

# PNG UPDATE 2016

Limitations of PNG-EU interim  
Economic Partnership Agreement:  
Case of Canned Tuna exports

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## Introduction

- Tariff reductions does not automatically increase exports for developing countries due to non-tariff barriers
- Does PNG have the capacity to overcome EU's non-tariff barriers and requirements of major retailers to export canned tuna to the EU?
- The PNG-EU interim Economic Partnership Agreement (iEPA) allows PNG exports to enter EU market tariff-free quota free
- Difference between Lome Convention & Contonou Partnership (CPA) Agreement vs iEPA: the former two are unilateral, iEPA is reciprocal
- Motivation for PNG to sign the iEPA
- continuation of uninterrupted market access for fish and fish products to EU market at the end of 2007 after CPA expired

## Main features of the interim EPA with PNG

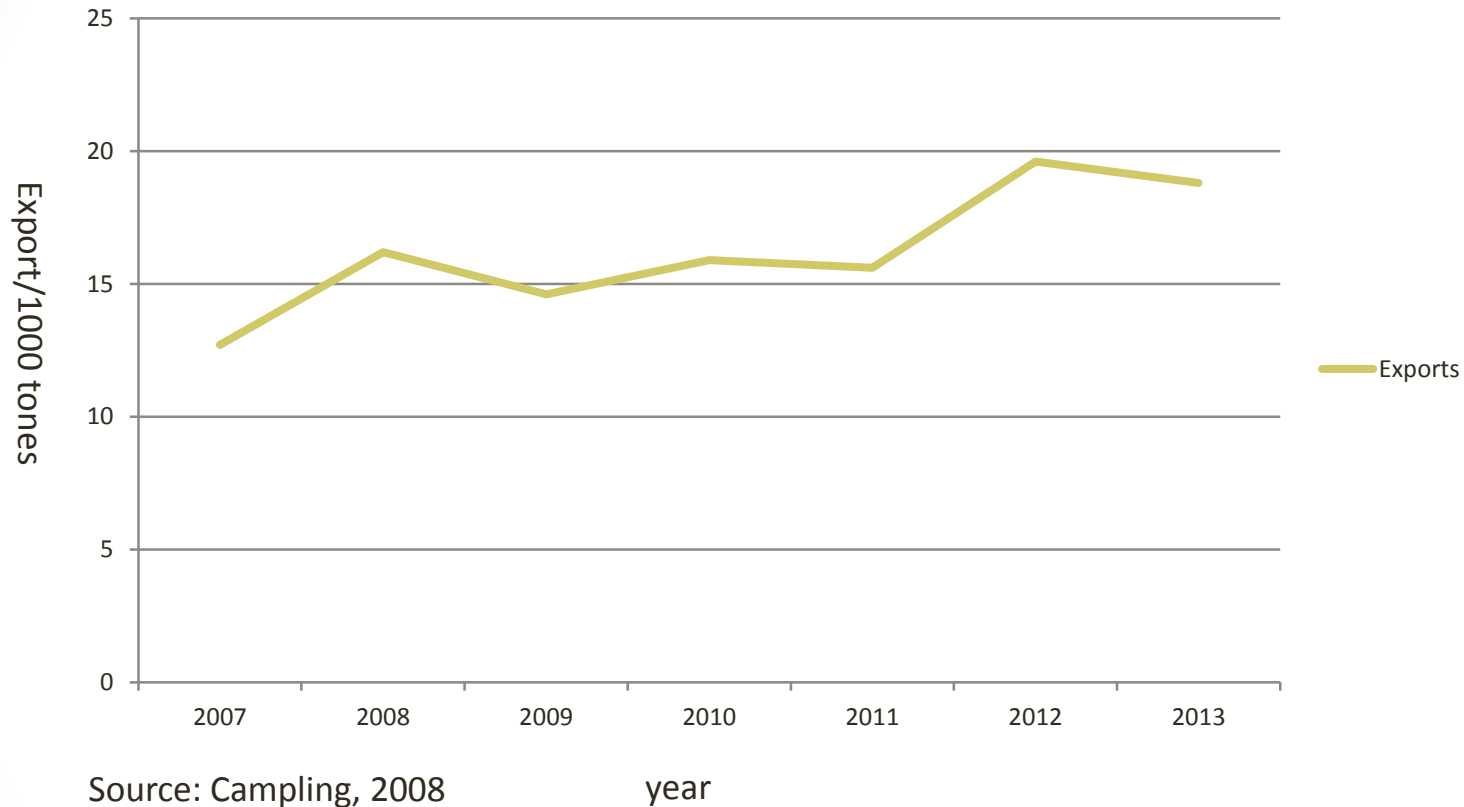
1. Duty-free quota-free access into the EU for all imports from PNG;
2. Asymmetric/gradual opening of PNG market to EU goods, taking full account of the differences in levels of development between them and the EU;
3. Safeguards - reintroduce duties or quotas if imports of the other party disturb or threaten to disturb their economy;
4. Technical Barriers to Trade, and Sanitary and Phyto- sanitary (SPS) measures, to help Pacific exporters meet EU import standards; and
5. Facilitate trade through more efficient customs procedures and better co-operation between administrations (and between administrations and business).
6. Derogation to the Rule of Origin

No other EU trade relations with developing countries has such exception to the rule of origin except the countries in the Pacific ACP

EU uses the “Wholly Obtained criteria” for Rule of Origin		
Other iEPAs/EPAs	GSP (GSP+ & EBA)	PACP EPA
<i>location of catch for fisheries</i>	<i>location of catch for fisheries</i>	Regardless of location of catch, or nationality of the boat, if transformed from fresh/frozen into pre-cooked, packaged or canned in EU or PACP members
Origination: <i>‘nationality’ of the boat</i>	Origination: <i>‘nationality’ of the boat</i>	

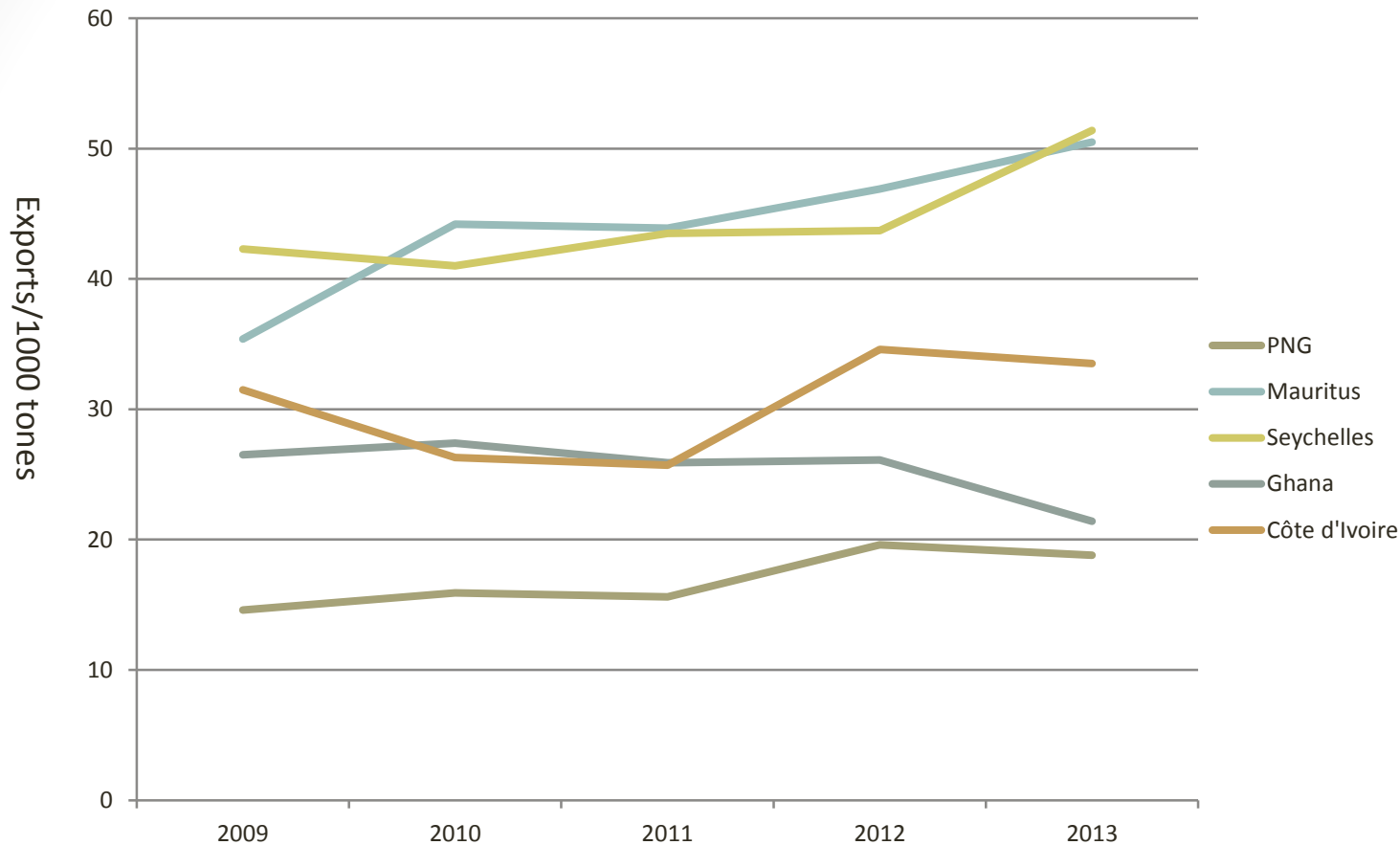
Rationale for giving exception to the RoO to PACP countries, among others: due to inadequate national fleet; insufficient wholly-obtained fish to meet on-land demand...

## PNG Canned Tuna Export to EU post-iEPA (2009)



With zero-tariff, quota free exports, and having access to global Sourcing, PNG's canned tuna exports to EU is not convincing

## PNG's Tuna Exports vs other iEPA countries

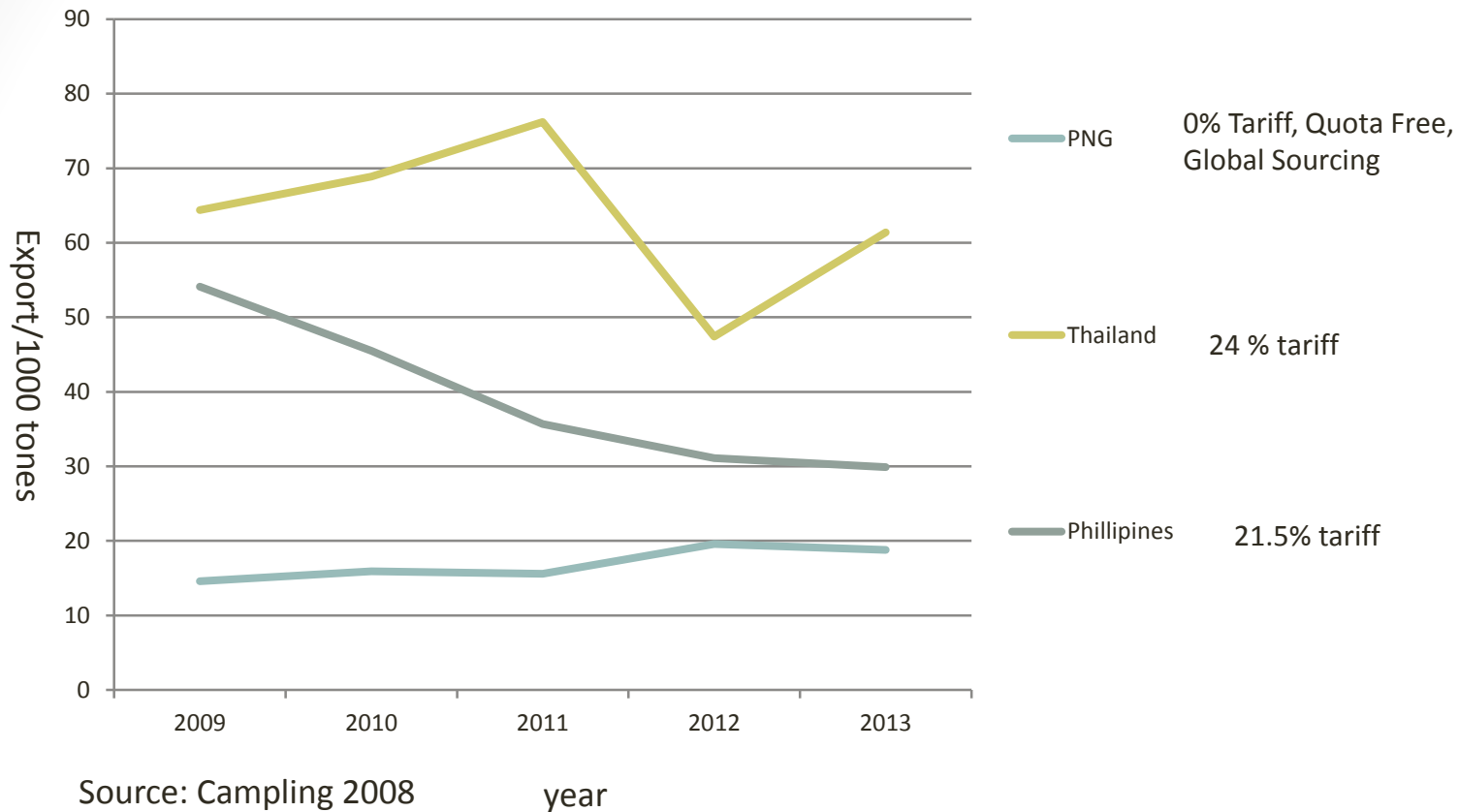


Source: Campling, 2008

year

All these countries have zero-tariff, quota free exports to EU, but are limited by Rule of Origin. PNG has access to global sourcing, but it's exports are lower than countries which don't have access to global sourcing

# PNG exports vs Thailand & Philippines



Even with 0% tariff, quota free, and having access to global sourcing, PNG's canned tuna exports are lower than Philippines and Thailand, which Pay 21.5% and 24% tariff respectively to export to EU market.

## Reasons for low export to the EU

- Sanitary and Phyto- sanitary is non-negotiable health and safety standard of EU
- limited global supply of SPS-compliant fish due to limited total number of fishing vessels registered and approved by DG SANCO
- Structural constraint: PNG does not have the capacity to monitor compliance with SPS requirements
- The illegal, Unreported & Unsustainable requirement of EU prevents PNG from accessing global sourcing of tuna
- The OECD (2005) has also warned of SPS measures being used by developed countries to protect high-cost EU producers from low-cost imports from developing countries like PNG, and thus act as non-tariff barriers (NTBs)



## Other limitations

- **Freight** - expensive sea freight costs due to relatively low freight volumes and a limited number of freight service providers in PNG.
- **Utilities** - Water and electricity are high cost and supply is unreliable
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- **Infrastructure** – poor infrastructure, particularly wharves and roads.
- **Oil, cans and other packaging materials** - Steel plate for can-making, cartons, labels and oil/condiments all need to be imported

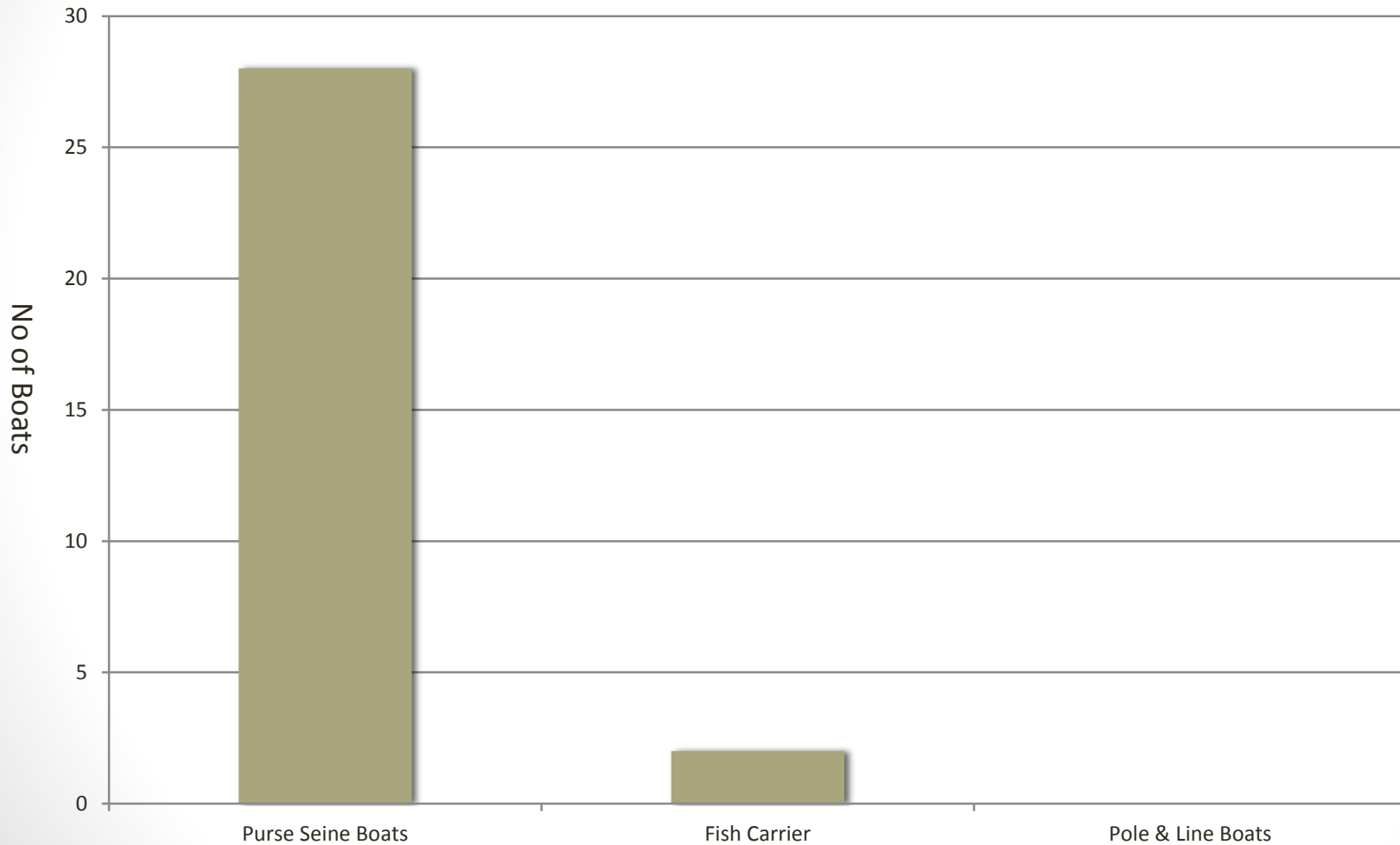
# Major Retailers

- Not only does PNG has to meet EU SPS and IUU standards, it must also meet the standards of major retailers of EU
- Major retailers of EU moving towards sourcing marine products caught using sustainable & responsible methods
- Commitments to phase out fish caught using Fish Aggregating deice and purse-seine methods.
- Both methods catches endangered spices, juvenile and non-commercial fish
- Moving towards 100% pole & line method
- eco-labeling has been suggested as a market-based “soft tool” that could lead fisheries towards more sustainable supply chains

E.g: These UK retailers constitute 91% of UK market, and they're beginning to use eco-labels

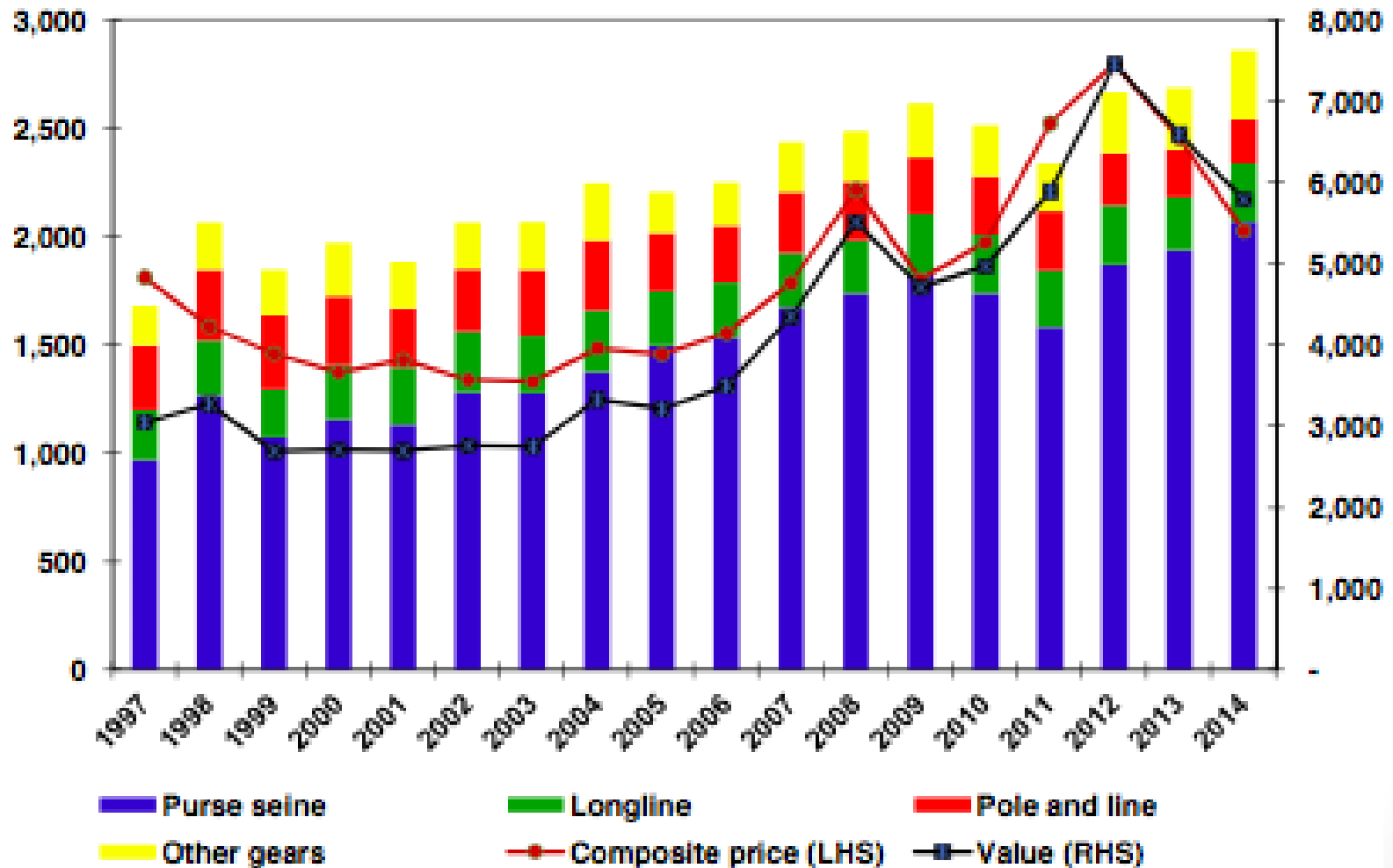


Of the 28 fishing vessels in PNG, 26 use purse-seine methods, none uses pole & line. Contrary to general direction of major retailers in the EU



*Forum Fisheries Agency, 2016*

Global sourcing does not benefit PNG because the Western Central Pacific Ocean, within proximity of PNG, predominantly uses unsustainable methods by standards of major retailer of EU



Source: Western Central Pacific Ocean Forum, 2016

## EU Yellow Flag & Reforms

- 2014: EU warned PNG of breaching PNG-EU iEPA standards of SPS and IUU
- PNG reformed the fisheries sector, including the review and amendment of the Fisheries Act

## Effectiveness of the Reform.....

- Despite the reform in 2014 to improve SPS and IUU requirements, Dongwon Industries was granted license to establish and operate in PNG.
- Dongwon Industries has a negative market image around the world:
- Dongwon Industries illegal fishing case in West Africa (Liberia)
- Forged letters: The Bureau of National Fisheries in Liberia later confirmed the letters were forged
- European Union and the United Kingdom issued warnings against Dongwon Industries
- Has a history of Using FADs and Purse seine
- Investments in Purse seine in 2012

## Reform Insufficient

- The reforms in the fisheries sector is not sufficient
- Donwon Industries passed through the tri-tier screening process: from the Western Central Pacific Ocean, Forum Fisheries Agency and the National Fisheries Agency of PNG

### Conclusion

- The PNG-EU iEPA has not significantly increase PNG's canned tuna exports to the EU
- Reasons: Global sourcing limited by EU SPS and IUU compliant fishing vessels
- Structural constraints, and lack of capacity and infrastructure in PNG
- Reform in the fisheries sector not effective



# Recommendation

- The EU interim EPA with PNG does not include a development cooperation chapter as it does for the EPA between EU and African nations. PNG needs to negotiate to insert a development cooperation chapter so the EU can fund the development of the current structural, capacity and infrastructural constraints.
- For now, PNG can seek to use the Regional Indicative Programme for the 10th European Development Fund which provides for support to various activities in the area of sustainable development
- Though SPS and IUU requirements prevents PNG's access to global sourcing, the high standard is good for PNG to improve it's processes, and develop sustainable methods. It should therefore be maintained.

Thank You