

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**CHALLENGES AND OPPORTUNITIES ARISING FROM
SAMOA'S ACCESSION TO THE WORLD TRADE
ORGANIZATION**

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PREFACE

Samoa is currently in the process of acceding to the World Trade Organization (WTO). WTO membership entails adjustments by the Government and domestic industries to greater domestic market openings and increased international competition. Although Samoa, as a least developed country (LDC), can benefit from special and differential treatment under the WTO, these provisions at present provide limited scope for continuing current policies and practices especially by the private sector. Thus adaptation and adjustment in policies and strategies is required, especially for domestic enterprises that would experience a disadvantaged competitive position following greater liberalization.

In this light, the Government of Samoa through the Department of Trade, Commerce and Industry (DTCI), and in collaboration with UNCTAD (United Nations Conference on Trade and Development) and UNDP (United Nations Development Programme), launched a series of initiatives to assist domestic and export-oriented enterprises to identify ways and means to overcome the radical change in their competitive situation and to exploit new trading opportunities in the multilateral trading system. The initiative was also aimed at enhancing trade policy awareness within the DTCI and Samoan trade policy community regarding the challenges and opportunities arising from its WTO membership

The first in the series of these initiatives consisted in the preparation of a study, and the organization of a national workshop in Apia from 5 to 9 February 2001, on “Competitiveness of Samoan enterprises for effective integration into the multilateral trading system”.

As a follow-up to that initiative, and against the backdrop of ongoing negotiations for Samoa’s accession to WTO and preparations for the Fourth WTO Ministerial Conference, a national conference on WTO was organized in Apia from 22 to 25 October 2001 entitled “Challenges and opportunities arising from Samoa’s accession to World Trade Organization”. Co-organized by DTCI, UNDP and UNCTAD, the conference aimed at facilitating dialogue and consultation between the Government and industries with a view to raising awareness among government officials and trade policy community on possible positive and negative impacts of Samoa’s accession to the WTO on key sectors of its economy, and their implications to enterprise competitiveness and regulatory environment.

This report provides a summary of discussions that took place in the national conference, and compiles technical papers prepared for it that deal with sectors/policies of key importance to Samoa, namely, agriculture, food-processing, manufacturing sectors, tourism and transport services, financial services and Samoa’s trade policy environment.

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ABBREVIATIONS

ADB	Asian Development Bank
ACP	Africa, Caribbean and the Pacific Group of States
AESOP	Australian Executive Service Overseas
AMS	Aggregate Measurement of Support
AoA	Agreement on Agriculture
ASYCUDA	Automated System for Customs Data
ATC	Agreement on Textiles and Clothing
ASYCUDA	Automated System of Customs Data
CDE	Centre for Development of Enterprise
CER	Australia New Zealand Closer Economic Relations Trade Agreement
CET	Common External Tariff
CIF	Cost, Insurance and Freight Terms
CPI	Consumer Price Index
DSM	Dispute Settlement Mechanism
EBA	Everything-but-Arms Initiative
EDF	European Development Funds
EIB	European Investment Bank
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FIC	Forum Island Countries
FOB	Free on Board
FTA	Free Trade Area
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
GFCF	Gross Fixed Capital Formation
HET	Harmonized External Tariff
HTFA	High Temperature Forced Air Facility
ILO	International Labour Organization
IMF	International Monetary Fund
IPA	Investment Promotion Agencies
LDCs	Least Developed Countries
MFA	Multi-Fibre Arrangement
MFN	Most Favoured Nation Clause
MTS	Multilateral Trading System
NGO	Non-Governmental Organization
NTBs	Non-Tariff Barriers
NZODA	New Zealand Overseas Development Agency
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PARTA	Pacific Regional Trade Agreement
PIIF	Pacific Island Quasi-Equity Investment Fund
PIIDS	Pacific Islands Investment and Development Scheme
REPA	Regional Economic Partnership Agreement
S&D	Special and Differential Treatment
SOSIS	Association of Small Island States
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement

SPPF	South Pacific Project Facility
SPS	Sanitary and Phytosanitary Measures
STE	State Trading Enterprises
TRIMs	Trade-Related Investment Measures
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TRQs	Tariff Rate Quotas
TMB	Textile Monitoring Body
TBT	Technical Barriers to Trade
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
URA	Uruguay Round Agreement
USFDA	United States Food and Drugs Administration
VAT	Value Added Tax
WTO	World Trade Organization

CHAPTER I

THE NATIONAL CONFERENCE ON WTO: CHALLENGES AND OPPORTUNITIES ARISING FROM SAMOA'S WTO ACCESSION

The National Conference on WTO was held during the period 22-25 October in Apia by the Department of Trade, Commerce and Industry (DTCI) in cooperation with the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP). The aim of the conference was to assess and discuss the challenges and opportunities arising from Samoa's WTO accession with a view to raising awareness and understanding among all stakeholders in Samoa's economy on the implications of Samoa's accession to the WTO. The Conference was also intended to enhance government-private partnership and dialogue in articulating the trade and development interests of Samoa, thereby providing valuable inputs to the Government's efforts to elaborate its position in its negotiations for WTO accession, and to prepare for effective participation in the Fourth WTO Ministerial Conference in Doha, Qatar, during the period 9-13 November 2001. The Conference was composed of seven sessions, namely (1) introduction to the WTO's work and the Fourth WTO Ministerial Conference, (2) agriculture, forestry and fishery sectors, (3) the food processing sector, (4) the manufacturing sector, (5) tourism and transport services, (6) financial services, and, (7) multilateral and regional trade agreements and related issues. The first topic was introduced by UNCTAD and the others were presented by national resource persons followed by panelists from private sector associations and governmental departments. The conference was attended by some 60 participants from government departments, private sector associations and international organizations.

The conference started with a prayer and introductory remarks were made by Mr. Tuala F. Chan Tung, Secretary of the DTCI, and Mr. Bonapas Onguglo, the UNCTAD representative. The meeting was officially opened by the Honourable Hans Joachim Keil, Minister for Trade, Commerce and Industry and closed by Mr. Tom Twining-Ward, Officer in Charge, UNDP Samoa.

Session 1: Introduction to the Work of the WTO and the Fourth WTO Ministerial Conference

This session introduced the overall subject of the conference, namely the work of the WTO and its implications for Samoa. Discussions were based on the introduction by UNCTAD and DTCI on the status of preparations for the Fourth WTO Ministerial Conference to be held from 9 to 13 November in Doha, Qatar, and negotiations on Samoa's WTO accession. The private sector's expectations and views on Samoa's WTO accession were articulated by the representative of the Chamber of Commerce.

Preparations for the Fourth WTO Ministerial Conference were well underway since the immediately aftermath of the previous Ministerial Conference in Seattle, the United States, in 1999. The forthcoming Ministerial Conference was particularly important for all WTO Members and countries in the process of accession, as Ministers would be called upon to decide on the launch of the new round of multilateral trade negotiations. The WTO was currently considering the Draft Ministerial Declaration and the Draft Ministerial Decision on the Implementation Issues circulated by the Chairman of the WTO General Council. Samoa as an acceding country had observer status and could participate in the negotiations, but could not influence the decision-making process.

It was noted that the issues of interest to developing countries were all relevant to Samoa. The negotiating position of developing countries gave high importance to implementation issues, issues pertaining to supply-side policies, such as subsidies, investment policies and the transfer of technology, as well as special and differential treatment for developing countries. In addition, Samoa could align itself with relevant groups of countries in the negotiation process respectively as a LDC, a member of the ACP group of States, a member of the Pacific Forum and, a small island developing country. Priority issues for

Samoa would thus include duty-free and quota-free market access for LDCs and the fast-track accession for LDCs, regional trade agreements (as a member of PICTA), the expeditious granting of a WTO waiver for transitional arrangements under the Cotonou Partnership between the EU and the ACP Group of States (as a member of ACP), and the recognition by the WTO of the status of small economies (as small island developing countries) in the context of concrete special and differential treatments.

Samoa was already well advanced in its accession process and had just answered the questions asked by its major trading partners on its Memorandum on Foreign Trade Regime. A WTO Working Party had been established under the chairmanship of Japan, and a meeting is scheduled for late 2001 or early 2002. The accession process is a long and difficult process and some aspects of Samoa's national legislation had been scrutinized by its major trading partners. Examples included the Pharmaceutical Act, and regulations concerning legal professionals, which provide some preferential treatment for Samoan nationals and services suppliers from Commonwealth countries, as some questions were raised by some WTO Members in relation to MFN obligations under the General Agreement on Trade in Services (GATS). It was noted that some updating and modification of legislation might prove to be necessary for those laws and regulations to be GATT/WTO compatible, such as those affecting intellectual property rights.

The representative of the Chamber of Commerce generally supported the Government's efforts to accede to the WTO. The purposes and principles of the WTO were seen as consistent with their business interests and the opening of Samoa's domestic market was welcomed to the extent that Samoan enterprises were ensured the same level of access to foreign markets. The continuation of the reform process on tax and tariff policies, including the introduction of a broad-based consumption tax, was seen as a necessary attendant policy for Samoa to compete in broader regional and global market places. Reference was made to the main recommendation of the report prepared by the UNCTAD consultant on the competitiveness of Samoan enterprises in a more open trading environment, namely the establishment of a structural adjustment facility, as a way to assist enterprises to enhance their competitiveness.

Session 2: Agriculture, Fishery and Forestry Sectors

The session examined the impact of Samoa's WTO accession on its agricultural, fishery and forestry sectors. Samoa's agricultural sector including fishery accounts for 11 per cent of gross domestic product (GDP), which is almost equally shared among the agricultural and fishery sectors with the latter occupying a somewhat more important profile. The Samoan economy is predominantly agrarian with about 70-80 per cent of the population directly or indirectly involved in agricultural production. In the rural areas, it is estimated that over 95 per cent of the population were engaged in agriculture, characterized by small scale traditional subsistence farming. This was a reflection of the considerable importance in the Samoan economy of non-monetary activity, with many village economies engaged in subsistence fishing and agricultural production. The agricultural sector is particularly important as a source of export earnings, as some 75 per cent of the total exports were from the agricultural sector, the main exported products being coconut cream, copra, kava and fish. Recently the importance of exports of fishery products was increasing. It was recognized that agriculture has special importance for the Samoan economy and society, being deeply locked into the "Samoa way of life".

The Samoan economy had been significantly liberalized since the introduction by the Government of an autonomous liberalization policy. It appeared that in traditional agricultural products, the impact of liberalization had been minimal, as Samoa has comparative advantages in this sector while in non-traditional agricultural products, there might be some difficulty in competing effectively with more efficient foreign suppliers. Thus some government assistance in supply capacity building would be needed. A fundamental question was raised with regard to the compatibility of the traditional Samoan system of production in agriculture with the open and liberal trading system based on a market economy

as embodied in the principles of the WTO. It could be difficult to reconcile the existing Samoan system of production and way of life with WTO principles, as Samoan agriculture is predominantly subsistence, with limited access to market information, infrastructure and transportation facilities. It was thought, therefore, that change in some aspects of Samoan culture and way of life would be inevitable if Samoa were to succeed in integrating itself into a market economy and the multilateral trading system.

A key strategy of the Ministry of Agriculture, Forests and Fishery centers on support measures for the diversification of production and export commodities through the provision of market information, research on strengthening productivity and the exploitation of high value-added products such as coconut oil and tropical timber. The Government intended to eliminate all agricultural subsidy programmes over the next three years. It was clarified that the aggregate measurement support (AMS) of domestic support as provided in the proposed Samoan schedule of agricultural concessions in the WTO accession negotiations was well below the level admissible for LDCs (*de minimis* level) under the Agreement on Agriculture with only about 10 per cent of the admissible level actually utilized. Issues raised in the accession negotiations on the agriculture sector included market access, SPS measures, food security, genetically modified products (GMO) and fishery subsidies in relation to the "Multilateral Agreement" between Pacific island countries and the United States, and export restrictions in the forestry sector for preservation purpose. In particular, excessively stringent quarantine measures without scientific evidence was emphasized as one of the most important market access barriers in some export markets that significantly hindered the export of Samoan agricultural products. In this respect, accession to the WTO would serve to address the problem, as the WTO Agreement on Sanitary and Phytosanitary Measures prohibits arbitrary application of SPS measures without scientific evidence.

Session 3: The Food Processing Sector

The session on the food processing industry was based on a presentation by the DTIC followed by discussions. The food processing industry in Samoa was compared to the agricultural sector in its importance in Samoa's economy in terms of income generation and export earnings. The sector is characterized by several attributes: a relatively small number of medium-sized enterprises that account for a high proportion of the industry's total turnover, a large number of small enterprises producing primarily for the local market, often with imported raw materials and, exports in processed form of traditional commodities such as coconut oil, coconut cream and copra. The production of some of the major processed-food products has experienced a significant decline since the introduction by the Government in 1996 of tariff reductions. The products mostly affected were coconut oil, coconut cream and corned beef. Since duties applicable to finished products were reduced from a maximum 60 to 20 per cent and many of local producers relied heavily on imported raw products that still face a 10 per cent duty, imports of finished products have increased to such an extent that they adversely affected local production. The production of other relatively competitive products such as beer and soft drinks expanded during the same period. With regard to exports, the export value of major products, including primary commodities, had also been fluctuating or declining (copra, coconut oil, copra meal, coconut cream, kava, fresh fish), with only exports of taro and beer expanding steadily since 1996.

The Samoan food-processing industry is constrained by a number of economic and international factors. They include the limited local supply capacity of raw materials, the dependence on imported packaging, the lack of a feed mill and abattoir, high freight costs, and the small size of Samoa's local market. On the international level, competitive pressures had significantly increased in local and export markets for Samoan products, mainly owing to the increased presence of price-competitive Asian products and the liberalization efforts undertaken under the WTO and the APEC in such sectors as meat, poultry, fruit, coconut products, vegetables and seafood. Changes in consumer preference in terms of product quality and health, as reflected increasingly stringent sanitary and phytosanitary standards, had also constrained the ability of Samoan exporters to compete effectively in international markets.

Samoa's accession to the WTO was likely to further accentuate such a trend toward increased competition in both local and export markets. Such a trend towards increased competition and the constraints inherent in Samoan production pointed to a number of challenges that would have to be met in order for the sector to be viable in the new trading environment. Those included initiation and promotion of new venture initiatives, the upgrading of products consistent with higher product standards, meeting changing market demands and, exploring new market access opportunities such as those under PICTA. It was also suggested that some of the constraints, such as changes in consumer preferences in major markets, could lead to new export opportunities through the exploration of niche markets in exotic and health products.

Various supply-side constraints that severely deeply handicapped the production and export capacity of Samoan producers, most of which are of small and medium size, were highlighted. These included high freight costs, stringent standards, high interest rates and high costs of financing, residual import duties on intermediary and capital goods, lack of technical know-how and technology, costly infrastructure services such as electricity, water and communication, excessively onerous customs procedures, the lack of venture capital, as well as the lack of market access opportunities. It was noted that the ability of Samoan producers to effectively compete in a liberalized trading environment domestically or internationally would be limited. As the food processing industry is highly dependent on the supply of agricultural commodities, it is highly vulnerable to external shocks such as climatic conditions, diseases, price fluctuations and policy changes. Increased dialogue and consultation between the Government and the private sector was considered of paramount importance to effectively address these supply-side constraints. Suggestions were made to redress anomalies in the tariff structure, while other supply-side constraints were thought to be too difficult to be tackled by trade policy alone. The issue regarding the protection of Samoan trade marks/geographical indications in export markets, which would eventually be covered by the TRIPS Agreement when Samoa accedes to the WTO, was also raised.

Session 4: The Manufacturing Sector

This session considered the implications of WTO accession on the Samoan manufacturing sector. The manufacturing sector with sub-sectors such as food processing and garments are of central importance for the Samoan economy as a source of income generation, import substitution, export earnings, employment, government revenue and the social well-being of the population. The total production of the Samoan manufacturing sector is estimated at WS\$135 million, of which about WS\$100 million are absorbed by the local market. The sector earns WS\$32 million from exports and employs 3,600 persons, creating a government revenue of WS\$20 million. The food-processing sector constitutes the most important sub-sector in terms of employment, turnover, export earning and import substitution. Hard and soft wood products are important in terms of employment and total turnover, but the industry's contribution in international trade is limited. Garments and metal products are second to wood products in terms of employment and turnover. It is particularly noteworthy that a single producer (Yazaki), employs around 2000 employees, about 60 per cent of the manufacturing workforce. In terms of export performance, garments, coconut cream, beer and soft drinks are among the top exported products.

The manufacturing sector has become increasingly competitive and it was reported that an increasing number of Samoan manufacturing enterprises feel insecure about their prospects in effectively competing in such competitive markets. A number of manufactures are of small size characterized by family-ownership, a limited scale of business and low profit margins. There are three categories of enterprises grouped by their competitive positions, namely those that are adapted to greater competition owing to their competitive advantages, those that have the potential to compete but may be prone to vulnerability, and those that are vulnerable to competition. The food processing and beverage industries would remain the most competitive. The cigarettes and building-component industries could be made

more viable if major constraints such as anomalies in the tariff structure between raw and finished goods, and between capital and finished goods were addressed. They are relatively capital intensive and rely on imported raw materials. Prospects for snacks, garments and others would be the least secure.

Adjustments would therefore be necessary for those enterprises to improve cost-effectiveness, and diversify into higher value-added products and sources of intermediary products. Such adjustments however, would require large capital injections, but high interest rates and costs of financing limit their ability to adjust. While the Development Bank of Samoa's main beneficiary has been the agricultural sector, the manufacturing sector, in particular food processing, has also received financial assistance. However, high risks arising from their being dependent on agricultural inputs that are vulnerable to external shocks have resulted in relatively high interest rates. High freight costs, lack of economies of scale, inappropriate infrastructure (telecommunication, electricity and water), and lack of venture capital, are repeatedly cited as constraining factors. As to the tariff structure, examples were given from the poultry and sandals industries where imported materials faced tariffs as high as, or higher than tariffs on, directly competitive finished products. Addressing those constraints would further prove to be costly. In these circumstances, short-term benefits arising from the Samoa's WTO accession would appear highly limited, if not negative, and the private sector would expect more assistance from the Government. In this respect, following recommendations were made to enhance competitiveness:

- The establishment of a "steering committee" composed of relevant government bodies and the private sector to receive submissions from enterprises and to determine areas of priority for government attention;
- The creation of the proposed "Structural Adjustment Facility" with a view to enhancing the competitiveness of the manufacturing and export sectors with private sector involvement;
- The elaboration of a national strategy to strengthen supply capacity and the efficiency of infrastructure and the agricultural sector;
- The reviewing on a regular basis of all issues relating to the competitiveness of local industries in consultation with the private sector so that timely action can be taken and,
- The provision of assistance to local support organizations to enable them to become effective mediators on aspects of competitiveness enhancement for relevant enterprises.

Session 5: Tourism and Transport Services

The session was devoted to services industries in general, and to the tourism and transport services sectors in particular. The services sector is important in any economy, as it often constitutes inputs to the production of other services and goods. By virtue of its linkage with other sectors of the economy, the services sector, in particular some infrastructure services such as communications, transport and financial services, has been recognized as an important factor in enhancing productivity and efficiency in the overall productive sector. This is particularly the case for Samoa, given its particularities such as its smallness and remoteness, as high costs of freight, financing and communication have often constrained the effective expansion of trade in goods. The services sector in Samoa has increasingly become important. As of July 2001, among the major sectors of the economy, the services sector has made the highest contribution to the GDP. The key service sub-sectors include tourism, business services including professional services, communication services, financial services and transport services. It was noted that Samoa has offered in its accession negotiations, financial, insurance, education and environment services. The effects of WTO accession in those sectors were considered minimal, as most of these services sectors were already liberalized to a large extent (e.g. education and financial services) or, legislation was yet to be developed (e.g. environmental and health services). Some concern was raised with regard to the competitive pressure already felt by local engineering services suppliers in tendering processes.

Tourism is the most important single service sub-sector of the Samoan economy. The sector constitutes an important source of income generation and employment creation. In 2000, tourism accounted for 6.9 per cent of GDP and employed 8.4 per cent of the workforce. Tourism's role in the economy is the most significant as a source of foreign exchange earnings. The sector was the most important exchange earner in 1998-99 and the second in 2000, having a consistently higher share than earnings from exports. Samoa had recently become attractive as a tourist destination owing to the particularity of its smallness and remoteness. The number of tourist arrivals and holiday arrivals had been steadily increasing. In 2000 the total number of tourist arrivals was 87,688, representing an increase of three per cent on the previous year. It accounted for an 8.5 per cent market share in the South Pacific tourism industry. Tourism in Samoa is characterized by its community-based small and modest establishments, and is a contrast to high quality beach-resort tourism. The sector is constrained by a lack of investment finance and insufficient demand, mainly due to insufficient marketing. This is compounded by problems such as inappropriate product packages including transport, the limited supply capacity of air freight, inappropriate infrastructure, lack of know-how and training and the lack of recognition of the importance of tourism by a wide range of society. While tourism was recognized as an important source of economic development, it was felt that consideration should be given to the impact of tourism development on local customs and life style.

Transport services, both air and maritime, are also essential for the Samoan economy as they constitute input into production and the trade in goods and services. Freight capacity and frequency often determine tourist arrivals in Samoa, and is important also for tourism. Samoa had been negotiating bilateral airline agreements ("open-sky") with countries in the region including Fiji, New Zealand, Tonga and Tahiti. These bilateral agreements would allow free access of flight to each territory without restriction. Similar agreements had been sought regionally with the United States, Chile, Singapore and Brunei, and multilaterally with 16 Pacific Island countries. All these international arrangements were aimed at providing the necessary legal framework and legislation required to develop freight lines connecting Samoa to those countries, while commercial decisions by the air carriers would determine the extent to which these opportunities would indeed be made use of. Thus, the actual impact of such liberalization efforts were yet to be seen, as it would depend on commercial decisions based on international and domestic demand.

Session 6: Financial Services

This session examined the financial services sector. Financial services now account for the largest share in income and employment generation, and are regarded as the key to trade and development, as the ability to trade largely depends on the ability to finance. The financial sector had been significantly liberalized since 1998. Prior to 1998, the Samoan financial sector was considered as being among the most regulated. Various limitations and direct restrictions were imposed on the private financial institutions, in respect of credit and interest rates, non-bank financial institutions (NFIs), foreign exchange, and capital market and securities, which had resulted in less control by the Central Bank of money supply policy and, the misallocation of resources. Liberalization had brought about major changes in the sector: (1) direct control of credit and interest rates was lifted so that market forces based on demand and supply now determine the allocation of financial resources depending on commercial considerations; (2) more reliance on indirect monetary instruments to influence credit availability and appropriate risk pricing, including the development of the money market and the auction of Central Bank securities; (3) the Financial Institutions Amendment Act 2001 expanded the supervisory authority of the Central Bank over NFIs; (4) the one per cent levy on sales of foreign exchange was abolished; (5) the Exchange Control Regulations 1999 brought in the licensing of foreign exchange dealers; (6) current account liberalization was undertaken based on the signature in 1994 of Article XIII of the IMF Articles of Agreement that progressively abolished controls on current payments.

These reforms had resulted in an expansion of commercial bank lending, had guaranteed a level playing field between different segments of the sector (commercial banks and NFIs), and enabled wider range of better quality services to be available to customers, resulting from new market entrants and increased competition. Interest rate liberalization had enabled commercial bank to determine rates based on risk assessment. No discrimination based on ownership exists against new entrants to the market, apart from licensing requirement based on financial viability. Thus the market had opened to foreign financial institutions. Financial sector reform, in particular current account liberalization, took place in hand in hand with the overall economic reform policy based on trade liberalization and tax reform, where the maximum tariff rate was reduced from 60 to 20 per cent and corporate tax from 35 to 29 per cent. Foreign exchange reform was supportive of trade liberalization. While Samoa was highly dependent on tariff revenue as a source of government income, the effect of reform on the Government's fiscal policy was seen as minimum, as lower tariff rates had increased the compliance rate.

Combined with economic policy reform and liberalization efforts, the effects of the financial sector reform were significant to its growth. The sector grew from a low of 0.8 per cent in 1997 to accelerate in the following years to 2.5 and 3.1 per cent. In 2000, the growth rate exceeded 7 per cent. Inflation was well under control at a reasonable rate of 2.2 per cent and foreign reserves covered 5.1 months of imports. Liberalization had allowed increased competition between commercial banks and NFIs; improved services quality and choices, an expanded financial market, improved the potential for risk management and, strengthened the incentive for better macroeconomic management. The overall impacts of financial reform and liberalization were seen to be positive while concerns existed with regard to increased international competition wiping out local financial institutions as well as to over-banking. The emergence of new types of services such as internet banking had posed another regulatory issue for the Central Bank.

Session 7: Multilateral and Regional Trade Agreements and Related Issues

The session examined the challenges and opportunities arising from Samoa's trading environment under multilateral, regional and bilateral trade arrangements. Samoa's own trade policy is anchored in the objective of developing the private sector as the engine for economic growth. The Government sought to attain the objective through a number of policy measures such as the promotion of trade in goods and services, and measures aimed at the creation of an enabling environment for the private sector. Samoa's main trading partners included American Samoa, New Zealand, and the United States. In 2000 American Samoa accounted for over 50 per cent of total exports, with the United States being the second largest export market followed by Germany, Fiji and other Pacific Island countries. On the import side, New Zealand and Australia dominated Samoan imports while the shares of the United States, Fiji and the Asian countries were also increasing. The trade balance with those countries was mostly in deficit, with the notable exception of American Samoa where Samoa enjoyed a surplus trade balance. Major export products included coconut cream, garments, beer, kava, taro, cigarettes, soft drinks, coconuts, corned beef, salt beef and sausages, copra, soap and chocolate.

Market access conditions differed significantly among trading partners. Preferential treatment, often in the form of duty-free market access, was available for Samoa with major developed trading partners (the United States, the European Union, Japan, Australia and New Zealand) as a least developed country and as a member of the ACP Group of States and, as a member of SPARTECA. Under SPARTECA Samoa's export enter Australia and New Zealand duty-free. With the United States and Japan it benefited from the Generalized System of Preferences (GSP), particularly the more advantageous conditions for LDCs. With the EU it benefited from the Cotonou Partnership Agreement, previously the Fourth Lome Convention. Issues related to market access to those developed trading partners under various preferential trade arrangements included: difficulty in meeting technical, sanitary and phytosanitary standards; limited negotiating power for market access improvement, as preferences are

often granted on a voluntary basis, and non-Membership of WTO limited Samoa's ability to request compliance by its trading partners with various WTO Agreements and, increased competition due to the erosion of preferences. As to regional trade, no preferential market access arrangements existed for American Samoa or Fiji and other Pacific Island country markets. Thus exports to those markets were subjected to duties and charges imposed by them. Samoa had recently concluded a reciprocal free trade agreement with Fiji and other Forum Island countries (FICs). The Pacific Island Countries Trade Agreement (PICTA), would provide another avenue for export expansion and diversification through the mutual reduction of tariffs. A bilateral trade agreement with American Samoa would merit consideration as it was a most profitable export market for Samoa. Despite market access opportunities provided under various preferential trade arrangements, preferential treatment was often characterized by under-utilization, as preferences are subject to compliance to rules of origin criteria, specific administrative procedures and documentation, and other technical and product standards, as well as non-trade conditionality. Inappropriate supply capacity also hampered effective utilization of preferences. Enhancing utilization of those preferences thus presented a significant challenge for Samoan exporters.

The multilateral trading system embodied in WTO Agreements provides a legal framework for trade among Members based on non-discrimination and transparency. Accession to WTO would provide major benefits to Samoa in terms of protection from discriminatory treatment, protection of intellectual property rights, transparency and consistency in government policies, provision of technical assistance, and long-term economic welfare gains including FDI inflows. The protection of Samoa's legitimate rights was considered to be particularly important, as Samoa's exports were often subject to unfair trade practices relating to the arbitrary application of quarantine measures, arbitrary imposition of import fees and charges, and the use of Samoan trade mark and geographical indication by other countries. While concerns persisted over the adverse effects of WTO accession, the timing of accession was also deemed important, as Samoa could make maximum use of special and favourable treatment, including the provision of technical and financial assistance, available to it as an LDC in accession negotiations, before it graduated from LDC status. Key policy challenges facing Samoa's trading environment include: consideration of a bilateral trade agreement with American Samoa; successful implementation of PICTA; enhancing competitiveness of Samoan enterprises to encounter adverse impacts of globalization, and; WTO accession. The following recommendations emerged with a view to enhancing Samoa's trade policy capacities:

- Continuous work between the Government and the private sector had to be strengthened to enhance Samoa's international trade policy environment;
- Commitment was necessary on the part of the private sector to participate actively in the awareness raising programmes.

Programme of Work

Monday, 22 October 2001

8.30 **Opening**

9:15 **Session 1: Introduction to WTO work and the Fourth WTO Ministerial Conference**

Panelists: Mr. Bonapas Onguglo, UNCTAD
Mr. Tuala Falani, Secretary, DTICI
Mr. Oloipola Terrence Betham, Chamber of Commerce

10:30 **Session 2: Agriculture, Forestry and Fisheries Sectors**

Panelists: Mr. Afamasaga Toleafoa, Former Ambassador of Samoa to the EU
Mr. Frank Fong, Ministry of Agriculture
Ms. Margaret Malua, DTICI

Tuesday, 23 October 2001

8:30 **Session 3: Food Processing Sector**

Panelists: Ms. Mutaaga Enosa, DTICI
Ms. Eleitino Michelle Meredith, Women in Business
Ms. Jackie Schaaffhausen, SAME

10:15 **Session 4: Manufacturing Sector**

Panelists: Mr. Eddie Wilson
Mr. Leota Lamositele Sio, Director, SBEC
Ms. Rula Levi, General Manager, Development Bank

Wednesday, 24 October 2001

8:30 **Session 5: Tourism and Transport Services**

Panelists: Ms. Veronika Schuster Levi, DTICI
Ms. Fu'a Hazelman, General Manager, Samoa Visitors Bureau
Mr. Alvin Tuala, Secretary, Ministry for Transport

10:15 **Session 6: Financial Services**

Panelists: Ms. Atalina Enari, Central Bank
Mr. Iulai Lavea, Financial Secretary
Mr. Phillip Penn, Governor, Central Bank

Thursday, 25 October 2001

8:30 **Session 7: Multilateral and Regional Trade Agreements and Related Issues**

Panelists: Ms. Margaret Malua, DTICI

Ms. Maria Melei, SAME

Mr Afamasaga Toleafoa, Former Ambassador of Samoa to the EU

10:15 **Summary and closing**

Panelists:

Mr. Auelua T. S. Enari, DTCI

Mr. Bonapas Onguglo, UNCTAD

Mr. Tom Twining-Ward, OIC, UNDP Apia

Opening Statement

By Hon. Hans Joachim Keil, Minister for Trade, Commerce and Industry
22 October 2001, Apia, Samoa

Rev. Laauoleoa Vai,
Distinguished representative from UNDP,
Distinguished representatives from UNCTAD,
Ladies and gentlemen,

It is my pleasure to welcome you to this important conference on Samoa's accession to the World Trade Organization.

First of all, I wish to acknowledge the assistance of UNCTAD in assisting our Government with this conference.

The WTO provides a rule-based system which governs the multilateral trading system and to protect Members from any trade related protectionist policies. However, the multilateral trade rules may be difficult to understand and to implement given their wide and technical scope. Hence it is important that the Government together with the assistance of our donor agencies continues to undertake awareness programmes and public dialogue to achieve accession to the WTO and consider its implications for Samoa.

This conference on the Challenges and Opportunities Arising out of Samoa's Accession allows us to consult and discuss any issues pertaining to our accession as well as to keep everyone on track of our accession progress. We know that there is still a lot of speculation as to the benefits a small country like Samoa would derive from being a Member of the WTO. The most important benefit is that Samoa cannot afford to be discriminated against (as a non-Member) in terms of trade with our trading partners. Australia and New Zealand are Members of the WTO and are also our major trading partners. These markets could impose any restriction on our trade without producing justification for such restrictions. We have been struggling to meet the requirements of these markets without knowing whether these restrictions and requirements are consistent with the principles and rules of the WTO. Hence the WTO provides us with this protection.

Some of the issues that you would be focusing on directly relate to your daily business activities. These include issues relating to the important sectors of our economy ranging from agriculture, food processing, manufacturing, and services, which are all covered under the multilateral trading system. Identifying issues in these sectors would enable us to develop ways on how to address any challenges and grasp any opportunities for our private sector to grow sustainably in the future.

Another major issue that most of us are worried about is the effect of globalization. Globalization is the reality of today and there is no way we can ignore it. Globalization has occurred because trade barriers (such as duties and quotas) have been drastically reduced, providing companies with the opportunities to expand into international markets. How would a small manufacturing company challenge the effects of globalization? Improving product quality and price-competitiveness would be important recipes for success in international markets, and this is a challenge for you to consider.

Samoa is a very small market of 170,000 and the greatest opportunity for our producers and manufacturers is to look for overseas markets. With the growth of trade barriers around the world, our market access preferences which we have enjoyed in the past, have been marginalized and reduced.

The Government has worked on alternative measures to assist our exporters with this marginalization, which include the successful signing by the Forum island leaders of the Pacific Island Free Trade Agreement (PICTA) in August of this year, in Narau. Our Government has just ratified this agreement which will come into force after six countries have ratified. The PICTA is seen as a regional stepping-stone towards global trade. This has expanded the market base for products from 170,000 to six million people. The PICTA would also enable our producers and exporters to familiarize themselves with international trade at regional and global levels.

The General Agreement on Trade in Services of the WTO will also provide us with the multilateral rules on the services sectors. The contribution of our services sector to our GDP has increased over the years, and it is the major foreign exchange earner. The transparent liberalization of our services policies and procedures encourage foreign direct investment and more importantly increase our services markets. These would be complemented by an improved telecommunications network and efficient infrastructure support.

In preparation for the Fourth WTO Ministerial Conference, Samoa prays with all the other least developed countries that the accession process would be simplified. Samoa, together with other LDCs and small developing economies, have made a declaration for the smooth and simple process for accession, and it is hoped that the Ministerial Meeting recognizes this proposal.

Other issues on the Doha agenda include the improvement of market access procedures, implementation issues, the negotiations on agriculture and services and also the call for a new round of negotiations.

Samoa stands to benefit from these issues. Hence we are lobbying through our WTO friends to table our interests at the Ministerial Meeting.

Your conference this week would give us more issues to present to the WTO. I encourage you to raise many issues in your discussions and I wish you the best in your deliberations.

And it is my honour to declare this national WTO conference officially opened.

Opening Remarks

By Mr. Bonapas Onguglo, UNCTAD Secretariat
22 October 2001, Apia, Samoa

Thank you Minister Keil, Reverend Vai, Secretary of DTCI.
Good morning and warm welcome to all participants.

My name is Bonapas Onguglo and my colleagues and I from the UNCTAD secretariat are very pleased and honoured to be here this week to discuss with you and learn from this conference about the development issues of concern to Samoa in the field of international trade.

With me is Mr. Taisuke Ito, who has been responsible for all the preparations for this conference on the side of UNCTAD. We also have Mr. Kurt Kwasny, our resource person, who was the main consultant for the report on Samoa's competitiveness that was prepared and considered last year. The report and the proceedings of the conference that considered the report are being printed locally by a Samoan enterprise, a small concrete demonstration of our desire to work closely with the private sector. The report will be circulated during this meeting for your information.

This National WTO Conference is significant for a number of reasons. First, it is a continuation of the support by DTCI, UNDP and UNCTAD to the process of dialogue and cooperation between the Government and the private sector (and other concerned sectors of society) on the reform of macro-economic policies towards greater openness and in the specific context of the implications of the accession of Samoa to the WTO.

Second, the national conference is being held just prior to the Fourth WTO Ministerial Conference. There are 20 days remaining to the opening of the Doha Conference. Samoa, as an observer to the WTO by virtue of its status as a country in the process of accession, is expected to participate in the conference as an observer. It can participate in the discussions, which are likely to be very important unlike the past three WTO Ministerial conferences (as we will discuss).

Third, Samoa's negotiation on its accession to the WTO has started. The negotiations will be difficult and may take a long time. LDCs like Samoa presently cannot expect any special treatment for them in the light of their weaker economic situation. In fact, given the stringency of the accession process, no LDC has joined the WTO since its creation in 1995. In this perspective, it is crucial in at this stage to support the negotiations being undertaken by the Government, by providing it with information and analyses on the key priorities for the Samoan Government and industries so that these views can be posed in the negotiations.

Against this backdrop, I think the outcome of the Conference should reflect the key trade policies and measures, and industrial and service sector strategies, that the Government and the private sector consider to be important for the country in promoting productivity and competitiveness. The trade policies and measures relate to tariffs, taxes, support for agriculture and industry, IPRs, investment incentives etc. The sector strategies would relate to those sectors indicated in the agenda of the conference, namely agriculture, forestry and fisheries; food processing; manufacturing; tourism and transport; and financial services.

It is important to provide these key policy and strategic objectives to the team that will be representing Samoa at the Fourth WTO Ministerial Conference. This will enable the team to be proactive in the negotiations that will take place on defining the WTO's work programme for the next two years. There will be negotiations on the work programme in Doha (Qatar) as it is unlikely that the negotiations

that are currently taking place in Geneva on the Draft Ministerial Declaration, which will contain the work programme, will be concluded within the limited remaining days owing to continuing divergences of views among the members, especially between developed and developing countries. So the team going to Doha should be adequately briefed to promote Samoa's concerns at the Doha negotiations over the five-day conference i.e., from 9-13 November. The ministerial work programme will be a reflection of WTO members' concern and this should include the concerns of Samoa, as an acceding country. Samoa being a small country, and not yet a member, can raise its concerns and suggestions by joining a larger group of like-minded countries such as the LDC Group, and the SIDS. It can also liaise with other members of the Forum that are WTO members, i.e. Fiji, Papua New Guinea, and the Solomon Islands, to raise suggestions of common concern to Pacific Island countries.

Participation in international trade negotiations is a means to achieving development objectives. However, for that to take place, Samoa must participate from a position of awareness of its main development objectives and the key policies and strategies that are suitable to its situation. Without such a knowledge, the participation in trade negotiations will be ineffective. "Know what you want and do need, and what you do not want and do not need" is the unwritten law of trade negotiations. Knowing what you want and need nationally, regionally and globally can only come from national dialogue and consultation, which is taking place in Samoa and which this conference will contribute to enhancing further. In the direction of giving directly relevant national input into the consultative process, we have a number of papers by national consultants and national resource persons. Their views on the sectors in which they are directly involved on a day-to-day basis will bring perspectives on problems, prospects and the way forward and enlighten us as to the key policies and strategies to consider.

UNCTAD is supporting this activity in Samoa within the mandate given to it by its member States at its tenth conference in Bangkok in February 2000. The mandate on supporting the integration of LDCs like Samoa into the international trading system was reinforced at the Third UN Conference on LDCs last May in Brussels. The conference, *inter alia*, stressed support for the efforts of LDCs in the process of acceding to the WTO. Thus, UNCTAD views this work in Samoa as among its priorities.

We are grateful to DTCI for their cooperation and collaboration. We are also thankful to UNDP for their support, especially the funding which has permitted us and DTCI to hold this conference. In the preparation for this and last year's conference, we have seen a close and positive collaboration existing between DTCI and UNDP and can only commend them. We hope that together we can continue the tripartite collaboration in the years ahead to continue to support Samoan industries in their effort to remain relevant and competitive in the changing national, regional, and global trading environment. Thank you.

Closing Statement

By Mr. Tom Twining-Ward, UNDP-APIA Officer-in-Charge
25 October 2001, Apia, Samoa

Mr. Sam Enari, Acting Secretary of the Department of Trade Commerce and Industry, and your staff,
Mr. Bonapas Onguglo, UNCTAD representative, and your team,
Members and representatives of the Samoa Business Community,
Distinguished guests,

The focus of this workshop has been on the “Challenges and opportunities arising from Samoa’s WTO accession”. Our concern is not only the potential short-term impact of accession, but also – and even more so – the long-term implications for economic and human development in the Samoan economy and society. The WTO accession is not an end in itself, but can only be of value when it contributes to the attainment of our fundamental development objectives. And this is all the WTO should stand for in Samoa.

Samoa has been in the process of profound economic reform over the past several years. The Samoan economy has been liberalized and become more open to international trade and investment, as tariffs are lowered, public enterprises are privatized, investments are promoted and capital control is eliminated. The reform is aimed at creating a business environment that would be most conducive to the long-term development of the Samoan economy based on the private-sector driven market economy and entrepreneurship. This is a noble challenge that faces Samoa today, as it seeks a sustainable integration into the global economy and the multilateral trading system.

Last February, UNDP, together with DTIC and UNCTAD, hosted a workshop on “Competitiveness of Samoan enterprises for effective integration into the multilateral trading system”, and some of you must have attended that meeting. That workshop underscored the importance for Samoan enterprises to be better prepared for increased international competition in the face of its WTO accession, and identified some of the measures necessary to effectively promote such enhanced competitiveness. This workshop was organized as a follow-up to that meeting, and this time, the focus has been to identify the potential impacts of Samoa’s WTO accession and trade liberalization on various sectors of the economy on a sector-by-sector basis, in the backdrop of the WTO Ministerial Conference that will be held in Doha, Qatar, next month.

In the course of the workshop, you discussed issues of great concern to Samoan industries, people and society, and ways and means to effectively encounter impacts, in sectors of key importance, namely agriculture, forestry and fisheries, food processing, manufacturing, transport and tourism services, financial services, and issues and opportunities arising from multilateral and regional trade agreements. A particularly important contribution to the success of this meeting was made by participants from the private sector who are involved in the conduct of daily businesses and directly affected by those economic liberalization and market openings. The active involvement of the officers of TCI was equally important, as they are in the forefront of trade negotiations.

The type and the degree of impacts that WTO membership would entail on an economy differ among countries, industry sectors and enterprises. As a country, Samoa has particular difficulties of its own, arising from its smallness in market size, remoteness from major markets and vulnerability to external shocks. On the other hand, those enterprises that suffer from the inappropriate supply capacity and various productive constraints would experience some adverse impacts in the liberalization process as a result of the increased international competition. The presentations and discussions in the workshop have examined those impacts and considered the ways to address those constraints that hamper Samoan

businesses from effectively competing in an increasingly competitive business environment. It is critically important that each enterprise enhance its competitiveness in the face of the increased openness and international competition. The Government has also an important role to play in providing necessary adjustment policy measures, so as to mitigate adverse social costs incurred by those enterprises experiencing difficulties in adapting themselves in a competitive trading environment.

The question of the impact of trade liberalization on the broader sector of small business owners and micro-financed ventures remains an issue of concern. If the bulk of the workforce in Samoa is in the semi- and informal sectors, how will WTO accession be of benefit to them? A widening of the gap between the rich and the poor requires continued vigilance on the part of the Government, to carefully gear negotiations to control competition with Samoa's fledgling enterprises in the private sector. Yes, competition is good, but this should only be assumed if a level playing field exists, and the same services are easily accessible to all.

The WTO accession process presents distinct policy and administrative challenges. Samoa has been engaged in negotiations aimed at WTO accession since 1998, but it is a long and challenging process involving negotiations with major trading partners on a bilateral and multilateral basis, as well as exchange of questions and answers, which may take several years. Experience has shown that there is a tendency for increasingly stronger pressures to have been exercised by WTO Members on acceding countries, even on LDCs such as Samoa, for excessively deep tariff reduction and bindings, as well as stringent policy changes in such areas as some trade in services, intellectual property protection, investment and industrial policies. It is worth repeating here that the WTO accession should not be an end in itself, and the terms and conditions for accession should be carefully tailored, in close consultation with the private sector, in such a way as to promote Samoa's national development priorities, to increase avenues of opportunities for all its people. I believe that this workshop had made an important contribution in strengthening the institutional and negotiating capacity of the Government by raising awareness amongst all stakeholders, thereby enabling feedback from the private sector for the consideration of the Government in the accession process and in the preparations for the Doha Ministerial Conference.

Strengthening the competitiveness of Samoan enterprises is not an easy task. There remains a lot to be done by the Government and private sector. Appropriate policy measures would be needed on the part of the Government. Likewise, new strategies are necessary on the part of the business community to enhance its competitiveness to effectively compete in an increasingly competitive market environment. In this process of profound economic transformation and integration into the global economy, the United Nations system stands ready to support the Government of Samoa, within the limits of available resources, in strengthening Samoa's human, institutional and production capacities. UNDP and UNCTAD have been cooperating to support the Government and will continue to provide, upon request, additional support to the benefit of its people. We are happy to have this workshop, as it represents a sign of our continuing willingness and preparedness to support Samoa in its efforts to enhance partnership between the Government and the private sector in promoting Samoa's trade and economic interests. I am confident that this workshop has contributed to this long and difficult process of economic liberalization and WTO accession, in such a way as to enhance institutional, human and productive capacity of Samoan industries and economy, and awareness of the needs of local businesses as they face an unpredictable future and new challenges.

It remains for me to congratulate you all for your active participation and lively deliberations, and to declare the workshop officially closed.

Thank you, and Soifua.

List of Participants

Name	Organization / Department
Lucia Chan Kay	ANZ Samoa Bank
Atalina Enari	Central Bank of Samoa
Rula Levi	Development Bank of Samoa
Phillip Penn	Central Bank of Samoa
Oloipola Terrence Betham	Chamber of Commerce
P. N. Tugaga	Colonial
T. Laavasa Malua	Department of Lands, Survey & Environment
Leota Lamositele Sio	Director, Small Business Enterprises Centre (SBEC)
Kuini Levy	Flower Growers Association / SAME
Fu'a Hazelman	General Manager - Samoa Visitors Bureau
Nacanieli Tuivavalagi	Global Consultancy
Apoiliu A. Warren	Inland Revenue Department
Margaret Fruean	Justice Department
Maria Melei	KVA Consult Ltd / SAME
Louis Chan Tung	Leilani Creations
Asuao Malaki Iakopo	Ministry of Agriculture (MAFFM) - Director
Frank Fong	MAFFM
Francella Strickland	Ministry of Foreign Affairs
Tima Leavai	Ministry of Post & Telecommunications
Moana Luamanuvae	Ministry of Post & Telecommunications
Alvin Tuala	Ministry of Transport
Rosita Esera	National University of Samoa (NUS)
Silupevaelei Molioo Vaai	National University of Samoa (NUS)
Tia Siaso - Tinielu	Nonu Samoa Enterprises / SAME
Grace Liu	Pacific Cashmere Co. Ltd
Afamasaga Toleafoa	Pacific Consultants
Janell Cook	SAME
Richard Cook	SAME
Eddie Wilson	SAME / Wilex
Jackie Schaaffhausen	SAME
Jerry Stancil	Samoa Breweries Ltd
Elizabeth Siebert	SPREP
Teuila Schwalger	Sun Snacks / SAME
Iulai Lavea	Treasury Department
Paul Meredith	Treasury Department
Taisuke Ito	UNCTAD
Kurt Kwasny	UNCTAD consultant

Bonapas Onguglo	UNCTAD
Georgina Bonin	UNDP
Tom Twining - Ward	UNDP
Carolyn Wilson	Wilex
Eleitino Michelle Meredith	Women in Business Foundation (WIB)
Karanita Petaia	Yazaki EDS Samoa Ltd
Paul Belson	Internal Affairs
Hans Joachim Keil	Minister for Trade, Commerce and Industry
Tuala Falani Chan Tung	Secretary, DTCI
Auelua T. S. Enari	DTCI
Margaret Malua	DTCI
Mutaaga Enosa	DTCI
Veronika Schuster Levi	DTCI
S. Pio Tagiilima	DTCI
Gladys Fuimaono	DTCI
Kunta Margraff	DTCI
Julia Solofa	DTCI
Lucia Siaoosi	DTCI
Mele Ava	DTCI
Margaret Lesa	DTCI
Avei Futi	DTCI
Joe Chan Ting	DTCI
Petaia Leavai	DTCI
Elena Ainuu	DTCI
Nella Tavita	DTCI

CHAPTER II

CHALLENGES AND OPPORTUNITIES ARISING FROM SAMOA'S WTO ACCESSION FOR THE AGRICULTURE, FORESTS, AND FISHERIES SECTORS

Afamasaga Toleafoa

1. Introduction

From time immemorial, Samoans have depended on the bounty of their islands and surrounding seas for their physical and spiritual well-being. They farmed as well as gathered from the land, and harvested the riches of the sea to sustain Faa-Samoa, a way of life that remains largely intact to this day.

In recent times, and after more than 100 years of modern development and economic diversification, the agricultural and fisheries sectors remain, as in former times, the mainstays of the economy and, the sustainers of the people's livelihood and their way of life.

This paper will be looking firstly at the place of agriculture [and fisheries] in Samoa's economy today, at the competitiveness of the sectors in the light of the Government's recent liberalization policies, and finally at the implications for agriculture of Samoa's accession to WTO.

As fish is considered an industrial product under WTO rules, the focus of this analysis will be agriculture, although there will also be mention of fisheries because of the way the data is collected and arranged linking the two activities in Samoa. Mention will be made of forestry, but this forms a very small and declining part of Samoa's economy, and is not expected to be affected by WTO accession.

I. Major Attributes of Agriculture Forests and Fisheries, and Competitiveness vis-à-vis Foreign Competition

According to the Government's Statement of Economic Strategy 2000-2001, "agriculture and fisheries are the backbone of [Samoa's] village economy" And the significance of that economy may be seen from the long term goals given in the Ministry of Agriculture Forests and Fisheries new Corporate Plan for 2000-2002 which states inter alia:

- To revitalize traditional food production and other primary products within the village economy and enhance food security for the nation.
- To encourage and stimulate sound, long term and profitable commercial primary production within the private sector.
- To protect, conserve, and manage and regulate the proper use of the natural resources of Samoa.

The Ministry's *Mission* statement calls for a "Strong, growing, and sustainable primary production sector leading to higher standards of living and better health for the Samoan people in a dynamic faa-Samoa."

The Government's Statement of Economic Strategy 2000-2001, recognizes the importance of both village agriculture and commercial farming, the former especially for providing employment and food security, and for maintaining stability and the Samoa way of life, and the latter for its potential contribution to diversification, to exports and to providing raw material for processing, and to overall economic growth.

2. Major Economic Indicators

A. Gross Domestic Product (GDP)

Figure 1 gives the values of Samoa's Gross Domestic Product for the years 1995 to 2000, and the contributions from the various sector of the economy. In 2000, Samoa's Gross Domestic Product was valued at \$649.8million. \$156.49 million, or 16 per cent of this came from agriculture and fisheries (see figure2). This was also the largest single contributor, the second largest being commerce with \$100.6 million.

The data also shows that agriculture has in fact been in decline since 1995, which according to the Ministry of Agriculture Forests and Fisheries is due to the combined effects of volatile prices for the main cash crops, namely cocoa nuts and cocoa, hurricane damage, and the introduction into the country of new pests and diseases such as the African snail and taro leaf blight. According to the Ministry, these have tended to make people turn to other means such as cash remittances from overseas, and employment in the monetary sector to meet cash needs, while relying on agriculture for subsistence needs only.

Fishing on the other hand almost doubled in value between 1995 and 2000 reflecting the development of the commercial tuna industry for export. According to the Ministry of Agriculture Forests and Fisheries, this level of growth in fisheries may not continue in the future as catch levels are reaching sustainable limits. Samoa has the smallest maritime economic zone in the region.

Samoaan agriculture is heavily dominated by the non-monetary or village sector. The continuation of a subsistence and semi-subsistence approach to agriculture despite efforts to create a more magnetized and market oriented form of production and marketing is a major constraint in raising productivity and output in the sector. And even now as Samoa prepares to join the WTO trading system, strategies will need to be put in place to make agriculture more receptive to market forces, if the sector and Samoa is to derive any major benefit from membership.

It is of interest to note in this regard that the Ministry's new Corporate Plan 2000-2002 gives the Government's long-term goals in agriculture as:

- To revitalize and stimulate food production and other primary products in the village sector and enhance food security for the nation.
- To encourage and stimulate sound, and long term profitable commercial primary production within the private sector.

Only 7 per cent of Samoaan agriculture is said to be commercial with the remainder either subsistence, or semi-subsistence. And with 80 per cent of the land area held under the village system, this must mean that the possibilities for "commercial primary production within the private sector" would be very limited.

This poses the challenge of how to ensure that village agriculture does play a more prominent and sustained role in the cash and market economy, despite the economic, social, cultural, and administrative factors that have constrained rises in productivity and output to date.

Figure 1
Real GDP 1995-2000 (\$ million)

At constant 1994 prices	1995	1996	1997	1998	1999	2000
Agriculture	88.30	89.56	77.34	75.81	74.91	76.84
Fishing	41.17	44.00	47.50	53.26	49.66	79.65
Food and Beverages Manufacturing	20.93	29.67	29.48	24.16	24.32	23.30
Other Manufacturing	74.75	70.62	64.75	58.16	59.11	67.41
Construction	35.89	36.96	39.48	38.27	43.38	57.48
Electricity	13.34	14.28	14.72	14.58	14.16	15.19
Commerce	64.11	72.75	79.41	85.50	92.35	100.60
Hotels and Restaurants	10.92	13.24	12.66	12.67	15.24	14.97
Transport and Communication	50.08	57.38	59.65	66.53	69.73	69.95
Public Administration	46.73	50.07	54.71	59.49	63.55	67.52
Finance and Business Services	28.61	32.74	34.94	38.82	40.15	42.23
Less: Enterprise share of FISIM	-2.71	-2.83	-2.86	-3.15	-3.41	-3.73
Ownership of Dwellings	20.39	20.81	21.23	21.65	22.09	22.53
Personal and Other Services	37.79	39.57	40.25	41.92	42.72	45.37
Value added at 1994 market prices	530.32	568.83	573.26	587.67	607.96	649.41
Implicit price deflator:	93.4	97.7	109.1	112.2	116.1	118.9
Selected measure of production:						
At constant 1994 prices						
Non-monetary 1	135.78	131.71	122.93	120.62	199.12	120.39
Monetary – total 2	394.54	437.12	450.33	467.05	488.84	529.02
Monetary – restricted scope ³	338.37	384.85	403.95	426.94	447.41	481.84

Source: Central Bank of Samoa

Figure 2
Agriculture & fisheries' share of total GDP (including non-monetary)

% at current prices	1995	1996	1997	1998	1999	2000
Agriculture	11.1	10.8	12.3	10.2	8.4	7.7
Fisheries	7.4	8.1	8.7	8.3	8.0	8.3
Total	18.5	18.9	21.0	18.5	16.4	16.0

Source: Ministry of Agriculture, Forests, and Fisheries.

B. Exports

Agriculture has traditionally provided the bulk of Samoa's exports, the main products being coconut oil, coconut cream, copra, bananas, and taro (see figures 3 and 4 below). In more recent years, kava and fish have been added while exports of taro and bananas have virtually ceased because of diseases and the inability in the case of bananas to compete with South American fruit in Samoa's traditional banana export markets.

In the past two years exports of coconut oil have been seriously disrupted by problems of ownership and operation of the main coconut oil mill at Vaitele. The low export figure for copra for the same period is related to low world prices, exacerbated by the failure of the oil mill to buy copra for processing, making it uneconomical for farmers to harvest and for exporters to export.

Like most primary produce traded globally, Samoa's major export crops in the past, namely copra and cocoa, have been subject to often debilitating fluctuations in world prices. Even fish, the latest

addition, and by far the largest export commodity at present, is also subject to great price fluctuations. In the last quarter of 2000 for instance, earnings from fresh fish exports fell 21 per cent due to a 35 per cent drop in unit price despite a 22 per cent increase in the volume exported.

Figure 3: Export commodities 1995 – 2000 (\$ million)

	1995	1996	1997	1998	1999	2000
Coconut Oil	8.04	6.83	6.76	4.13	2.39	3.62
Coconut Cream	4.84	4.91	4.77	3.52	4.55	3.62
Copra	2.19	4.08	7.88	5.68	4.91	2.29
Fish	0.43	2.29	12.33	25.51	32.61	24.74
Taro	0.16	0.10	0.10	0.11	0.43	0.72
Kava	1.44	1.12	1.49	4.96	2.14	1.05
Beer	1.13	1.11	1.60	2.12	2.84	2.71
Garments	-	-	-	-	-	4.27
Others	3.44	4.39	2.53	9.49	4.87	4.62
TOTAL	21.67	24.83	37.46	55.52	54.74	45.12

Source: Ministry of Agriculture, Forests, and Fisheries.

Figure 4: Volume :1995-2000

	1995	1996	1997	1998	1999	2000
Banana	na	na	na	na	na	na
Cocoa (long tons)	0	0	0	0	0	0
Coconut Cream (mt)	1380	1413	1343	1070	1443	1481
Coconut Oil (mt)	6742	6489	5675	2770	1633	730
Copra (long tons)	2502	4659	8555	6877	5696	4064
Copra Meal (mt)	2624	4064	3205	1312	812	226
Fish (mt)	na	1180	2977	4408	3786	3947
Kava (lbs)	na	na	na	na	na	na
Taro ('000 cases)	2	1	1.08	1.27	3	4

Source: Ministry of Agriculture, Forests, and Fisheries.

C. Employment

According to the 1999 Agricultural Census, 80 per cent of the population is engaged in one form or another in agriculture, 75 per cent of households are said to be active in agriculture, a figure that rises even higher in the rural areas. Overall, 50 per cent of an active workforce of 42,494 is employed in agriculture, hunting, forestry and fishing as shown in Figure 5.

Figure 5: Population engaged in different major groups

Agriculture, Hunting, Forestry and Fishing	26,777
Community, Social and Personal Services	6,631
Construction	2,025
Transport, Storage and Communication	1,900
Wholesale and Retail Estate and Business Services	1,373
Electricity, Gas and Water	645
Mining and Quarrying	87
Total	42,494

Source: Western Samoa Industrial Opportunity Survey, Commonwealth Secretariat, 1995

D. Major Attributes and Competitiveness.

The most dominant feature of Samoan agriculture is the dominance of the non-formal or subsistence and semi-subsistence sector. The 1999 Agricultural Census reported that 41 per cent of agriculture was purely for subsistence, 51 per cent was semi-subsistence, and only 7 per cent commercial. This subsistence orientation, within the context of a distinct social and cultural system that is still very much alive, militates against technological and organizational adaptations that would increase productivity and output.

Samoa agriculture conforms to all the attributes of subsistence cultivation. Farms are small, averaging nine acres. Main products are mainly food crops which double up as cash when there is a surplus. There is no threat of competition at home for the traditional crops such as coconuts, cocoa, and bananas, except for newly introduced commercial activities like beef, and poultry farming.

Samoa's traditional exports such as cocoa beans, coconut cream, and copra are competitive in overseas markets having certain natural quality advantages, but suffer from poor returns due to fluctuating prices, and high transport costs. These factors and resulting supply constraints are the major problems rather than competition.

3. Impact on Agriculture of the Government's Liberalization Policy

In 1998, the Government substantially reduced tariffs on imports as part of a strategy to open up the economy and attract investment. The reduction meant that except for items such as tobacco and petroleum, the highest rate of tariff became 20 per cent ranging down from there to 15 per cent, 10 per cent, 5 per cent, and zero.

Import duties for coconuts and taro for instance were reduced from 60 per cent to 20 per cent, for cocoa beans and kava from 35 per cent to 10 per cent, for cut flowers from 60 per cent to 20 per cent, for eggs from 50 per cent to 20 per cent, and for pork meat from 50 per cent to 10 per cent.

The impact of these substantial tariff reductions on Samoa's agricultural sector has already been looked at in "Competitiveness of Samoan Enterprises and Scope for Assistance in the new Trading Environment" a report prepared by UNCTAD in early 2001. The report considered the impact of lower tariffs on individual products and its findings in the case of agriculture are summarized below.

For products such as coconuts, taro, kava and others where Samoa has a comparative advantage and where local supply was plentiful, there was no real threat from outside competition. However, export expansion was hampered by supply constraints, poor world prices, and transport costs.

There was no expected import competition for cut flowers, but export expansion was also difficult because of supply constraints. Egg and poultry meat production lost competitiveness because of the need to import feedstock, higher production costs, and because of dis-economies of scale.

Locally grown fruits and vegetables were not expected to face increased competition, except for growers of temperate vegetables and fruits. Local beef was protected by a 10 per cent tariff and is quality competitive, but supply constraints and the lack of proper infrastructure and services such as proper killing facilities limited expansion of local and overseas sales. Fisheries and forest products are unaffected by the lowering of tariffs.

Overall, the reduction of tariffs on agricultural products did not harm or bring about competition for most Samoan agricultural production except in the case of poultry and egg production, where there was dependence on imported essential components. The full impact on other agricultural products had not

yet been assessed, but pig meat producers and growers of temperate zone fruits and vegetables could be affected by increased imports of these items.

4. Implications for Agriculture, Forests and Fisheries of WTO Accession by Samoa

A. The Impact of a Free Trade Regime

Accession to the WTO would entail among other things, a progressive reduction of tariffs to zero levels by 2020 if the proposed timetables were adhered to. It would also lead to the removal of all forms of trade distorting measures such as domestic support and subsidies for agriculture.

In terms of tariff reductions, Samoa is already on the way to zero tariffs levels. In fact, the Government's timetable for achieving zero tariffs is 2010 to 2015, ahead of the WTO zero tariff target of 2020. Samoan agriculture had neither domestic support nor subsidy, and they were unlikely to be introduced in the future.

The substantial reduction in tariffs as a result of the Government's liberalization policies had minimal impact on agriculture whether it was by way of increased competition in domestic markets or increased exports to overseas markets. Accession to WTO, and its liberalized trade regime should be expected to have the same impact, at least at the initial stage.

The Government's plans for the agricultural sector, gave no indication of any specific initiatives to make use of the new liberalized markets as a result WTO accession or, the establishment of regional free trade area. The justification for joining had always been couched in general terms such as the need to avoid being discriminated against, to create a free and competitive environment, and for Samoa to be a model economy in the region. As Samoa's major export products were already traded freely in overseas markets, there was no reason to expect that WTO accession would result in any immediate changes. Similarly, Samoa's domestic market for agricultural products had already been substantially liberalized after the Government's recent trade liberalization measures.

B. Free Markets and Samoa's Way of Life

Samoa's agricultural sector is an integral part of Samoa's way of life and culture. The Ministry of Agriculture Forests and Fisheries Corporate Plan's vision statement of "A strong, growing, sustainable primary production sector, leading to higher living standards and better health for the Samoan people in a dynamic faa-Samoa" would indicate that maintenance of faa-Samoa is very much a part of the Government's economic policy.

Consequently, it appears from the Government's policies with regard to developments in agriculture, as stated in the Statement of Economic Strategy, and in the Ministry of Agriculture, Forests and Fisheries Corporate and other plans, that membership of WTO, and the need to anticipate any new market opportunities arising from accession, had not been an important consideration.

Given the subsistence orientation of the Samoan agricultural sector and the way this fits in with the nation's lifestyle and culture, change in this part of the sector to any new trade opportunities will be evolutionary at best, also taking into account the Government's commitment to maintaining the faa-Samoa as the basis for social stability.

Under the circumstances, any major initiatives in response to opportunities afforded by a more liberalized trading environment as a result of WTO accession would need to come from the seven per cent part of Samoan agriculture that is defined as being fully commercial.

5. Conclusion

The Agriculture, Forests, and Fisheries Sector occupies a central place in Samoan economic, social, and cultural life. As such, it is important that its multifaceted nature is taken into consideration when Samoa join the WTO and therefore the global market economy.

There had been no major changes either in local or export markets for Samoan agriculture as a result of the Government's liberalization policies. Both at home and abroad, supply constraints and uneconomic prices rather than market access or competition hampered increased trade.

Samoa's domestic market for agricultural products was already substantially liberalized with low tariffs, and no domestic support or export subsidy. Therefore, WTO membership would not make a big difference to the sector's present competitive position. WTO membership implies among other things progressive integration into the world market system. This would have implications for Samoa's agricultural based and subsistence way of life and culture.

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CHAPTER III

CHALLENGES AND OPPORTUNITIES ARISING FROM SAMOA'S ACCESSION TO THE WTO FOR THE FOOD PROCESSING INDUSTRY

Mutaaga Enosa, DTIC

1. Structure and Nature of the Food Processing Industry

The food processing industry in Samoa is an important sector of the economy and accounts for a relatively high proportion of the country's exports. The characteristics of the industry are similar to those in other small economies:

- A relatively small number of medium sized companies which account for a high proportion of the industry's total turnover;
- A larger number of small enterprises producing primarily for the local market and frequently using imported raw materials; and,
- Exports which have been dominated by either simple or more complex processing of traditional commodities, (primarily coconut oil, coconut cream and copra)

The industry is constrained by a relatively restricted range of available local agricultural products and the limited small local market. Nonetheless, there remain a number of opportunities for several profitable ventures with effective linkages to the supply of agricultural or fisheries inputs.

2. Production and Exports

The following figures provide an overview of the food-processing sector in Samoa.

Table 1:
Indicators of Industrial Production (1997 Base = 100)

	1997	1998	1999	2000
Coconut Oil	100	50.9	32.4	6.8
Coconut Cream	100	91.7	114.4	81.3
Beer	100	102.2	115.8	123
Corned Beef	100	54.4	85.3	91.7
Soft Drinks	100	108.6	108.8	112

The decline in coconut oil production is due to temporary closure of the coconut mill. Negotiations are still going on in efforts to try and revive the mill. The production of canned coconut cream has remained an important element of the food processing industry and there are three major companies involved in this type of production. Corned beef also remains an important segment both in terms of production and exports.

Since tariff reforms whereby the duty on all imported goods was reduced drastically, local producers have had to face tough competition from imported finished goods. The highest rate of duty to be paid on any imported item is now 20 per cent. Given that local producers depend mainly on imported raw material which still paid a duty of 10 per cent, this was considered still high as compared to the imported finished product.

**Table 2:
Exports of Key Commodities (\$ FOB)**

Commodity	1996	1997	1998	1999	2000
Copra	4,078,000	7,882,000	5,684,000	4,909,000	2,294,000
Coconut Oil	6,825,000	6,761,000	4,134,000	2,388,000	1,095,000
Copra Meal	622,000	542,000	210,000	118,000	44,000
Coconut Cream	4,913,000	4,772,000	3,517,000	4,550,000	3,618,000
Taro	98,000	99,000	113,000	432,000	716,000
Beer	1,107,000	1,603,000	2,124,000	2,838,000	2,715,000
Kava	1,120,000	1,485,000	4,964,000	2,139,000	1,049,000
Fresh Fish	2,287,000	2,327,000	25,507,000	32,605,000	24,741,000

3. Constraints and Problems in the DEVELOPMENT OF THE Food Processing Industry in a more liberalized environment:

A. Supply of Raw Materials

In only a small number of exceptional cases would it be feasible to import the bulk of a food processing operations inputs and then compete effectively on the local and, especially on the international market.

Accordingly, the consistent supply of good quality raw materials from local suppliers is of crucial importance. The less satisfactory supply situation in Samoa is perhaps the single most important obstacle to the growth and diversification of the food processing industry

B. Dependence on Imported Packaging:

There is virtually no locally produced packaging suitable for the export of processed foods/beverages or of a sufficiently high standard to allow locally produced products to compete on an equal basis with imported lines.

This impediment is a function of the small size of the industry and the market in Samoa. Like many other shortcomings in a small economy, the development of an efficient packaging industry presents a situation whereby the food processing industry will find it difficult to compete and grow without competitively priced packaging. Such ventures are unlikely to be feasible without sufficiently large demand from an expanded food processing industry.

C. Absence of a Feed Mill and Abattoir

The local poultry industry is hampered by the high cost of imported feed. These costs make it difficult for the local egg and chicken producers to compete against the highly competitive United States suppliers of egg and chicken.

D. Freight Costs

Sea freight connections are reasonable and the FCL (full container load) commodity rate to New Zealand is between NZ\$1,200 and NZ\$1,600. An FCL to Australia costs AU\$1,700, but there are "special deals" at considerably lower cost.

Airfreight from Samoa is sometimes difficult and expensive. The official rate is between US\$4.93 and US\$3.59 per kilo to Auckland, and this compares unfavourably with the consolidated rate from New Zealand to Australia of only NZ\$0.80 a kilo. On the other hand, it is possible to negotiate a regular airfreight rate to New Zealand for around US\$2.00 to US\$2.50 a kilo and there is good availability on outward flights.

E. Size of the Market

With a population of only 170,000 there are obvious limitations to the domestic market available to local food processors. Achieving scales of production equivalent to even medium sized overseas competitors would be difficult and the relatively small population. The problem is compounded by the price sensitivity of the market and, the distribution costs and difficulties inherent in reaching a large number of consumers in small communities on two islands.

4. International Trends/The Impact of WTO Accession on the Industry

A. International Competition

It is not feasible to disregard the strengths of international competition to any proposed food-processing venture in Samoa – even if the venture is geared to the local market.

The main problems are:

- Competition from food processors in those countries which have traditionally been considered as potential markets for Samoan products (Australia, New Zealand, and the United States) has actually increased over recent years, in terms of quality, price, packaging, and service;
- There is rapidly increasing competition from Asian suppliers of a range of foodstuffs that may be suitable for production in Samoa;
- The APEC and WTO initiatives are reducing import barriers into target markets in which countries such as Samoa can no longer rely on preferential access.

In short, competition is fiercer than it has ever been and local suppliers would need to adopt an international competitive approach if they are to succeed.

Table 1: Key Competitors to Samoa

Category	Key Competitors	Strengths
Meat Products	New Zealand Australia United States	Large Resources, sophisticated processing industries, export orientated
Poultry Products	United States Australia New Zealand	Large, sophisticated industries, United States Government subsidies.
Fruit Processing	Australia New Zealand United States Thailand Indonesia China Vietnam South Africa Fiji	Large and diversified domestic resources integrated with sophisticated production. Quality packaging, established export networks, competitive prices, consistent quality and generous payment terms.
Coconut Products	Philippines Indonesia Thailand Malaysia Vietnam	Productive labour, ample supplies of materials, good packaging, rapidly improving quality, competitive prices, generous payment terms and established export networks.
Vegetable Processing	Australia New Zealand United States Thailand Vietnam	Increasing quality assurance, good packaging, productive farm sectors, large scale production, variety, consistent supply and established export networks
Seafood	New Zealand Australia Thailand South Africa Pacific Islands Vietnam Malaysia Indonesia	Extensive fishing fleets and rapidly expanding aquaculture industries in Asian countries. Sophisticated and large scale processing operations (with productive labour in Asia), good packaging, competitive prices, consistent quality and generous payment terms.

For every food processing opportunity in Samoa there is established competition which would need to be beaten if a potential venture were to be successful. These competitors almost invariably enjoy a number of competitive advantages that Samoa may never be able to match.

The implications for the food processing industry in Samoa are clear. Any new venture would need a sustainable competitive advantage to survive in the international environment and given the existing impediments in the country such advantages were not immediately evident.

B. Quality and Health Standards

International customers have increased quality expectations for the full range of processed foods. These expectations have been driven by the increasingly sophisticated competition, a more educated and quality conscious private sector/consumer and by government regulations in most countries.

The competitors to Samoa food processors are offering increasingly sophisticated options for their products and rapidly improving quality control and packaging. The food processing industry in Thailand, for example, can offer a range of packaging options for foodstuffs.

Government regulations around the world have also imposed more stringent health standards on imported foodstuffs.

C. Market Niche Opportunities for Exotic or Health Products

In the developed markets, including the rapidly developing Asian economies, there are increased opportunities for unusual foods and beverages, as well as those that are (or are perceived to be) pure and healthy. This trend reflects both the changing demographics of the developed economies and the increased health consciousness of consumers.

The growth of “health food” chains has also impacted on the market shares of the supermarkets and in response these supermarkets are stocking more health food lines. Food lines that are free of preservatives are increasing their market share and there are good market niche opportunities for organic foods and even coffee.

5. Implications for the Food Processing Industry

The increasingly strong and sophisticated international competition means that any new ventures must be assessed against the market opportunities and their potential to differentiate themselves from the competition.

The inconsistent supply of average quality products was no longer acceptable in the international market place and, with increasingly overseas competition, would not be accepted in the local market;

The more stringent health requirements in overseas markets would present increasing problems and costs for suppliers, while volume sales to overseas supermarket chains would become increasingly difficult.

The market niche opportunities for exotic or healthy products could not be easily tapped and should not be assumed as easy option for Samoa producers who must accept that the future of the food processing industry in Samoa must revolve around quality and service. Throughout the world the importance of customer service, backed by a product of consistently high quality, has been recognised as the basis of successful business.

A. WTO Basic Principles

1. Non-discrimination

Most Favoured Nation Treatment calls for the non-discrimination of trade between WTO member countries. When an advantage, favour or privilege is accorded to one member, it must also be extended to other members. This can be applicable to customs duties and charges of any kind, the method by which they are levied as well as rules and formalities related to importation of that product.

National Treatment simply means that both imported and locally produced products are treated the same, nationally. This is so that no charges, regulations, laws, etc will affect the sale, purchase, distribution, etc, on imported or domestic products so as to afford protection for domestic production.

2. Market Access

Trade liberalization is a result of lower duties and tariffs and thus more access to international markets. Wider market access will be achieved through reductions in tariffs. Preferential systems are eroding and rapidly replaced by decreased tariffs, thus leading to open market access.

B. Some WTO Challenges

1. Competition

Samoa will be opened up to world markets and therefore open to international competition. The strengthening of national competitive policies by for example, the Fair Trading Act 1998 which prohibits anti-competition practices, could lead to increased imports into small markets, leading to the need to improve the quality of products, thus leading to the expansion to export markets.

The setting up of infant industries and new ventures may be difficult but, with good research and an established market, there should be minimal difficulties. (Use of the Structural Adjustment Facility Programme)

Perhaps the greatest challenge for Samoan food processors would be to remain competitive in the world market.

2. Market Access

PICTA provides an option to trade with other Pacific island nations, is a stepping stone for Samoa and other Pacific Island countries to the world market, and provides Pacific Island Countries market access to trade with each other.

Samoa did not have what is normally called a “standards setting body”. Therefore, any product could be imported into Samoa. This could lead to the manufacturers producing cheap products of low quality. As a WTO member Samoa would be required to have a “standards setting body”, to set standards not only for locally produced goods but also for imported finished products.

3. International Standards and Regulations

Further research was required to ascertain whether Samoa could meet the international market standards required especially in terms of food safety?

CHAPTER IV

CHALLENGES AND OPPORTUNITIES FOR THE MANUFACTURING INDUSTRY ARISING FROM SAMOA'S ACCESSION TO THE WTO

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1. Introduction

The manufacturing sector plays a crucial role in the economic development of Samoa through the generation of export revenue, employment creation and import substitution. The challenges and opportunities for the manufacturing industry from Samoa's WTO accession are wide-ranging without any certainties as to their full impact on the industry as well as on those who depend on it.

Based on the various meetings of the Samoa Association of Manufacturers and Exporters as well as one to one discussions, there is a wide ranging level of expectations of WTO and the implications of manufacturing in a liberalized trading environment. Whilst it is recognized that there are opportunities offered, many view the challenges as far reaching with the need for structural assistance to prepare industries and enhance competitiveness.

To assess the challenges and opportunities for the manufacturing sector with Samoa's accession to the WTO, the following methodology was adopted in the preparation of this paper.

In compiling this report, the following activities were undertaken:

- Reviewing the records of the various meetings and consultations of SAME and various government bodies over the last two years on this issue;
- One to one discussions with the manufacturers' representatives of the various sectors within the industry;
- Reviewing previous studies undertaken on this topic in Samoa; review of records of similar IT consultations on trade development and similar issues relating to trading in a liberalized environment;
- Reviewing of available economic data and statistics on manufacture production and export activities;
- Estimating various relevant financial indicators relating to employment, export and local sales/output from manufacturing; and,
- Determining, based on the above, the competitive position of the various enterprises and sectors in the manufacturing sector for present and anticipated future activities.

2. Attributes and Role of the Manufacturing sector in the Economy

a) Summary of Contribution by various sectors of the manufacturing industry

The manufacturing sector plays an integral part in the economic development of Samoa through:

- Import Substitution;
- Export revenue generation which brings in much needed foreign exchange reserves;
- Employment creation;
- Providing various government revenues such as income tax, VAGST, tariff and excise duties and,
- Contributing to the social and economic well being of the community through the purchase of the various goods and services required, and the provision of social support services.

Based on a survey carried out on the current-manufacturing members of the Samoa Association of Manufacturers & Exporters, the manufacturing sector contributes the following tangible benefits to the local economy by:

- Producing manufactured products with a retail value in excess of \$135million of which approximately \$100 million is for import substitution;
- Producing export earnings in terms of value added, of between \$32 to \$35 million per annum;
- Employing over 3,600 people;
- Providing the local government through income tax, VAGST, and tariff and excise with revenue of over \$20million per annum. (See table 1 below).

Table 1:
Samoa Economic Activity: employment, turnover, export and import substitute
(Thousand of talas)

	No. firms	No. Employed	Total Turnover	Share (%)	Export Sales	Share (%)	Local Sales/Import substitutes	Manufact. (%)
Food & Beverage	14	605	56'510	42	10'825	31	45'645	17
Metal Manufacturers	6	145	8'700	6	40	0	8'660	4
Garment Manufacturers	9	213	7'500	6	4'624	13	2'876	10
CutFlowers	3	51	700	1	40	0	660	1
Furniture & Hardwood	3	320	12'350	9	250	1	12'100	8
Paper Based Manufacturers	2	56	3'500	3	320	1	3'180	2
Audio/ Entertainment	2	23	1'350	1	650	2	700	1
Handicrafts	3	64	600	0	90	0	510	2
Automotive Wire Harn.	1	2000	17'000	13	17'000	49		53
Other (Cigarettes, Plastics, Jewelry etc.)	6	109	27'450	20	660	2	26'790	3
Total	49	3586	135'660	100	34'499	100	101'121	100

Source: Samoa Association of Manufacturers and Exporters

b) Export Performance

Export performance for the various sectors of the economy from 1996 to 2000 and the first quarter of 2001 are summarized in Table 2 below.

Table 2: Export performance: 1996-2000
(Thousand of talas)

	1996	1997	1998	1999	2000	2001(Q1)
Coconut Oil	6'825	6'761	4'134	2'388	1'095	
Bear	1'107	1'603	2'124	2'838	2'715	655
Coconut Cream	4'913	4'772	3'517	4'550	3'618	713
Kava-Processed	1'120	1'485	4'964	2'139	1'049	61
Copra Meal	622	542	210	118	44	
Garments					4'273	785
Cigarettes	268			851	555	18
Soft Drinks	270	411	176	278	449	26
Timber	832	124	4	20	26	
Other	903	628	738	577	1'424	257
Yazaki Net/Value Added Export	20'130	24'920	13'890	12'860	16'800	3'550
<i>Total Export of Manufactured</i>	<i>36'990</i>	<i>41'246</i>	<i>29'757</i>	<i>26'619</i>	<i>32'048</i>	<i>6'065</i>
Fish Exports	2'287	12'327	25'507	32'605	24'741	5'846
Copra	4'078	7'882	5'684	4'909	2'294	448
Taro	98	99	113	432	716	172
Bananas	724	474	163	408	420	39
Others	903	627	737	576	1'424	272
<i>Total Primary Exports</i>	<i>8'090</i>	<i>21'409</i>	<i>32'204</i>	<i>38'930</i>	<i>29'595</i>	<i>6'777</i>
<i>Total Exports:</i>	<i>45'080</i>	<i>62'655</i>	<i>61'961</i>	<i>65'549</i>	<i>61'643</i>	<i>12'842</i>
Share in total exports (%):						
Manufactured/Industrial Exports	82.1	65.8	48.0	40.6	52.0	47.2
Primary Products-Fish	5.1	19.7	41.2	49.7	40.1	45.5
Primary Products-others	12.9	14.5	10.8	9.6	7.9	7.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

* Exact breakdown cannot be determined in earlier years, except for 2001 which is actual.
1996 to 2000 figures are approximates based on actual 2001.

Source: Central Bank of Samoa (June 2001 Bulletin)

This table shows that the overall contribution to Samoa's export earnings of manufactured products (including the net value added portion for Yazaki) has gradually decreased from 82 per cent in 1996 to 52 per cent in 2000. This was largely due to:

- Continuing decrease in exports of coconut oil and copra meal; and
- The continuing increase in exports earnings from fish.

Table 3 below shows export earnings, excluding Yazaki's, still show a significant contribution from manufactured products, averaging between 33 per cent and 34 per cent during the period 1998 to 2000.

Table 3: Commodity composition of exports: 1996-2001
(Thousands of talas)

	1996	1997	1998	1999	2000	2001(Q1)
Manufacture						
Coconut Oil	6'825	6'761	4'134	2'388	1'095	
Beer	1'107	1'603	2'124	2'838	2'715	655
Coconut Cream	4'913	4'772	3'517	4'550	3'618	713
Kava	1'120	1'485	4'964	2'139	1'049	61
Copra Meal	622	542	210	118	44	
Garments					4'273	785
Cigarettes	268			851	555	18
Soft Drinks	270	411	176	278	449	26
Timber	832	124	4	20	26	
*Other(Cocoa, Nonu etc.)	903	628	738	577	1'424	257
<i>Total manufacture</i>	<i>16'860</i>	<i>16'326</i>	<i>15'867</i>	<i>13'759</i>	<i>15'248</i>	<i>2'515</i>
Primary commodities						
Fish Exports	2'287	12'327	25'507	32'605	24'741	5'846
Copra	4'078	7'882	5'684	4'909	2'294	448
Taro	98	99	113	432	716	172
Bananas	724	474	163	408	420	39
Others	903	627	737	576	1'424	272
<i>Total primary commodities</i>	<i>8'090</i>	<i>21'409</i>	<i>32'204</i>	<i>38'930</i>	<i>29'595</i>	<i>6'777</i>
<i>Total</i>	<i>24'950</i>	<i>37'735</i>	<i>48'071</i>	<i>52'689</i>	<i>44'843</i>	<i>9'292</i>
Domestic Exports (%):						
Manufactured/Industrial Exports	67.6	43.3	33.0	26.1	34.0	27.1
Primary commodities - Fish	9.2	32.7	53.1	61.9	55.2	62.9
Primary Products - others	23.3	24.1	13.9	12.0	10.8	10.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

* Breakdown into Manufactured and Primary is estimated based on actuals for 2001

Source: Central Bank of Samoa (June 2001 Bulletin)

c) Export Enhancement Assistance

The above data shows that exports of various items of manufactured coconut products have decreased. A recent delegation comprising SAME, the Samoa Chamber of Commerce and the fish exporters met the Central Bank of Samoa to discuss various actions to assist local exporters to increase export earnings.

It was the general consensus of the meeting that there was merit in looking at an export guarantee scheme and an export insurance facility to assist exporters to raise credit to finance working capital to increase export sales.

3. Competitiveness of Samoan Manufacturers vis-à-vis Foreign Competitors:

Competitive industries usually have comparative advantages in terms of local materials, proximity of markets, and transportation. Below are some examples of manufacturing industries which are sufficiently competitive due to various factors:

- Food and beverages: breweries established economies of scale/a captive market;
- Cigarettes manufacturing: established economies of scale/a captive market;
- Building component industries: custom made, transportation advantage, local raw materials, and proximity to the market.

Some of the major concerns expressed by these manufacturers include the following:

- Tariff anomalies should be abolished. i.e. where the tariff for raw material and the finished products are the same;
- Affiliation with foreign partners could restrict export sales;
- Competitive, but prone to market competition and have limited supply capability.

Industries that were competitive had established markets, sound government support, and low absenteeism. However, they are prone to exchange rate fluctuations and international labour wages costs and labour supply differentials (automotive wire harness).

Samoan tropical products enjoy established brand names and quality. However, the cost of capital investment to enhance efficiency is very high and foreign competition gaining increasing market share due to relatively low costs of production.

For Wilex Cocoa and Coconut Products, which has established quality and market outlets, the major limitation is the insufficient supply of cocoa beans. Transport costs for imports are relatively high.

Other food & beverage manufacturers (snack products) have established brand names but packaging supply and the need for publicity remain major constraints to being competitive.

a) Prone to and Vulnerable to Competition

Various manufacturers are aware of their vulnerability to increasing import competition, some examples being:

- Import substitute manufacturers (e.g. paint manufacturers, shoe and snack products manufacturers), there is no advantage in transportation costs over imported finished products imported packaging costs are already high;
- For small scale manufacturers of T-shirts and manufacturers of other small garments, raw materials are bought in small quantities and therefore, prone to higher landed costs;
- Coconut Oil Mill, which is an older plant/technology processor, requires more capital investment for higher value added coconut oil products in order to become competitive; present oil prices are very low, rendering production of crude oil unprofitable;
- New products including soaps, body oils and metal products, require expensive publicity and packaging to compete with established brand/products.

b) Industry Initiatives to Enhance Competition

A brief review of the activities of SAME highlighted the following efforts by the association and its members in order to prepare itself for increasing liberalization and to enhance the competitiveness of members.

Preparations for members undertaken by the Samoa Association of Manufacturers & Exporters (SAME)

The Samoa Association of Manufacturers and Exporters, in anticipation of the Government's plans for national tariff reform and accession to the WTO, has prepared for the benefit of its members a

Five Year Strategic Plan to assist members to enhance their competitiveness and export and trading performances.

The Samoa Association of Manufacturers and Exporters' Five Year Strategic Plan focuses on enhancing the competitiveness of Samoan Manufacturers and Exporters and is summarized below.

Vision of SAME

The Samoa Association of Manufacturers and Exporters (SAME) has established its vision as a realistic, yet challenging, objective to work towards. The vision describes, "What we want to be". Meeting the challenge will be the responsibility of both current and future members, and will provide ongoing focus for the members of the Association Executive in their leadership roles.

It is the objective of the Samoa Association of Manufacturers and Exporters, by the year 2003, to be recognized internationally as a positive example of an association that has enabled local manufacturers and exporters to compete successfully in domestic, regional and world markets.

Mission of SAME

The Mission Statement describes, "Why we are here".

The purpose of the Samoa Association of Manufacturers and Exporters is to assist the development of an efficient, profitable, competitive, and quality based expanding manufacturing and exporting sector. In doing so, the Association will enhance the well-being of our companies, through asset growth and improved returns to shareholders; our staff, through increased job security and opportunity; our communities, through social stability, and access to quality goods; our environment, through responsible resource management.

Limitations of SAME and its members

Whilst the association has followed through the strategic plan so far, it recognizes the main limitations it has in fully realizing the above objectives mainly in terms of limited finance, inadequate human resources, and the technical know-how available to it. On the other hand, it is also recognized that whilst export and trade promotion are a key elements in enhancing members' competitiveness, members themselves have limited capital and human resources to fully participate in these activities.

Whilst various manufacturers have taken the initiative to amend their production processes to enhance competitiveness, most have not been able to implement due to the high capital costs involved. Various manufacturers have taken the initiative to look for more markets. However, additional working capital is a necessity.

Other Initiatives

Problems and constraints encountered by Samoan Manufacturing Enterprises in competing with Foreign Suppliers in local and/ or export markets, in particular upon the introduction by the Government of its import liberalization and economic reform policies are being assessed.

4. Problems and Constraints

With the significant tariff reform introduced by government, manufacturers and exporters have had to adjust overnight to a much more liberalized market and to enhance their competitiveness.

This adjustment process involves a review of the efficiency and cost effectiveness of manufacturing and process activities, packaging and product presentation redesigning, and raw materials and plant and machinery sourcing. All these aspects are very costly and capital intensive. In the meantime, the influx of imported products reduced the market shares of producers. These factors have made most manufacturers and exporters cut costs immediately, increase the expenditure on advertising/promotion, look for additional product ranges and/or market outlets and, adjust methods of production to increase competitiveness and quality.

In addition to the above, manufacturers and exporters are confronted with various constraints and challenges that impede their competitiveness. These include the following:

- Interest rates and finance costs are too high in the local market compared to those in competitor countries;
- Technical know-how is not often available locally and is expensive;
- Limited skilled labour is available locally, especially so in terms of technical areas relating to production;
- Limited packaging and designing infrastructure available locally to compete with imported products; packaging, labels and containers are imported at a much higher cost than to the competition;
- There is a lack of market information to assist exporters in finding export market opportunities;
- Freight costs for export of products and the importation of raw materials are high;
- The costs of local input into production are much higher than for the competition.

Excessively high local input cost include the following:

- Electricity cost are too high and, differential or after hour rates should be introduced for manufacturers and exporters;
- Telecommunication costs are too high- again after hour rates should be introduced;
- The cost of water is higher than for the competition and the quality is poor;
- Bureaucratic procedures for import and export documentation is costly and unnecessarily slow;
- Tariffs on capital equipment and imported raw materials are higher than for the competition and, in some instances the duty rate on the raw material and the finished product are the same;
- Insufficient air-freight capacity is still a problem especially during the eight to nine months of the fresh fish export season, not to mention the higher costs of freight per kilogram compared to the competition (Fiji).
- Limited Venture Capital availability to finance new developments; capital adjustment and growth;
- Adjustment cost to enhance competitiveness is very high in Samoa; and
- Supplies of locally produced raw materials and ingredients are not increasing at a sustainable rate.

It is fully recognized that these problems and handicaps are being addressed to some extent whilst others are clearly subject to market forces. The key factor though is that where adjustments are possible now, they must be undertaken.

It is necessary to assess the likely implications to Samoan manufacturing enterprises of Samoa's WTO accession in terms of increased market competition and access to export markets, and elaborate on the industry's expectations from Samoa's WTO membership.

This section reviews the implications, expectations and the potential opportunities relevant to the manufacturing sector that would arise out of Samoa's accession to WTO. In line with these opportunities, it also looks at the manufacturers' support for a "Structural Adjustment Facility" in order to assist industry in the transitional period between now and when it is able to take full advantage of the benefits of WTO.

5. Implications of WTO Accession to the Manufacturing Sector:

It is generally recognized that inadequate preparations by manufacturing industries to face increased competition from Samoa's accession to the WTO would have the following negative implications on this sector:

- Factory shutdowns;
- Faster deterioration of foreign exchange reserves;
- Increased unemployment;
- Gradual depletion of industrial crops such as: coconuts/cocoa;
- Reduction of investment in the sector.

The industry expects the following benefits from the accession to the WTO:

- Manufacturers with comparative advantages will prosper;
- Better export market access.

a) Expectations from Samoa's WTO membership:

The overwhelming view expressed by manufacturers is that whilst they do not oppose the pressure of having to become competitive that they do not see any immediate positive benefit from Samoa's accession to the WTO. However, there is the expectancy that Samoa's accession should come with a package of assistance to the industry to facilitate the enhancement of its competitiveness in the transition period.

This package of assistance would be to facilitate the process of competitiveness enhancement and should be provided with a "hands-on" approach. The Government should realize that to assist the private sector in this transition period, it should let the private sector advise it of the measures that it should undertake rather than the other way around.

The immediate impact of a significant move towards liberalization is expected to be a deterioration in foreign exchange reserves due to the inevitable erosion of both export revenues and import substitution manufacturing. Unemployment is expected to increase.

In summary, manufacturers have voiced the following concerns and expectations:

- That the WTO is seen as a "big-boys club" with large economies of scale taking over the manufacturing industries;
- There is doubt that the big players in WTO would follow the rules stringently (e.g. the United States on agriculture subsidies, Australia on quarantine; etc);
- Whether the Government can finance the administrative, legal and financial obligations under the WTO without raising further taxes;
- The Government has not provided the resources or a budget to facilitate the provision of technical assistance required to enhance the competitiveness of local industries; and
- The WTO does not provide adequate support for least developed countries.

Manufacturers interviewed had expressed the following general expectations of the positive factors that would result from Samoa's accession to the WTO:

- Access to markets;
- Increased competition;
- Increased pressure for competitiveness: industries would require additional investment in technological adjustments in such areas as packaging; marketing and research and development; as well as export support financing.

The third point above is the major point of contention, where the industry calls for most assistance. The "structural adjustment facility" recommended by UNCTAD is well supported, provided there is a "hands on approach", and effective participation of the private sector is involved.

b) Opportunities

With the liberalized trading environment, various opportunities have been identified for manufacturers and exporters to consider evaluating their options for long term survival. These include the following:

Manufacture and exporters using local raw materials, have a competitive advantage, as shown in the UNCTAD study of the Competitiveness of Samoan Enterprises.

Trading opportunities are available under the Generalized Systems of Preferences in the free trade area within the Pacific (PICTA), the EU (Cotonou Agreement), Japan and the United States under GSP schemes.

With increasing accessibility to export markets, manufacturers and exporters have endless opportunities in the development of niche market products such as handicrafts and artifacts using indigenous raw materials.

Information technology offers advantages in global market exposure with accessibility to market, consumer, and product information as well as to opportunities to promote trade. The internet is now being used by some manufacturers and exporters.

c) Structural Adjustment Facility

Manufacturers and the Samoa Association of Manufacturers and Exporters have indicated strong support for the recommendation by UNCTAD both through DTIC and through the Treasury for the deliberations on the preparation on the Statement of Economic Strategy 2002-2004.

This structural facility is fundamentally required to assist manufacturers and the private sector to enhance competitiveness in order to fully realize the long term of the WTO. This would also ultimately reduce the negative implications posed by market liberalization.

The issues that require to be addressed immediately by the Government and the manufacturing sector in implementing this project however are related to the availability of resources and the most effective approach required.

Manufacturers expect that the process of Samoa's accession to the WTO should be accompanied by such a facility. Furthermore, industry feels that the Government should not only accord this priority

funding and resources, but that there should be a “hands on approach” with more participation by the private sector.

Enterprises should be involved in the preparation of suggestions and recommendation so they could be better prepared through adjustment and adaptation for Samoa’s accession to the WTO and the necessity to compete in a more liberal economic environment. This would also help the Government to elaborate its negotiating strategy.

6. Conclusion

The manufacturing sector in Samoa plays a crucial role in economic development through the employment of well over 3600 people and the production of export and import substitution products in access of \$135million tala per annum. The industry feels strongly that Samoa’s process of accession to the WTO should be accompanied by a package of assistance not dissimilar to the “structural adjustment facility” recommended for Samoa by UNCTAD.

WTO accession is seen as forcing the manufacturing sector to face many more challenges than any other sector in the community. Whilst the opportunities offered by Samoa’s membership of the WTO are worthwhile long-term goals, the extent to which industry can benefit from these are dependent on enterprises’ ability to make the necessary adjustments to enhance their competitiveness.

Manufacturers and exporters would need to adapt and adjust methods of production to enhance efficiency and cost effectiveness. This adjustment process requires capital costs for production adjustments; product and market diversification and research and development. Capital is difficult to raise and interest rates relatively high compared to other trading partners.

Some of the major concerns related to WTO accession are the possibility of increased unemployment and a deterioration of exchange reserves due to the erosion of export and import substitution manufacturing. The need to establish a structural adjustment facility in the interim to assist industries in this adjustment process with a view to the enhancement of the competitiveness is crucial and must be backed by government funding and serious private sector involvement.

The following recommendations and suggestions are made to assist in the enhancement of the competitiveness of the manufacturing sector and to prepare it to meet the challenges of Samoa’s accession to the WTO:

- 1) Establishment of a steering committee comprising the various relevant government bodies, private sector representatives and SAME to receive submissions from enterprises and to determine priority areas for attention; this could be undertaken by the IDE committee under DTICI;
- 2) Creation of a structural adjustment facility along the lines advocated in the UNCTAD report (Competitiveness of Samoan Enterprises and Scope for Assistance in the new Trading Environment –February 2001) with a view to enhancing the competitiveness of the manufacturing and export sectors. This facility should have government priority financing support with private sector representation given a crucial role;
- 3) Development of a national strategy to strengthen the supply of manufactures, the efficiency of infrastructure, and agricultural capacity (Though SES 2002-2004);

- 4) To review in consultation with the private sector on a regular basis all issues relating to the competitiveness of local industries (such as export assistance, interest costs, electricity and water rates) and to take more timely actions through the Trade, Commerce Development Board; and
- 5) Provide resources to assist local support organizations (such as SAME, WIB, and others) to become effective mediators on aspects of competitiveness enhancement for relevant players in the private sector.

CHAPTER V

CHALLENGES AND OPPORTUNITIES ARISING FROM SAMOA'S WTO ACCESSION: TOURISM AND TRANSPORT SERVICES

Veronica Fitimaleafa Levi, DTCl

1. Description

Apart from tourism, the services sector as a whole in Samoa is both hard to define and difficult to measure. There is very little in the way of hard data to measure the size of the existing services both in its amount in dollars and in terms of the number of people it employs. Table 1 below adapted from Treasury Economic Review of July 2001 gives an indication of the contribution that this sector has made to Samoa's GDP. It reflects a very high level of contribution that signifies the importance of this sector to the operation of Samoa's economy. It indicates the highest contribution and is continuing to grow over the years. One of the main resource inputs in this area is the availability of a reliable, capable and skilled labour force and it is one of the main means by which services are delivered. Samoa's SES 2000-2001 reflects the Government's recognition of the importance of building a strong partnership with private institutions, donors and the public in terms of upgrading, improving and promoting educational programmes to help build a more capable workforce. Samoa has few natural resources. The only resources it has are its land and its people. To have a well-educated and capable labour force would definitely help in Samoa's efforts to enter the international arena.

Real GDP 1995 to 2000

	1995	1996	1997	1998	1999	2000
Agriculture	88,30	89,56	77,34	75,81	74,91	76,84
Fishing	41,17	44	47,5	53,26	49,66	49,65
Food & Beverage Manufacturing	20,93	29,67	29,48	24,16	24,32	23,3
Other Manufacturing	74,75	70,62	64,75	58,16	59,11	67,41
Total Services *	138,84	154,60	161,45	170,87	182,66	199,82
Commerce	64,11	72,75	79,41	85,5	92,35	100,69
Public Administration	46,73	50,07	54,71	59,49	63,55	67,52
less Enterprise share of FISIM	-2,71	-2,8	-2,86	-3,15	-3,41	-3,73
Ownership of Dwellings]	20,39	20,81	21,23	21,65	22,09	22,53
Personal & Other services	37,79	39,57	40,25	41,92	42,27	45,37
Value added at the 1994 market prices	530,30	568,85	573,26	587,67	607,51	649,40

per cent in comparison to other contributors	26,18%	27,18%	28,16%	29,08%	30,07%	30,77%
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* Services include construction, electricity and water, hotels, restaurants, transport and communication and Business and Finance.

2. Tourism

The creation of a liberal deregulated environment by the Government has had its benefits in this part of the services sector. It has enhanced the attractiveness of Samoa as a location for foreign investment in tourism. This no doubt has had a spill-over effect on other products and services as demand increases as the number of tourist arrivals increases. The number of tourist arrivals i.e. those purely for holiday visits relies heavily on the promotional strategies used not only by the Visitors Bureau, but also by local airlines and tour operators in marketing Samoa and trying to persuade tourists to choose Samoa as a holiday destination.

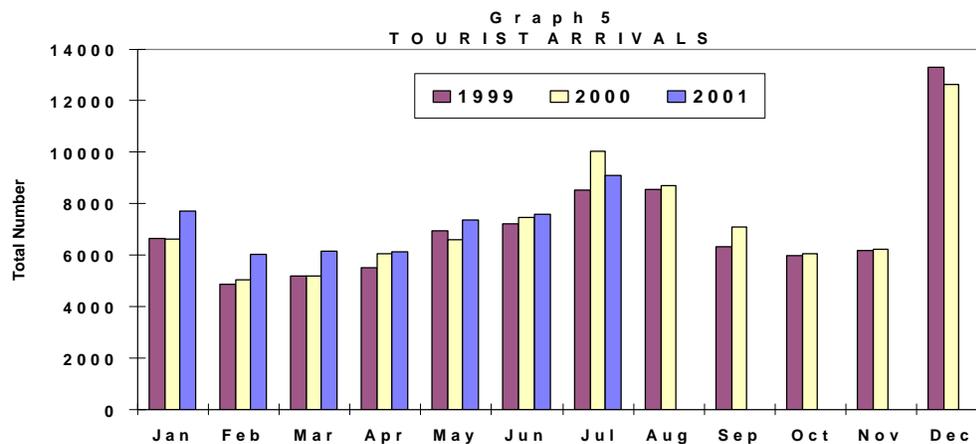
This fact was clearly stressed in the Government's Statement of Economic Strategy (SES) 2000-2001 where it identified tourism as one of the key priority sectors to be sustainably developed. Not only

does it offer great opportunities for foreign exchange generation but it also creates spill-over effects by way of employment creation. To bring Samoan tourism to a sustainable stage is stressed in the SES as depending on marketing strategies implemented with facilitation, industry coordination, and liaison between the Samoa Visitors Bureau (SVB), airlines and tourist establishments.

However, most tourist arrivals in Samoa are families visiting relatives. This group does not necessarily occupy hotels/commercial accommodations and thus it is highly likely that related services e.g. restaurants/tours, are not used. Visitors who come to Samoa for a holiday or for business are very much reliant on such services thus increasing demand and at the same time help to develop those service industries e.g. other tourist activities include not only hotels, but also beach resorts, airport services, tour sites, tour operators, eco tour activities, scuba diving, game fishing, surfing, restaurants, transport etc.

The holiday tourist part of the tourism sector relies heavily not only on promotional strategies used by the Bureau and the local airlines, but also on the frequency/service of flights available in and out of Samoa and other related services. There has been a marked increase in diversification away from traditional commercial hotels to beach resorts targeting niche markets i.e. surf resorts that offer a different focus, services which have been recently introduced into Samoa. Foreign investors who have identified these potentials in Samoa have introduced most of these newer types of tourist activities.

This has shown that not only has a liberalized environment helped to increase the number of tourists in the sector (graph 5 below shows the trend in tourist arrivals) but it has also helped to increase the variety of tourist activities This has had a spill-over effect on other services in areas such as car rentals, travel agencies, improvement in telecom, increase in the number of internet cafés accessible to visitors, and increased demand for local fruits and vegetables by restaurants and hotels.



Issues impeding the development of the tourism sector include the following:

- Access to land and the land tenure system;
- Cost of goods to be used by tourist high, as most will be imported;
- Limited airline services;
- Environmental issues;
- Social and cultural issues;
- Investment issues & availability of equity capital for tourism activities;
- Infrastructure - needs to be upgraded;
- labor and employment issues – need for ongoing training.

Requirements for the development of the sector include:

- Greater selection of restaurants (both cuisine and fast food type) to cater for the tourist industry;
- Internet cafés;
- Conference facilities;
- Chartered cruise boats;
- Coastal boat tours;
- Soft tour adventures and village stays;
- Handicraft demo tours;
- Garden tours;
- Educational tours;
- Movie theatres.

3. Business Services

(a) Legal Services

Most of the legal practitioners in Samoa have been trained in either New Zealand or Australia and thus have adequate knowledge of the laws of those countries and that of Samoa. Current legislation governing the profession authorizes practice by a barrister or solicitor if they hold a practicing certificate, is a Samoan citizen and is aged 21. At present there are adequate legal services available locally to support the growth of this service as a whole. There may however be a need in the future (in the case where Samoa increases its international trade) for more understanding, knowledge and expertise in the profession to deal with problems and or difficulties endured in the international exchange of goods and services.

(b) Accounting Services

Current legislation allows a person to practice if he/she is a member of the Samoa Society of Accountants, holds a certificate of public practice and pays a fee to the Society. Although membership is open to residents it also recognizes qualifications from overseas professional bodies e.g. Australia, Fiji, New Zealand etc. It allows to practice in Samoa for up to five years. Most of the local qualified accountants are trained in either New Zealand or Australia and have good knowledge of the requirements of those countries as well as of Samoa. This will be important once Samoa's international trade in goods and services increases. As with the legal profession, the local practitioners would probably have a competitive advantage in local market as they have established clientele and have the cultural background, experience and understanding to be even more customer-oriented. At the international level Samoan accountants would probably need more time, effort and cost to gain the confidence of any foreign clients. Some local accounting firms have established themselves outside of Samoa (mainly in the Pacific Region), which indicates the capability of this profession in Samoa.

(c) Architects and Engineers

Although there are few architects and engineers in Samoa, the number is adequate and sufficiently qualified for the low level of both demand and sophistication. Most architectural and engineering work is undertaken by the Public Works Department and basically includes the construction of facilities and infrastructure. A more sophisticated demand for this service would not provide a big enough market to support a high level of skills. Unless there is a demand for more sophisticated housing facilities and, depending on the economic development of Samoa, this service is not likely to be under any competitive threat. There is however, the possibility of more joint venture partnerships between Samoan Construction/Engineering enterprises with overseas enterprises which can provide skills and

technology not already available in Samoa. This would also mean allowing foreign nationals to work in Samoa.

4. Communication Services

Greater improvement in this service sector has been noted as a result of the Government's continued efforts to develop the private sector as whole and thus continue to privatize state owned enterprises. This resulted in the privatization of Samoa Communications Limited in mid 1999, with an exclusive licence to provide both postal and telecommunications in the country. This was aimed at improving communication services both nationally and internationally.

An effective telecommunicating system is critical to the expansion of the service sector. The current telecommunication situation in Samoa is reasonable but could be improved. There are terrestrial systems that operate the phone lines. Cellular phones are operated by Telecom Samoa Cellular (a joint venture between Telecom New Zealand and the Government of Samoa).

The constraints felt by other sectors also apply to this sector and hinder its development. Initially there were problems with the change of the management philosophy from a government-oriented style management, to one of a corporate institute. Then there are infrastructure problems e.g. the inadequate availability of phone lines and the need to both maintain and upgrade the existing lines to ensure the continuity of services. In terms of trying to further develop the service by employing upgraded and the latest technology equipment, the costs are too high to be supported by such a small market base of consumers.

There is evident competition in this sector as noticed by the increased number of service providers in this sector e.g. in postal services there are a handful of postal service providers and of course the introduction of the cellular phone. However competition in these areas will not be viable with many competitors again due to a very limited market base.

The establishment of a mobile phone service has seen to be very successful not only due to there being only one player in this sector but also due to the inadequate service provided by the alternative phone lines. The only reason why its growth has stagnated after its initial five years in operation is the inadequate bandwidth made available. The coverage however, like land lines, is limited to only a certain area consumers in the rural areas remain at a disadvantage. This service is very important to, and appreciated by the booming fishing industry.

5. Information Technology

The availability of such efficient and sophisticated services and the increased need for more efficient information technology (IT) has led to an increase in the number of such services available e.g. computer service providers, internet cafés, used by a variety of users like small businesses that cannot afford set up an internet connexion, tourists, and students. IT could be defined as a peripheral service involving the distribution and installation of computers, computer repairs and software, and internet service provider (ISP) In education, the use of computers and internet technologies have been included in school curricula (e.g. NUS and the Polytechnic) thus developing computer literacy and encouraging the growth of services relying on computers.

There are a number of companies offering services in these areas i.e. ISP's. The growth of this sector is highly dependent on its users. There is considerable growth to be expected amongst the local business community as they venture more into the international arena. However as with private home users, the expectations of this group of users are not high. Therefore, the market would not necessarily

require more competitors due to the lack of infrastructure to set up such a facility, the small market base and, the high costs to set up such a system. As in telecommunications and the other sections of this sector the idea is that the pioneers would dominate the market unless a new entrant can provide more reliable infrastructure and support services relating to the delivery of a better service than that provided by a pioneer company. This would mean that a new entrant would have to remove the pioneer from the market to be able to get a sufficient market share to support investment in the sector.

6. Radio and Television

(a) Broadcasting

Apart from the initial government owned broadcasting network which serves the whole nation, competition has been made possible by the creation of more liberal and more transparent economic reforms. The tariff reforms have helped the establishment of such services as customs duty on machinery and equipment were formerly very high. A number of private sector entrepreneurs have set up broadcasting stations each with their own target markets and group of listeners. Currently there is probably enough available to cater for a small market. To have more would probably mean that there would need to be more businesses to be able to support these stations, as advertising is their only major source of revenue. A radio broadcasting licence can be granted by the Minister to anyone wishing for one under certain terms and conditions.

(b) Television

The Televisé Samoa Act introduced an incorporated television network for Samoa but no exclusive rights were given to the corporation. Today Samoa can rely on a variety of choices on the network i.e. religious, news sports etc Though having competition probably gives consumers a greater selection of choice, pioneer domination would also apply in this sector due to the small size of the local market. There would probably be a threat for the pioneer competitor only if a foreign competitor could provide a much better infrastructure, related services and reliable service to gain consumer confidence in the market and thus push out the pioneer. There is also competition for other related services e.g. video outlets, video production and cinemas, all competing to be the first to offer up to date entertainment for consumers.

(c) Films control

Legislation was introduced to control the exhibition of and the censorship of films. A license is required to exhibit films. Currently there is an increasing number of players in this market e.g. those selling films in the form of videos, dvd's etc. A first class cinema with foreign shareholders has recently opened. This kind of venture could only be made possible by foreigners due to the huge establishment cost associated with such ventures. It is impossible for locals to provide such finance. The local pioneers in this market are feeling the pain of being squeezed out of the market by a much better service provider. This kind of competition is good for consumers as they now have a better selection to choose from.

7. Transport Services

The liberalization of the maritime transport sector has lead to the recent establishment of the Ports Authority, the improvement and upgrading of the International Airport, the addition of the Samoa Shipping Corporation fleet, and the purchase of an additional long-range aircraft for Polynesian Airlines. No doubt these improvements and upgrades are the result of consumer demand and the increasing need for such services. Due to these improvements, particularly in infrastructure (which this sector highly relies upon), and tariff reforms, it has made the market for Maritime Transport more competitive. New entrants

from foreign countries are so overwhelming in terms of capital inputs and the vertical integration of their businesses that they almost crowd out of competition the local pioneers of the industry. They cater for stevedoring, haulage, shipping agents and shipping services all in one package, whereas the local players in this industry do not have such an advantage. Locals are constrained by lack of capital, the cost of machines and equipment to enable vertical integration and, lack of international exposure, skills and knowledge in this area.

8. Common Constraints

Constraints experienced by local enterprises in Samoa since liberalization and reform measures were highlighted in the recent UNCTAD study on Samoa's competitive position:

- Difficulty in obtaining investment finance and access to equity;
- High interest rates on investment finance;
- Lack of developmental approach of financial institutions;
- Limited knowledge and expertise of entrepreneurs in building competitive production and export capabilities;
- Scarcity of skilled labour;
- High cost of electricity;
- Insufficient frequency of international flights for the tourism industry;
- Access to land (particularly for the tourism industry);
- Status of existing infrastructure e.g. telecommunication.

9. World Trade Organization and The General Agreement on Trade in Services

The implications of WTO membership on Samoan enterprises can be examined by first describing the environment governing trade in services generally known in the WTO as General Agreement in Trade in Services or GATS. The Agreement governing GATS was a result of the Uruguay round in January 1995. The service sector worldwide is said to be a growing form of international trade and is growing faster than that of trade in goods. It generally covers the same objectives governing the GATT:

- Creating a credible and reliable system of international trade rules;
- Ensuring fair and equitable treatment of participants (non-discrimination);
- Stimulating economic activity through policy bindings; and
- Promoting trade and development through progressive liberalization.

Many services have become mobile and this mobility is expected to continue due to the introduction of, and rapid change in new technologies e.g. EFTPOS banking in Samoa, opening up of monopolies e.g. privatization of the Post and Telecommunications Department, and regulatory reforms. These have enhanced the trade in services coupled with the changes in consumer preferences, which change according to culture and international exposure. The agreement covers all service sectors excluding 1) services supplied by Government and 2) air transport services. The basic difference between trade in services and other products is its mode of supply, where the provider often has to move to the customer's country, with the key principle being that of non-discrimination (MFN).

WTO Requirements Regarding Domestic Regulations:

- Regulations must be reasonable, objective and transparent;
- Impartial review of administrative decisions must be available;

- Relevant laws and regulations must be published;
- Inquiry points must be established;
- Recognition of qualifications, standards etc. must be non-discriminatory.

10. What it means for Samoa

The liberalization and reform programme implemented in order to accede to WTO, has affected in not only the service sector, but all sectors of Samoa's economy. Accession to the WTO would mean that Samoa would be on a level playing field with its foreign competitors, albeit its market size and economic status. Accession to the WTO would open up the services that Samoa offers to international competition and would mean that Samoa has to have, particularly in its exportable services (i.e. those covered in business services), skills and knowledge to be able to enter and expand its market potential, rather than restraining itself to a very small market base.

Samoa has to be aware of the rules of competition that are already in existence in the international playing field e.g. in the accounting profession. Samoan accounting firms wishing to expand their services outside of Samoa have to understand the accounting standards of countries that are members of the WTO. Although most of Samoa's accounting profession and lawyers have qualifications from overseas, they need to keep themselves up to date with world changes and the business environment of countries it wishes to expand its services to. The accounting profession has continuing education programmes aimed at enhancing members' skills and knowledge and keeping members up to date with global developments and changes in the accounting profession. It should also be kept in mind that not only is Samoa allowed to easily access the arenas of member countries (with huge market bases) of the WTO, Samoa will allow its markets to be exploited by those same countries, so must be careful to keep its local market to survive. Keeping the local market may mean it must improve the services that it offers to face the competition.

Many Samoan enterprises felt uneasy after the first wave of reforms. Accession mechanisms (liberalization and reforms), have made it easy for companies from any member country, which may be a developed country, to enter Samoa with huge capital investment, skills, knowledge, capability and expertise to take major market shares from local companies. Liberalization allows the entry of competitors who in the end will compete in the local market for quality of service at an affordable cost. It should be realized that in the case of those services which assist or, are a constraint in the operation of other sectors e.g. freight and electricity, liberalization would naturally mean competition leading to a reduction in costs. There are constraints in terms of equity financing and costs related to the establishment of a service due to the high cost of machinery involved e.g. in the telecommunications, transport and radio and television services. These services have experienced a reduction in duty rates, which have allowed those existing and new enterprises to easily import expensive machinery and equipment to help to establish their service companies.

Although there is fear of new international companies crowding out local competition, this should encourage local enterprises to enter new areas such as joint ventures with foreign companies to increase their local capital capacity, obtain skills and knowledge not readily available locally and, be a gateway to the international arena. Local companies could also act as agents to international companies wishing to establish themselves in Samoa. As a result, local enterprises should re-focus their business strategies, taking an outward looking approach rather than a strategy that focuses inwardly only on the domestic sectors. Assistance should also be actively sought to help develop strategies and to try and diversify their services. Educating and training of a well skilled and capable labour force should help strengthen competition in this sector. Samoa offers cheap labour in comparison to the developed countries of the WTO.

In the tourism industry, a service that could not really be exported, there is always fear of competition from multinational hotels which have the funding to establish hotels in Samoa. This would in fact depend on the number of visitors arriving in Samoa although increasing it seems that what is already available locally is more than sufficient all year round. It also appears that the rate at which tourist arrivals is increasing coincides with the rate at which local accommodation is increasing. This service still makes a very important contribution to Samoa's GDP, and much effort is needed to keep its GDP status, as well as trying to increase this level. Increasing this level will depend the strategies that will be used to promote and market Samoa to increase the number of international visitors. As with services relating to tourism, the introduction of competition has stimulated the sector, as without these international insights into potential sections of the sector Samoa would probably not have any facilities targeting surfing, eco-tourism or scuba diving activities. This has stimulated the market and thus has added a new group of tourists to Samoa.

There may be more pressure from other WTO members for Samoa to further reduce its tariffs. This would benefit enterprises whose services are dependent on the importation of expensive equipment to carry out their services e.g. in the transport and communication services. However, it will also leave room open for other members of the WTO to enter Samoa freely. A major aspect of having available the necessary machinery and equipment (sometimes hi-tech), is to have an ample supply of skilled and qualified labour to assist in providing the service. This is required in particular in business services, telecommunication services, radio and television and transport services. Otherwise, foreign enterprises would bring in not only capital investment but also foreign labour as the WTO would allow easy entrance and allow foreigners to work in Samoa.

11. Forthcoming Discussion on the Services Sector in the WTO

The current preparations for the Fourth Ministerial Conference in Doha are proposing under the services sector that:

- A full and effective implementation of Article IV (increasing participation of developing countries) to strengthen LDC's domestic service capacity e.g. access to technical and distribution channels and information networks, to enable Samoa to participate in trade in services in the modes of supply of interest to us.
- Commitments to be made by developed countries to allow the movement of natural persons and to eliminate limitations e.g. allowing any Samoan to enter New Zealand or Australia, and be allowed employment status in these developed WTO member countries. Under this commitment it is proposed that members are to take steps to employ transparent administrative procedures for the full and effective implementation of commitments to the movement of natural persons.

To conclude, underlying all of the efforts of the WTO is the need to offer choices to consumers, and due to this "fight to please", enterprises of member countries are forced to compete, and competition should not be feared, but rather taken as a challenge to help to improve our own standards and standing in the economic community. Our only assets to help us deliver all of this are our people. Malo faafetai.

CHAPTER VI

CHALLENGES AND OPPORTUNITIES ARISING FROM SAMOA'S WTO ACCESSION FOR FINANCIAL SERVICES

Atalina Enari

1. Introduction

Modern economies depend on well-functioning financial sectors. All branches of economic activity today are fundamentally dependent on access to financial services. A healthy and stable financial system supported by sound macroeconomic management and prudential regulation is an essential ingredient for sustained growth. The financial services sector is complex and confusion and a number of misconceptions can arise regarding the consequences of financial sector liberalization.

This chapter examines the challenges and opportunities arising from WTO accession, with particular reference to financial services in Samoa. The first part is the description of the financial system in Samoa. The second part discusses the financial environment before and after the liberalization of the financial sector. The third part examines the effects of these reforms on the sector and the economy as a whole. Finally, it examines the benefits and constraints of the liberalization of trade in financial services to the domestic financial sector.

2. Structure of the Samoan Financial System

The financial sector in Samoa consists of the Central Bank of Samoa (at the apex of the financial system), three commercial banks and a number of non-bank financial institutions (NFI's). There are three licensed foreign exchange dealers who also operate money transfers. Credit unions are an established part of the financial system and some credit (insignificant) is also provided by small finance companies and solicitors. Under the Financial Institutions Act 2001, NFI's also include insurance companies.

3. The Financial Environment

Since its establishment, the Central Bank of Samoa has depended on direct control of credit and interest rates, combined with the Liquid Asset Requirement for the conduct of monetary policy.

Interest rate regulations have imposed maximum rates on loan and overdrafts, and minimum deposit rates for savings and term deposits. Quantitative limits were imposed on the growth of commercial bank lending.

CBS had no authority to supervise non-bank financial institutions and there was no prudential framework in place to cover these institutions. In addition, loans from the NFI's were made at rates below those of the commercial banks with repayments at longer terms. As a result, the NFI's dominated the financial system accounting for about 60 percent of total loans provided by the system to the private sector and public institutions. Consumer credit was also available from a number of informal sources. Therefore, none of the Central Bank's monetary policy measures applied to a relatively significant segment of the financial system.

There was, and there still is no capital market, and the short-term securities market was underdeveloped. The range of domestic financial assets available therefore remained narrow, and the holding of foreign assets by residents was restricted under the prevailing foreign exchange controls regulations. As a result, the bulk of the financial savings of the community flowed into commercial bank

deposits. In addition, the administration of foreign exchange control was strongly adhered to. All overseas payments of foreign exchange required Central Bank approval.

This resulted in the environment becoming more restrictive in creating an innovative financial sector to respond to increasing private sector development demands. Fixed interest rates became impediments to the banks' pricing of risks of development projects. The quantitative credit controls on commercial bank lending meant that the Central Bank had less control on the money supply as NFI's, which are outside the control of the Central Bank, took an increasing share of the demand for credit.

4. Financial Liberalization Environment

In January 1998, the ceilings on credit and controls on interest rates were lifted and the market forces of supply and demand were allowed to determine the allocation and use of financial resources in the economy. Under this new framework, the commercial banks were free to determine the amount of loans they wished to grant to the general public and to set the level of interest rates on their loans and deposits.

With the abolition of direct controls on credit expansion and interest rates, the Central Bank instead adopted indirect monetary instruments to influence credit availability as well as the appropriate pricing of risks. This includes the development of the money market, initially through the auction of Central Bank securities and strengthening the capacity of the relevant financial institutions and Government Departments to implement reform initiatives.

With the removal of direct controls, prudential supervision was strengthened. Adopting international standards under the Basle Core Principles of Supervision, the Central Bank has strengthened its prudential supervision of the banks. In recognizing the need to extend prudential supervision to the operations of the NFI's, the Financial Institutions Amendment Act 2001 was passed by Parliament in January 2001. The amendment provided the authority for the Central Bank to extend its supervisory arm to cover the operations of NFI's.

The Government levy of one per cent on the sale of all foreign exchange was abolished in 1999. The commercial banks have been allowed to engage in forward cover transactions in foreign exchange and to ensure they maintain prudent foreign exchange net open positions in their operations.

The Exchange Control Regulations 1999 saw the introduction of formal licensing procedures for foreign exchange dealers. This permitted the licensed dealers, other than commercial banks, to undertake foreign currency exchange operations.

Financial sector liberalization has seen the rise of many small finance companies and a number of foreign exchange dealers (currently three) and money transfer operators in the country. This has encouraged more competition in the financial system giving the general public a wider range of financial services providers to choose from at lower costs. Insurance business is another area which has grown with the implementation of financial sector liberalisation. To date, there are six players in the industry.

Preliminary meetings have been held with interested promoters of the Venture Capital Fund Scheme. Further enquiries are being made to determine the impact of this scheme, taking into account the existing financial environment of Samoa and its current developments.

The Central Bank signed Article VIII of the IMF Articles of Agreement in 1994, thereby agreeing to liberalize current account payments. As a result, foreign exchange controls on current payments were progressively relaxed until fully abolished last year. Other than the usual monitoring for balance of

payments and anti money laundering purposes, there are no controls on the inflow and outward remittance of capital.

5. Effects of reforms so far

A. Effects on the Financial Sector

Prior to liberalization, the overriding public concern was that access to credit was always constrained and limited. Since ceilings on loans were lifted, this concern is hardly ever heard of now as the banks, given their ability to determine interest rates, are more willing to lend more by adding a risk margin to the cost of a loan. Commercial banks' base rates have been on a declining trend since 1998. Interest rates have stabilized, though interest spreads are still on the high side at around seven per cent. Since 1998 the abolition of credit controls saw a substantial expansion in bank lending.

The removal of credit controls has also provided a level playing field, allowing commercial banks to compete more equitably with the non-bank financial institutions. The commercial banks' share of all loans extended by the financial system rose from 38 per cent prior to 1998 to around 50 per cent since then. Hence, it can be seen that liberalization of the financial sector has encouraged competition and has created more opportunities for customers to shop around for better deals.

New financial services and innovations emerged in the new environment. A good example is the introduction of Automatic Teller Machines (ATM's) and Electronic Funds Transfer at Point of Sale (EFTPOS) services by one of the commercial banks (ANZ) to better serve the public. ANZ has launched a new service by introducing phone banking into Samoa. This new service is part of ANZ's continuous improvement programme, which aims to make customer service more convenient and enjoyable.

B. Effects on the Economy

During the past six years Samoa has embarked on an extensive and far-reaching programme of economic and financial reforms. These reforms were aimed at strengthening the economic base of the country, whilst liberalizing the financial sector to facilitate private sector development.

The benefits of the reform programme are now reflected in the country's economic performance. From a low of 0.8 per cent in 1997, growth in the economy accelerated to 2.5 per cent and 3.1 per cent in real terms in the subsequent two years. In the year 2000 in particular, our economic growth exceeded 7 per cent. The construction industry was the driving force behind the strong performance in 2000, assisted by tourism, commerce, transport and communications, and the finance and business sectors.

The main objective of Samoa's monetary policy is to promote sustainable real economic growth by maintaining price stability and international reserves viability. Hence, the Central Bank aims to achieve and maintain the rate of inflation at around three per cent. The Central Bank considers a level of net foreign reserves equivalent to no less than four months of import cover as adequate for maintaining the country's long-term economic stability. At the end of August 2001, the inflation rate, on an annual average basis, was 2.2 per cent and foreign exchange reserves were equivalent to over 5.1 months of import cover.

6. Opportunities AND Challenges Arising from Accession to THE WTO

A. Benefits from the liberalization of the trade in financial services include the following:

1. Competition

Financial sector reform has encouraged competition among the financial institutions in the delivery of their financial services. Commercial banks are now competing on a level playing field with NFI's. Commercial banks' share of loans to the financial system rose from 38 per cent (before 1998) to 50 per cent since then.

2. Improved quality of service

This is evident through the simplification of the processes that a customer must go through from withdrawing money to obtaining a loan. ANZ Samoa has taken the lead in investing in modern banking technology. ATMs and EFTPOS are now available in supermarkets and hotels. Phone Banking was launched recently whereby customers can access their accounts 24 hours seven days a week from home or work. Customers are also able to pay utility bills over the phone, order statements and chequebooks and obtain exchange rates. Similar developments are also in the pipeline with regards to the other financial service providers.

1. The range of available services is likely to increase with the emergence of new financial instruments

In 1998, the commercial banks were authorized to enter into forward contracts with their customers to buy or sell foreign exchange. The aim was to encourage the development of a forward foreign exchange market and to assist importers and exporters wishing to eliminate the risk arising from movements in the exchange rate used in international transactions. There was talk about foreign currency swaps by one of the commercial banks. This has yet to be developed.

4. Deeper and broader financial markets by increasing the volume of transactions and the spectrum of services thus reducing volatility and vulnerability to shocks

Financial sector liberalization has seen the rise of a number of small finance companies as well as foreign exchange dealers. It also discouraged black market operations with foreign currencies being directed through official channels. The foreign exchange levy of one per cent has been removed.

5. An open financial sector increases the incentive for better macroeconomic policies and regulation

Whilst it removes controls and opens up the financial sector, at the same time, the CBS has strengthened its regulatory role (prudential supervision) and improved risk management in the sector. The enactment of the Financial Institutions Amendment Act 2001 empowered the Central Bank to extend prudential supervision to NFI's. The enactment of the Money Laundering Prevention Act criminalized the activity of money laundering in Samoa. The liberalization of the financial services sector improves the potential for risk management and insurance

7. Arguments against the liberalization of financial services

Concern was raised by one of the commercial banks about measures that can be taken by the Central Bank to protect them from the entry of foreign banks.

First of all, if these banks are well established in the local market, then entry of a new bank will enhance competition and improve quality of service to the public and promote efficiency of the domestic sector. Such a measure would suggest a "protectionism policy" which defeats the whole purpose of economic reforms as well as accession to the WTO.

If there is concern about overbanking, before a new bank penetrates the market, it is in their best interests to do a feasibility study on the size of the market before considering setting up business in the local market.

Overbanking suggests that there are already too many banks trying to attract business in a given financial market. To the extent that this reflects concern about the viability of individual financial institutions, it is best addressed through prudential measures to facilitate orderly exit from the market.

The ultimate responsibility for the affairs and performance of a financial institution operating in Samoa resides solely with the board of directors and management of those institutions. The Central Bank can neither guarantee their soundness nor can it provide complete protections for their depositors, creditors and others with claims on them. However, by ensuring that financial institutions follow prudent management practices, the Central Bank can promote public confidence in these institutions and assist in maintaining a sound financial system.

This is the only concern that has been identified at the moment. Other constraints are not apparent. It is expected that the sector will face new challenges once accession is realized. It should be noted that reform of the financial sector was part and parcel of the Government's overall economic reform programme. However, during the process, it is also conforming to the WTO requirements on financial services.

CHAPTER VII

CHALLENGES AND OPPORTUNITIES ARISING FROM SAMOA'S ACCESSION TO THE WORLD TRADE ORGANIZATION FOR SAMOA'S TRADE POLICY AND ENVIRONMENT

Margaret Malua, DTIC

1. Samoa's National Trade Policies

In 1998, the Government undertook substantial economic reforms to enhance the development of the economy through the introduction of trade liberalization policies. These trade policies were aimed at developing the private sector as the engine of economic growth.

Some of the trade policies introduced included:

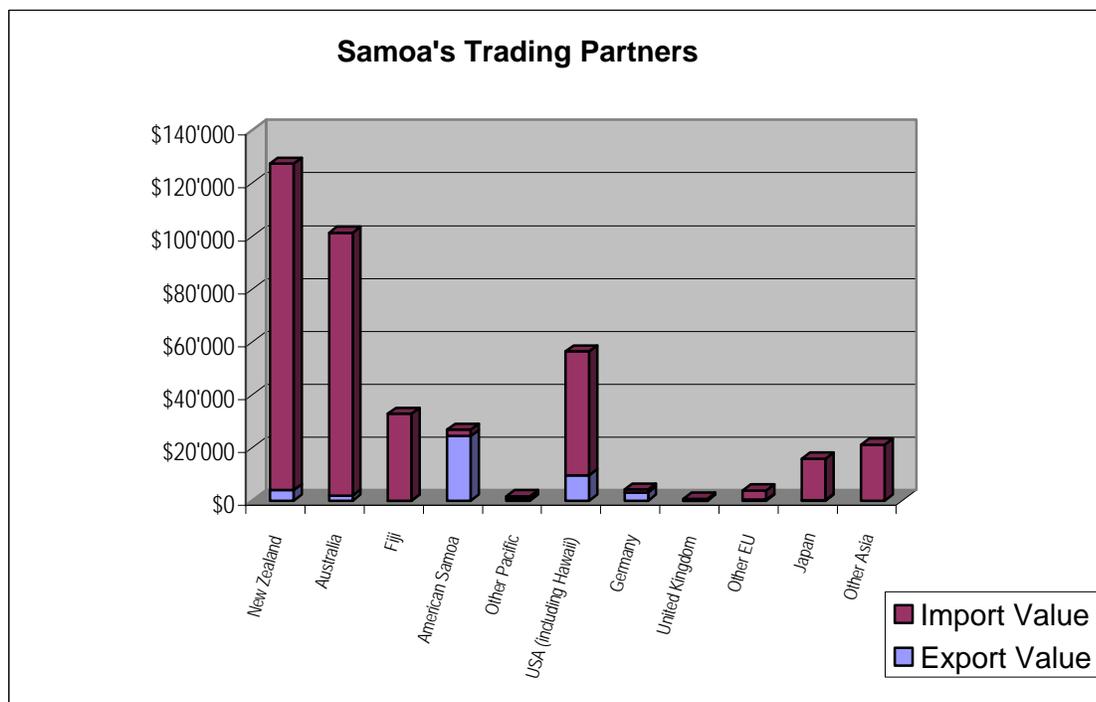
- Promotion of trade in goods through exports;
- Promotion of trade in services through tourism, the liberalization of the financial markets and the privatization of the telecommunications sector;
- Increasing access to international markets;
- Increasing foreign exchange earnings;
- Substantial tariff liberalization;
- Improvement of the environment for businesses in Samoa such as developing updating legislation and developing policies to facilitate trade and investment in the country; and
- Private sector development.

2. Samoa's Main Trading Partners

Samoa's main trading partners are American Samoa, Australia, New Zealand and the United States. In 2000 American Samoa accounted for over 50 per cent of the total, with United States as the second largest export market. Other export markets that are of importance for Samoa are Germany, Fiji and the other Pacific Island markets.

New Zealand and Australian goods dominate Samoa's imports with an increasing share from the United States. Fiji and the Asian countries are also increasing their market share in Samoa as compared to a very insignificant amount of imports from American Samoa.

Samoa's exports to Australia and New Zealand are much less than imports. The result is a trade imbalance favouring Australia and New Zealand. American Samoa is the only trading partner with which Samoa has a surplus trade balance, which is very good considering the value of the United States dollar.



Source: Central Bank Bulletin June 2001.

Samoa's Trading Partners: Export products and markets 2000/2001

Product	Markets
Coconut Cream	Australia, New Zealand, American Samoa, New Caledonia, Cook Islands.
Garments	United States, France, Canada, Japan, Venezuela, Taiwan, China, Germany, Hong Kong, China, New Zealand, Italy, Singapore
Beer	American Samoa, New Zealand, United Kingdom, Tokelau, Cook Islands, Fiji, Wallis and Futuna,
Nonu	United States Australia, Germany, New Zealand, Hawaii, United Kingdom, Vanuatu, Netherlands, American Samoa, Papua New Guinea, Japan
Kava	Germany, United States, American Samoa, Hawaii, New Zealand, Australia, Japan, Tonga
Taro	American Samoa, New Zealand, Hawaii, Australia
Cigarettes	American Samoa, Tonga, Guam
Soft drinks	American Samoa and Tokelau
Coconuts	New Zealand, Australia, Germany, American Samoa
Corned beef, salt beef and sausages	New Zealand, Cook Is, Tonga, Wallis and Futuna
Soap	American Samoa, Switzerland, Germany
Samoa lotion	United States, Germany, New Zealand, Australia, American Samoa
Chocolate	Australia, Germany, American Samoa
Copra	Fiji, United States, Germany
Desiccated coconut	

Source: Central Bank of Samoa

American Samoa does not grant preferential access and imports are subject to fees and charges imposed by the American Samoa authorities which often introduce new fees and requirements on Samoan products on an ad hoc basis. United States mainland requirements also applicable in American Samoa, for example, the USDA regulations on the importation of beef.

Under the SPARTECA Agreement Samoan goods enter Australia and New Zealand duty free, subject to meeting the requirements of the market as well as the rules of origin provision. Rules of origin criteria are that the product must have at least 50 per cent local content. Quarantine standards and requirements from these markets are very high and very difficult to meet, especially given that Samoa has no scientific capacity to fully develop the produce.

Samoa has access under the Generalized System of Preferences (GSP) to the United States market, and also that of Japan under the Japanese GSP provided that the products meet the quality standards and rules of origin requirements.

There is no preferential access at the moment to Fiji and other Pacific Islands markets. However, when the PICTA is ratified, access could be under this Agreement, provided products meet the standards and rules of origin criteria.

Samoa has preferential access to the European Union under the Lome IV Convention, and now the Cotonou Agreement, subject to standards and rules of origin requirements.

3. Issues Relating to Market Access to Trading Partners

Samoa has difficulty in meeting the quality standards and requirements of markets despite duty free access. Samoa has limited power to argue a case against a protectionist requirement imposed by the market and especially in providing scientific evidence that the requirement was for protection. Increased international competition due to the erosion of trade preferences as markets commit themselves to tariff reductions is another factor.

4. Opportunities

American Samoa is the only market where Samoa has a trade surplus. Hence, Samoa must develop this opportunity to its maximum capability. In the last year Samoa exported to new markets, which provide a continuous opportunity to expand into other markets

5. Regional Trade Agreements

A. Pacific Island Countries Trade Agreement (PICTA)

The main objective of the PICTA is to create a common market for Forum Island Countries (FICs) and to respond to globalization. Globalization means a reduction in tariffs, the decrease and eventual phasing out of most aid and in particular, the elimination of trade preferences. A free trade area creates a larger economic unit or bloc that gives FICs a stronger foundation for responding to globalization and universal trade liberalization. A free trade area is part of a process of regional integration.

Benefits of the PICTA to Samoa include the following:

- Trade creation – FTA allows countries to enjoy gains from trade through trade creation where members will increase imports of goods and services which other countries produce more efficiently, and increase their own exports of goods which they themselves can produce more efficiently than their partners;

- Economies of scale will enlarge the size of the markets available to producers in member countries and will also reduce production costs;
- Increased competition – improved efficiency on the part of producers from facing up to increased competition;
- “Stepping stone” to non-discriminatory liberalization – for instance the success of the CER, where the opportunities and challenges created by CER made a substantial contribution to the process of adapting to a more competitive environment;
- Attracting foreign direct investment – can increase the attractiveness of the region to foreign direct investment;
- Increased investment links among member countries;
- There will be modest immediate economic benefit to Samoa because tariffs will fall and prices of imports will fall;
- In the longer term the FTA will create a market of six million people which creates future possibilities that cannot be foreseen;
- This will allow for increased collective action on trade policy and facilitation, e.g. trade policy with the EU, Japan and the United States;
- Samoan exports of fish products and tree crop products are becoming more competitive as a result of sound macro policies, thus creating a potential for Samoa to become a supply source for FICs.

Costs to Samoa would include the following:

- Free trade with the other FICs will mean that goods produced in Fiji for instance, will enter Samoa duty free, resulting in a decrease in revenue of approximately three per cent;
- Will require administrative costs to operate but can be minimized through a simple agreement;
- This will not start until 2001 and implemented in stages over eight years, although in most FICs there would be little impact for the first five to six years.

B. Rules of Origin under the PICTA

Goods exported from one party to any other party, either directly or indirectly, shall be treated as goods originating in the territory of the first party if these goods are wholly produced or obtained in the territory of that party or if the final process of manufacture takes place in the territory and, total expenditure on materials, labour and overhead costs, is not less than 40 per cent of the total expenditure. A two per cent margin of tolerance is applied upon agreement by the parties.

C. New Zealand/Australia: South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)

The South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) between Australia and New Zealand on the one hand, and Forum Island Countries on the other, came into

force on 1 January 1981. The current members of SPARTECA are Australia, New Zealand, the Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu and Samoa. SPARTECA has been notified to the WTO by participating Members of the WTO.

The Agreement is a non-reciprocal preferential trade agreement that seeks to promote and accelerate development of the Forum Island Countries through the promotion of economic, industrial, agricultural and technical cooperation among them. Under the Agreement, the two developed nations of the region, Australia and New Zealand, offer duty free, unrestricted or concessionary access for virtually all products originating from the developing island member countries of the Forum. At present all exports from the Forum Island Countries to Australia and New Zealand enter under SPARTECA. This is preferential non-reciprocal trade and economic agreement, which came into force on January 1 1981 between Australia and New Zealand and the Forum Island Countries (FICs).

Preferences are in the form of duty free and unrestricted / concessionary access to the New Zealand and Australian markets, as long as the rules of origin are met.

Rules of Origin confer origin status to the following products:

- Unmanufactured raw products of Samoa; or
- Manufactured goods in which the last manufacturing process was undertaken in Samoa; and
- Manufactured goods in which at least 50 per cent of the ex-factory or cost of goods (materials and labour) originate from Samoa or any other FIC.

Exports that consist of inputs of products covered by the Australia and New Zealand Closer Economic Relations Agreement (ANZCERTA) require Samoan content of at least 25 per cent. As to the product coverage, most Samoan exports enter these two markets duty free with minimal restrictions.

D. European Union: ACP-EU LOME IV Convention /Cotonou Agreement

The Cotonou Agreement was signed in 2000 to replace "aid and trade" agreements of Lomé Convention nature. Six new members from the Pacific have changed the regional balance within the ACP and it is hoped that this will help in airing the issues and concerns of small island states more forcefully with the EU and international organizations. The central objective of the partnership remains intact: reduction and eradication of poverty with support to sustainable development and integration of the ACP countries into the world economy. While the Cotonou agreement, similar to the Lomé Convention, is supported by two pillars, trade and aid, both of these are, or will be, substantially changed.

With regard to economic and trade cooperation, non-reciprocal preferences (which are infringing the WTO non-discrimination principle and require a waiver from the WTO members) of the Lomé type will remain in force until the end of 2007. From 2008 until the end of the Agreement in 2020, a new trade regime based on reciprocal trade concessions will be established. ACP countries will have to negotiate a new form of trade regime with the EU. Suggested formats now include EPA, REPA or an alternative form of FTA (to be more detailed in 2004).

These negotiations are planned to start in 2002 and there are a number of challenges faced by the ACP, particularly its Pacific members, including the lack of capacity and knowledge in handling new policies and issues and parallel negotiations on different levels. However, the opportunities that the new partnership agreement is opening should not be ignored, particularly the support for gradual liberalization and restructuring of ACP economies and the development of the private sector, while protecting the environment and civil society.

The EU can work closely with the FICs in a number of areas including capacity building and training at the national and regional levels.

E. Trade Preferences under the Agreement

This Agreement permits products 'originating' in the ACP states to be exported to countries of the EU free of customs duty and other charges.

There are special arrangements for agricultural products governed by EU agricultural policies, and products considered as origins of an ACP state and qualify for preferential treatment are defined as:

- Wholly obtained in one or more ACP state
- Sufficiently worked or processed in the originating country and resulting in a change in tariff classification;

Certificates EUR1 and EUR2 are required to support claims for preferential treatment.

EU market access requirements are very high, especially the standards for different types of products, thus making it difficult for exporters to meet such standards.

When presenting the EU Initiative on Least Developed Countries the European Union announced the "Everything But Arms" (EBA) initiative for Least Developed Countries, whereby all LDC products could have access to the European market duty free except for Arms.

F. The United States: Generalized System of Preferences

The United States GSP is an instrument by which it allows imports originating from developing and least developed countries on a duty-free or preferential duty basis. All GSP eligible products are granted duty free entry. As a LDC, Samoa is an eligible country. As to product eligibility, the United States GSP rules of origin require that:

- An article must be shipped directly from Samoa to the United States or, if shipped through the territory of another country, the merchandise must not have entered the commerce of that country en route to the United States;
- The sum of the cost or value of materials produced in Samoa plus the direct costs of processing must equal at least 35 per cent of the appraised value of the article at the time of entry into the United States;
- Imported materials can be counted toward the value-added requirement, only if they are "substantially transformed" into new and different constituent materials of which the eligible article is composed;
- As a general rule, shipping and other costs related to the transport of the GSP articles from the port of export to the United States are neither included in the value of the article, nor in the value-added calculation;
- The special "Form A" previously used in order to obtain GSP treatment is no longer needed. The United States importer can obtain GSP treatment simply by placing the prefix "A" before the HTSUS tariff number on the entry documentation. The only additional documentary requirements

pertain to certified handcraft textile products eligible for GSP duty-free treatment. A triangular seal certifying their authenticity and placed on the commercial invoice is required for entry.

G. Japan: Generalized System of Preferences

The Japan GSP aims to contribute to the economic development of developing countries, providing benefits by enabling qualified products to enter the Japanese market at free or reduced rates of duty.

Japanese rules of origin stipulate that for products from Samoa to be eligible for preferential tariff treatment, they must be recognized as originating in Samoa under the origin criteria of the Japanese GSP scheme.

In the case of goods produced totally or partly from materials or parts which are imported from other countries or are of unknown origin, such resulting goods are considered as originating in a preference-receiving country if those materials or parts used have undergone sufficient working or processing in that country.

As a general rule, working or processing operations will be considered sufficient when the resulting good is classified in an HS tariff heading (4 digits) other than that covering each of the non-originating materials or parts used in production. However, there are two exceptions to this rule. One is that working or processing will not be considered sufficient when that working or processing is very simple, even if there is a change in the HS heading. The other is that some goods can obtain originating status without a change in the HS heading if they satisfy specific conditions.

As to product coverage, for agricultural products (HS chapters 1-25) Japan grants preferences for selected agricultural and fishery products under 74 HS headings. For industrial products (HS chapters 25-97) preferences are granted for all industrial products, including forestry and mining products, with the exception of products under 27 HS headings. The list of products not covered by the scheme is set out from page 49 onwards.

6. Issues related to Regional Trade Agreements

Rules of origin criteria are difficult to meet especially for the manufacturing sector where labour is the major input.

Case 1: Yazaki Samoa Ltd. entered the Australian market under special provisions made to the Australian motor industry where car components are imported into Australia duty free. However this scheme ended in December 2000. The only other alternative then for Yazaki to export freely to the Australian market is under the SPARTECA. Yazaki do not meet the rules of origin criteria for exports going to Australia under the SPARTECA so it was subject to 15 per cent duty. The Government together with Yazaki presented a proposal to the Australian Government for consideration of a derogation under the SPARTECA Agreement. This derogation is a special consideration by the Australian Customs Services (in the case where rules of origin are not met) of a circumstance where there is an economic or natural disaster, unexpected currency fluctuations (leading to increased prices of raw materials) etc. Just recently, the Australian Government considered a derogation for Yazaki under the SPARTECA Agreement.

Trade administration bottlenecks exists related to requirements correctly submit the right forms, when importers are not aware of the customs administration procedures in these markets.

Case 2: Exports to the EU under the Lome Convention required the filling of 2 EUR forms. Some exporters had the experience of sending the consignments without the forms, and the products were not accepted. The importers did not know either. TCI recently printed these forms which had to meet the right size, fonts, boxes and even the colour. It took more than three months to correctly print and send them to Europe for final approval. These forms are now available at the Customs Department.

Standards and other requirements hinder effective market entry. Markets have different standards for different products and the local exporters do not have the capacity to meet these standards, especially the management systems standards where the standard must originate from source and continue down the production process.

Case 3: HAACP requirements by the United States. Fish exporters have to meet the HAACP requirements from the moment when the fish is caught. Some exporters do not fish and so they had difficulty educating the fishermen on the management system for catching fish. The EU also has a different HACCP requirement for fish exports, which start from a legislative process right down to production.

Trade dispute are also issues. If there is a dispute between an exporter and importer, it is not clear as to which jurisdiction applies. Currently Samoa is not a member of the Convention on the International Sale of Goods, so when there is a dispute between parties, it may be difficult to resolve and might end up in the jurisdiction of the other party.

7. The Multilateral Trading System: the WTO

The World Trade Organization was established in 1995 as a result of the Uruguay Round. The WTO's main focus is to provide a legal framework for international trade. These are rules and obligations by members of the WTO to enhance the development of free and open world trade. WTO agreements include the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS), Trade Related Intellectual Property Rights (TRIPS), and Understanding on the Settlement of Disputes.

GATT covers multilateral agreements on agriculture, sanitary and phytosanitary measures, textiles and clothing, technical barriers to trade, trade-related investment measures, pre-shipment inspection, rules of origin, import licensing procedures, subsidies and countervailing measures, and safeguards.

There are also multilateral agreements on trade in civil aircraft, government procurement, international dairy products and bovine meat.

Most countries used to protect their markets from the entry of foreign goods with higher duties and tariffs as well as other barriers. With the establishment of the WTO, members agreed that trade should be opened up to all markets, which would provide economic prosperity to all exporters.

With the opening up of trade, there must be trade rules to facilitate trade amongst countries. These trade rules under the WTO are very effective and transparent and a dispute settlement panel has been set up to hear and resolve any disputes within the WTO. So far, many countries have used this panel to settle trade disputes, and countries are obliged to follow any decisions of the panel.

Samoa applied to become a member of the WTO in April 1998 and was accepted by the WTO General Council in July of the same year as an Observer Member and asked to proceed with its accession process.

Prior to applying for membership, Samoa conducted two national awareness workshops for the private sector on the implications of the WTO Agreements on the Samoan business sector. From these workshops, the private sector generally agreed that Samoa should become a member of the WTO which provided the Government with the justification to apply for membership.

The first process for accession was the preparation of the Memorandum on Foreign Trade Regime based on the WTO Questionnaire that was submitted. This took about a year to prepare and the Samoan Government set up a WTO Working Committee to assist with the accession process. This Working Committee includes members from relevant Departments as well as representatives of private sector associations. This Committee greatly assisted the Department in its efforts to put together this Trade Memorandum. Technical Assistance was provided by the WTO Secretariat in the form of a consultant to finalize the Trade Memorandum for submission to the WTO Secretariat. The Memorandum was submitted in January 2000.

The Memorandum was then circulated to members for questions. A total of 212 questions were received from five member countries including Australia, New Zealand, Japan, the European Union and the United States. The committee was also involved in obtaining answers and clarifications to these questions. We are now in the final process of finalizing these prior to submission to the WTO Secretariat. Technical Assistance was sought from the Forum Secretariat for a consultant to assist in the drafting of answers.

Alongside the above work Samoa also prepared its Agricultural Schedules (WT/ACC/4) and the initial offers for negotiations. Technical Assistance was both received from the WTO Secretariat and the Forum Secretariat to assist in these preparations. It is anticipated that these would be submitted together with the answers to the WTO Secretariat who will be responsible for facilitating the first meeting of the Working Party. This approach has been taken to save costs of traveling to Geneva for three separate meetings. Although Samoa would really like to accelerate its accession process, it is quite difficult to prepare information especially if some of the questions are difficult to answer.

8. National Awareness Workshops

The Department also conducted national awareness workshops on WTO Agreements and issues that will affect Samoa and its private sector. These workshops were mainly sponsored by the Australian Government. Other workshops conducted included trade in goods and agriculture, trade in services, intellectual property rights (through the Justice Department) and trade facilitation measures. These workshops provided more information and understanding to the private sector on the issues and the WTO Agreements that would probably affect them in the future. One of the difficulties encountered was the lack of full commitment on the part of the private sector to participate in these workshops.

9. Benefits and Costs of becoming a member

Some of the benefits to Samoa of becoming a member of the WTO include the following:

- No trade discrimination – from all members and especially from Forum WTO members;
- Improved market access - in terms of tariffs, rules of origin requirements etc;
- Protection of Intellectual Property Rights is of great importance for Samoa especially in protecting Samoan artifacts, folklore and art;
- Transparency and consistency of government policies which are in line with the current reforms of the Government. Most of Samoa's legislation is old and must be updated to take into account the current policy framework of the Government;

- Provision of more technical assistance, especially as Samoa is a Least Developed Country (for the next two years);
- Long term benefit of increased foreign investment and increased welfare gains for the whole country.

The major costs faced by Samoa in this process are limited financial, technical and administrative resources. Samoa is of the view that this is the crucial time to accede to become a member of the WTO whilst it is still regarded as a Least Developed Country. There are current pressures from countries such as the European Union for WTO members to accelerate the accession process for Least Developed Countries.

10. Institutional Arrangements

The accession process of Samoa is being complemented by the economic reforms currently being undertaken by the Government. These reforms have greatly assisted Samoa in its work on the WTO accession especially on the commitments to reducing tariffs and the liberalization of some sectors of the economy.

However there are still some legislation and regulations which need to be introduced/amended in order to be in line with the WTO requirements. Some of this legislation and regulations are currently being addressed. For instance, the Australian Government is assisting the restructuring of the Quarantine Service and laws, and the World Intellectual Property Organization (WIPO) is assisting with the modification of old Intellectual Property legislation. There are still some other areas that require legislation updates and modifications and the Department is currently seeking assistance for these.

11. Concerns raised by the private sector

The impact of free trade – free trade does not mean that everything must be at zero. All WTO members apply a ceiling or bound rate where there is room for them to increase a duty should there be a need to do so.

Competition – the economic reforms of the Government in 1998 has led to increased local market competition and this is seen by the Government as a challenge to the private sector for improved quality products to enhance competitiveness in the market. These reforms also help the private sector in terms of preparing for globalization and the impact of global competition.

Some of the private sector has been concerned by the level of anti-globalization protests in developed countries. However, the reduction of barriers has allowed more access to international markets and competition has increased. Multinational companies have expanded their investments in developing countries thus creating unemployment. The WTO also operates with a consensus decision making process and a small country could oppose a decision.

The WTO does not provide adequate support for LDCs. – right throughout the report, the LDC status that Samoa currently enjoys would play a great role in Samoa's accession. The WTO only provides special attention to LDCs. Small Island Economies continue to push for WTO recognition without much success. The WTO also played a big part in the development of the Integrated Framework for Technical Assistance to the Least Developed Countries. As a LDC, technical assistance is made available for Samoa's work towards membership of the WTO. The issue of the high administrative costs for Samoa becoming a member of the WTO is not so high due to Samoa's LDC status. This is where our Institutional arrangements, updating of our legislation and policies are made possible through technical

assistance made available under the WTO. The most important plus for Samoa as a LDC is the negotiation process for accession.

12. The Future of Samoa and the International Trading Environment

Bilateral Agreements – American Samoa continues to be a prominent market for Samoa and it is important that trade relations could improve through the negotiation of a bilateral trade agreement.

The successful implementation of PICTA could provide an expanded market base for Samoan exports and provide exporters with the experience and knowledge on how to exploit opportunities in the international trading arena.

Samoa can succeed in overcoming the negative impacts of globalization through improved competitiveness at both the national and international levels.

WTO Membership compliments Samoa's outward looking economic policies and provides a legal framework for Samoa to trade successfully with the outside world.

13. Recommendations

Recommendations include the following:

- Continuous work between the Government and the private sector must be strengthened to enhance Samoa's international trade policy environment; and
- Commitment from the private sector to participate actively in the awareness programmes. The WTO and international trade policies cannot be understood in an hour or a day.