the prevailing trends of the North-South relations, their refusal to the current liberalisation norms of the EPA shows their agency to pursue interest and challenge the unequal international political economy dominated by the larger powers. If relations are to be improved, EU should consider PACP development needs and adopt a partnership approach on more equal terms. Together they may work towards more just and less prejudiced relations if the degree of inequalities and dependencies are to be lessened from the relations and from the broader North-South system.

Appendix I

Interview List

British Diplomat A, 2009, Suva, Fiji, May 25
British Diplomat B, 2009, Suva, Fiji, May 29
British Diplomat C, 2009, Suva, Fiji, November 29
EU official A, 2008, Suva, Fiji, November 2
EU official B, 2008, Suva, Fiji, November 20
EU official C, 2008, Suva, Fiji, December 3
EU official C, 2011, Suva, Fiji, April 20 (email)
EU official D, 2009, Canberra, Australia, July 2
EU oficial E, 2009, Canberra, Australia, July 2
EU official F, 2010, Suva, Canberra August 2
EU official G, 2010, Suva, Fiji, August 2
EU official H, 2010, Sydney, November 6
EU official I, 2010, Sydney, November 6
EU official C, 2010, Sydney, Fiji, November 2 (email)
French Diploma, A, 2007, Suva, Fiji, January 10
French Diploma A, 2008, Suva, Fiji, January 13
Fiji Government Official A, 2008, Suva, Fiji, January 13
Fiji Government Official B, 2009, Suva, Fiji, March 21
Fiji Government Official C, 2009, Suva, Fiji, January 13
Fiji Government Official C, 2011, Suva, Fiji, March 8 (email)
Fiji Government Official D, 2010, Suva, Fiji, August 19
Fiji Government Official E, 2010, Suva, Fiji, August 20
Fiji Government Official C, 2012, Suva, Fiji, July 8 (email)
Fiji Labour Party Official A, 2010, Suva, September 15
Fiji's Sugar Industry Official A, 2009, Lautoka, Fiji, July 18
Fiji's Sugar Industry Official B, 2009, Lautoka, Fiji, July 18
Fiji's Sugar Industry Official C, 2009, Lautoka, Fiji, July 20
Fiji's Sugar Industry Official D, 2009, Lautoka, Fiji, July 22
Fiji's Sugar Industry Official E, 2009, Lautoka, Fiji, July 22
Fiji's Sugar Industry Official, B, 2009, Lautoka, Fiji, October 18
Former ACP Negotiator A, 2009, June 7 (email)
Former ACP Negotiator B, 2010, January 25
Former PACP Negotiator A, 2009, Sydney June 30
Former PACP Negotiator B, 2009, Fiji, July 15
PACP Negotiator A, 2010, Suva Fiji, August 20
PACP Fisheries Industry Official A, 2013, Honiara, Solomon Islands, October 11(email)
PACP Fisheries Industry Official B, 2013, Honiara, Solomon Islands, October 17(email)
PANG Official A, 2010, Suva, August 28 (telephone)
Papua New Guinea Government Official A, 2007, Suva, Fiji, April 9

Papua New Guinea Government Official A, 2011, Suva, Fiji, June 30 (email)
Papua New Guinea Government Official B, 2007, Suva, Fiji, April 9
Solomon Island Government Official A, 2007, Suva, Fiji, April 10
Sugar Cane Farmer A, 2009, Lautoka, Fiji, July 19
Sugar Cane Farmer B, 2009, Lautoka, Fiji, July 19
Sugar Cane Farmer C, 2009, Nadi, Fiji, July 21
Sugar Cane Farmer D, 2009, Lautoka, Fiji, July 21
Sugar Cane Farmer D, 2011, Lautoka, Fiji, March 11(telephone)
Sugar Cane Farmer E, 2009, Tavua, Fiji, July 23
Sugar Cane Farmer E, 2009, Tavua, Fiji, July 23
Sugar Cane Farmer F, 2009, Lautoka, Fiji, July 26
Sugar Cane Farmer G, 2009, Lautoka, Fiji, July 26
Sugar Cane Farmer H, 2010, Labasa, Fiji, February 19
Sugar Cane Farmer I, 2010, Labasa, Fiji, February 28
Sugar Cane Farmer I, 2010, Labasa, Fiji, March 9
Vanuatu Government Official A, 2010, Suva, Fiji, September 4
Pacific Island Political Scientist A, 2010, Suva, Fiji, May 20
Pacific Island Political Scientist B, 2009, Suva, Fiji, November 4
Pacific Island Political Scientist C, 2009, Suva, Fiji, November 6
Pacific Island Political Scientist D, 2010, Suva, Fiji, October 10 (email)
Pacific Island Economist A, 2011, Suva, Fiji, February 21 (email)
Pacific Island Economist B, 2011, Suva, Fiji, June 18 (email)
Pacific Island Economist C, 2011, Suva, Fiji, June 26 (email)
Pacific Island Economist C, 2012, Suva, Fiji, May 15 (email)
Pacific Island Economist D, 2011, Suva, Fiji, July 10 (email)

Appendix II

Figure I3. Present Statuses and Colonial Histories of Pacific Island Countries

Country	Present constitutional status	Principal colonial rulers*
Cook Islands	Self-governing in free association with New Zealand	UK (1888-1901); New Zealand (since 1901); self-governance since 1965
Fiji	Independent sovereign state	UK (1874-1970)
Kiribati	Independent sovereign state	UK (1892-1979)
Marshall Islands	Compact of free association with United States	US (since 1944)
Micronesia, FSM	Independent sovereign state in compact of free association	US (since 1947)
Nauru	Independent sovereign state	Germany (1888-1914); Australia (1914-1968)
Niue	Self-governing in free association with New Zealand	New Zealand (since 1901); self-government since 1974
Papua New Guinea	Independent sovereign state	UK (British New Guinea [later called Papua] 1884-1906); Germany (New Guinea 1884-1914); thereafter Australia until 1975.
Solomon Islands	Independent sovereign state	UK (1893-1978)
Timor Leste	Independent sovereign state	Indonesia (since 1975-1999); self-government (since 2002)
Tonga	Independent sovereign state	Treaty gave UK control over foreign affairs (1901-1970)
Tuvalu	Independent sovereign state	UK (1892-1978)
Vanuatu	Independent sovereign state	Anglo-French Condominium
Western Samoa	Independent sovereign state	Germany (1899-1914); New Zealand (1914-1962)

*This summary excludes many details. For example, between 1947 and 1968 Nauru was formally a UN Trust Territory of Australia, Great Britain and New Zealand, though Australia provided the administration. The summary also omits mention of Japanese occupation, e.g. of Nauru 1942-1945, and the Solomon Islands, Papua and New Guinea 1942-1944. Furthermore, during the nineteenth and early twentieth century many islands were affected by lesser treaties which cannot be mentioned here.

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