



Strengthening Fisheries Export Potential to the United Kingdom: Derogation on the Rules of Origin

United Kingdom -Pacific States interim Economic Partnership Agreement

**Ministry of Foreign Affairs and External Trade
Solomon Islands Government**

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1. Overview

The United Kingdom (UK) as part of its withdrawal (BREXIT) from the European Union (EU) signed Economic Partnership Agreements (EPAs) with countries including Solomon Islands to maintain preferential market access as per the EU-EPAs.

The UK Pacific States iEPA is a replicate of the EU Pacific States iEPA, which includes duplication of time, bound commitments currently being implemented as well as access to derogations on global sourcing and customs duty applications on exports. Solomon Islands acceded to the UK Pacific States-iEPA, which came into effect on 1 January 2021.

UK is one of the major destinations for Solomon Islands palm oil and cocoa bean products. Solomon Islands accession to the UK Pacific iEPA allowed continued preferential market access and comparative advantage for products into the UK market. Furthermore, it allows Solomon Islands products to maintain preferential market access into the UK market once the country graduates from the Least Developed Countries (LDCs) status in 2027.

2. Importance of Fisheries in Solomon Islands

Solomon Islands Trade Policy Framework (TPF 5.2) identifies fisheries as a priority sector significant for economic and sustainable development. This is as well as, the Solomon Islands National Development Strategy (NDS) 2016-2035, Medium Term Strategies and Priorities, NDS Objective one: Sustained and inclusive economic growth, Medium Term Strategy 1: Reinvigorate and increase the rate of inclusive economic growth.

In 2023, Solomon Islands Tuna Industry turned fifty years old, recalling the 1970's and 1980's where pole and line fishery reigned. Today, commercial fisheries income is derived from SolTuna, the only tuna processing plant, located in Noro, Western Province. SolTuna averages 130 MT throughput per day producing approximately 45 MT of loins, 3,000 cases of canned tuna and 12 MT of fish meal per day. SolTuna employ a good pool of 3,000 individuals, professional, skilled, and semi-skilled workers, of which over 64% are women holding various positions from departmental heads to the factory floor. The company has shown a strong commitment to ensuring equal rights and opportunities for women and men in the workplace. SolTuna sources its fish catch solely from the National Fisheries Development (NFD).

In addition to providing employment and commercial opportunities, both NFD and SolTuna are actively engaged with communities, by way of support to local schools,

provision of health care and support to the Rural Training Centre at Tabaka by providing work experience attachments for their students.

In the next 3 years SolTuna plans to build a new 6,000 MT cold store and associated facilities that will enable it to raise the daily throughput from 130 MT to 180 Mt per day. To meet the extra fish demand needed for the increased throughput, NFD is building a brand-new purse seiner. Construction of the purse seiner has commenced.

Soltuna currently exports canned tuna to Australia, Fiji, Kiribati, Nauru, New Zealand, Papua New Guinea, Republic of Marshall Islands, United Arab Emirates, Vanuatu and cooked loins to European Union. In 2023 Soltuna exported 10,500 MTs and for 2024 budgeting for exports of 11,300MTs.

Solomon Islands Government has further plans to expand the fisheries sector with the major development of the Bina Harbour Tuna Processing Plant Project to be located on Malaita Province. The project stands to benefit the country from a range of economic and employment opportunities not only from the construction of the processing facility but once in operation as well. Bina Harbour Project Office is working on a business case to secure support, funding and investment for key infrastructure.

Furthermore, institutional strengthening has progressed within the Ministry of Fisheries and Marine Resources overseeing fisheries licensing and monitoring of Illegal, Unregulated and Unreported (IUU) fishing. The Ministry's role has been reinforced through its update to the Fisheries ACT 2015. Sanitary and Phytosanitary (SPS) measures of export destinations is overseen by the Competent Authority, Ministry of Health and Medical Services. Both institutions have been crucial in maintaining Solomon Islands access to export destination markets including the European Union in meeting of IUU and SPS requirements.

Solomon Islands rely on tuna fisheries for food security, employment and contribute substantially to its national revenue and Gross Domestic Product (GDP). To maintain sustainably these benefits, Solomon Islands have joined regional efforts to sustainably use and manage its tuna stocks and is a signatory to the Parties to the Nauru Agreement (PNA) enabling sustainable management of licensing of foreign fishing vessels.

3. Derogation on Global Sourcing

On 2 December 2020, the Solomon Islands Government made a notification to the Government of the United Kingdom, regarding derogation on the global sourcing rules, pursuant to Article 6(6)(f) of Protocol II concerning the definition of the concept of 'originating products' and methods of administrative cooperation under the Agreement.

The global sourcing derogation allowed for fish to be sourced from any flagged vessel provided it is landed and processed in country to ensure it satisfies the Rules of Origin (RoO) requirements and to qualify as an originating product from Solomon Islands.

The United Kingdom has been a traditional export destination for Solomon Islands tuna products, although in recent years exports had not been sustained. In 2017, Solomon Islands exported to UK under HS16041110 valued at SBD760,581. The following year the exports were from HS16041420 valued at SBD2.83M and HS16040010 was at SBD610,068. The most recent exports were in 2019, valued at SBD2.87M.

At present, Soltuna is not currently exporting tuna loins or canned tuna to the UK and the derogation is yet to be utilized since its provision in 2021. The majority of Soltuna's exports to the EU market are in the form of tuna loins where they are processed into finished goods mainly for the Italian and Spanish markets. Due to high costs, there is no current plans for Soltuna to pursue exports of processed fish products into the UK market soon. However, Soltuna views the global sourcing derogation under the UK-iEPA as highly opportune to contribute to the potential development of the fisheries industry in Solomon Islands.

4. Strategic Imperatives

There are clear economic gains potential from utilizing the derogation on rules of origin whereby allowing Solomon Islands possible exports of processed fish products to the United Kingdom to be duty free and regardless of fish origin.

Importantly the derogation could act as an incentive to attract foreign investment into the sector and noting the developments planned for tuna processing at Bina Harbour, Malaita Province. There is further potential, in the event of Soltuna expansion that the derogation is utilized in the medium to long term.

It is further essential to note climatic variations that affects tuna catch output in warmer waters and whereby global sourcing of tuna may be a further incentive for sustainable management of fisheries in Solomon Islands EEZ.

It has been evident through Solomon Islands utilization of the derogation to rules of origin under the European Union – Pacific States iEPA that it has built on Solomon Islands competitiveness of its fisheries sectors. This is in noting the high cost and scale disadvantages (utility costs, transport infrastructure, ports access fees, land access and ocean freight) faced domestically and in comparison to low-cost competition in Thailand and elsewhere.

Solomon Islands is scheduled to graduate from the Least Developed Country Category in December 2027. A strengthened tuna sector has the potential to contribute to filling of

gaps outstanding as a result of the declining foreign exchange by the logging industry. Development potential is substantial and tuna is one of the few value-added products exported by Solomon Islands, in addition to numerous distant water fishing nations operating in the Exclusive Economic Zone. Solomon Islands Government aims to encourage further processing and value addition. The prospect of further expansion of current processing plants (SolTuna) or development of new processing plants (Bina Harbour) has the potential to further increase fisheries output and exports.