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SPS AND DEVELOPING COUNTRIES

COMMENTS ON GERMAN PROPOSAL TO LIMIT OCHRATOXIN A (OTA) IN COFFEE PRODUCTS

<u>Submission by Papua New Guinea</u>

The following communication, dated 3 March 2004, is being circulated at the request of the Delegation of Papua New Guinea.

A. INTRODUCTION

1. Papua New Guinea faces two major problems with respect to sanitary and phytosanitary measures. On the one hand, it is difficult to comply with existing SPS requirements imposed by trade partners because of scarcity of adequate testing and certification facilities, as well as lack of expertise and financial resources to devote to quarantine matters. On the other hand, the limited administrative capacity together with current development priorities of the Government focusing on health, development and infrastructure make it impossible to cope with the flood of notifications submitted by trade partners on proposals of new SPS measures. As a result, Papua New Guinea often loses the opportunity to comment on proposed notifications within the allowed timeframe.

2. Despite resources constraints and lack of permanent representation in Geneva, Papua New Guinea is committed to improve its use of the SPS Agreement in order to gain better market access conditions abroad. Therefore, Papua New Guinea intends to be more proactive at the SPS Committee, by raising any specific trade problem related to implementation of the Agreement by other Members and by submitting proposals on current negotiations.

3. With this communication, Papua New Guinea wishes to provide comments to the proposed "Ordinance amending the ordinance laying down maximum levels for mycotoxins in foodstuffs and the ordinance of dietetic foodstuffs" presented by Germany on 17 June 2003 (G/SPS/N/DEU/9), which was scheduled to be adopted in December 2003. The delay in submitting comments, despite the coffee industry being one of the most developed in the country, exemplifies Papua New Guinea's difficulties in terms of SPS measures imposed by trade partners.

B. THE COFFEE INDUSTRY IN PAPUA NEW GUINEA

4. The coffee industry is very important for the Papua New Guinea economy, accounting for about 25 per cent of all agricultural exports. Involved stakeholders include: 15 exporters; about a hundred small enterprises providing dry processing; a similar number of enterprises providing grind processing; approximately 245,000 small holder coffee growing households. The industry contributes five per cent of GDP and is the source of paid employment for more than 30,000 people

and cash income for two million considering farmers' families. The importance of coffee for the employment and livelihood in the rural areas of Papua New Guinea is confirmed by production figures: only ten per cent of coffee is produced in plantations, and 90 per cent is the output of small farmers operating at the village level.

5. Given its importance for the whole economy and its relative competitiveness in international markets, the coffee industry is one of the more developed and advanced in Papua New Guinea, and as such is one of the few examples in the country where Government regulating agencies and business associations can provide health certification facilities as well as research and development activities up to world level standard.

6. Papua New Guinea's coffee industry regulator, the Coffee Industry Corporation, maintains a comprehensive system of quality assessment and control over green coffee for export, and has been conscious for some years of the increasing level of concern in Europe regarding the possible presence of toxic levels of OTA within the average European's daily diet.

7. Since 1996, the Coffee Industry Corporation has been working towards the elimination of mouldy beans in export coffee and has developed significantly improved controls, including chemical analysis capability and pre-shipment inspection. As a result, there have not been any reported instances of OTA being found in shipments of coffee from Papua New Guinea, and it is expected that also in the future the level of OTA contamination will fall well below the new limits set out in the German proposal.

C. THE NEED TO SAFEGUARD SMALL FARMERS

8. Despite the low levels of OTA in national production of coffee, Papua New Guinea would like to express concern over the proposed new regulation and, without entering the debate with technical details, to support the views emphasized by Colombia and other WTO Members from Latin America on two main grounds: suggested OTA limits appear discriminatory against coffee if compared to limits being proposed for other products like wine and beer (which are produced within the European Communities); there seems to be no consensus among the international scientific community on the actual degree of serious health risk posed by OTA, and this contradictory evidence should not be enough to justify trade restrictive measures at this stage.

9. Alongside possible discrimination and insufficient evidence, Papua New Guinea wishes to emphasize a more general problem arising from SPS measures of the kind proposed by Germany which applies to coffee as well as other commodities from developing countries. Any additional SPS requirement imposed on the international coffee industry is going to create additional costs, and the history of the coffee market shows that any cost will eventually impact on the price received by small farmers at the initial stage of the production chain. This is going to be the same for the new OTA limits: they will increase certification costs for the buyers and importers in Germany, which will pass it on to exporters from producing countries, which in turn will share the new burden with small farmers. The negative impact on farmers would be multiplied if the entire European Communities adopted the German proposal on further restrictive measures.

10. Small producers from developing countries already receive a derisory share of the value of wholesale packaged coffee in developed markets (from 40 per cent in the late seventies to ten per cent in the nineties). Moreover, international prices are at historical low levels, whereas inputs, finance, shipping and insurance costs continually increase. In this crisis scenario, those who suffer the most are the small producers, facing also the economic and bargaining power of five trans-national corporations dominating world coffee markets.

11. This disgraceful state of affairs needs no aggravation. But health authorities from countries like Germany, while imposing new regulations, are imposing new testing and certification requirements, ultimately affecting the earning capacity of small farmers in the developing world. All WTO Members, and especially developed countries, should consider that the small producers' interest and their equity within the totality of the transfer from a remote, third-world coffee garden to the breakfast-table of wealthy first-world consumers must be safeguarded with as much energy as is applied to the well-being of the consumer of coffee at the other end of the transaction chain.

12. The above observations show that even for countries so far considered nearly "OTA-free" the imposition of new limits are likely to increase costs of production through new testing and certification requirements. In countries like Papua New Guinea, where up to 90 per cent of harvested coffee comes from subsistence farmers, the negative impact is going to be larger. Therefore Papua New Guinea is requesting German and European authorities to take into account the special needs of coffee-producing developing countries, and especially of the small and vulnerable among them. Possible options would include providing to such countries in need free-of-cost technical assistance in order to comply with the new regulations, and granting longer implementation periods for meeting the new requirements.