

# Executive brief

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# Pacific: Agricultural trade policy debates and developments

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## 1. Background and key issues

Rising food prices are a major cause for concern in Pacific ACP (PACP) countries, given these countries' high dependency on imports. This concern is sharpening their policy focus on expanding domestic food production for local markets. Many initiatives have been launched to support local food production, while some countries have called for increased tariff protection for specific food products. A growing incidence of lifestyle-related diseases is also giving rise to calls for increased controls on imported foodstuffs.

The issue of climate change hangs over PACP food security concerns. Saline contamination of agricultural lands is increasing, and threatens even the very existence of some PACP island nations.

While agriculture remains the economic foundation of most PACP economies, they face serious physical and logistical constraints on competitive production and trade. Growth in other sectors of some countries' economies threatens to draw labour away from established

export sectors (e.g., the coffee sector in Papua New Guinea [PNG]). In response to these competitive challenges, a growing emphasis is being placed on niche marketing and value addition for agricultural products destined for export. Strengthening producer organisations, promoting direct sales links, easing logistical constraints, addressing sanitary and phytosanitary (SPS) challenges and identifying ways of reducing the costs of organic certification are all areas of increasing attention and 'aid for trade' support.

There is also a growing emphasis on developing intra-regional trade among the Pacific Island Countries (PICs), particularly among the four member states of the Melanesian Spearhead Group (MSG), which account for 98.8% of the PACP region's total land mass, 87% of the population and 30.3% of its exclusive economic zones (EEZs). Moves towards sub-regional trade integration within the MSG are attracting more foreign investment in some agricultural sectors, to exploit regional trade preferences.

## 2. Latest developments

### Developments in the PACP agricultural sector

#### The policy context

PACP states constitute the smallest grouping in the ACP, with a total population of 8 million. They range in size from 6.5 million people (PNG) to a mere 10,000 (Nauru). While spanning a huge area, most PACP countries are land-constrained and, with the exception of PNG and Fiji, have limited agricultural potential. Transport infrastructure constraints further compound the underlying remoteness of PACP states, making competitive production for international markets commercially challenging. Even the larger economies face infrastructure constraints, with poor roads causing the loss of up to 40% of coffee production in PNG (see *Agritrade* article ‘[Constraints on product differentiation in the Pacific](#)’, 13 June 2013).

Most agricultural production is smallholder-based for self-consumption and local markets, with limited intra-regional trade. There are, however, pockets of estate-based production and medium-sized commercial farms, producing for both export and local markets.

*“Food import dependency has risen sharply in the region since the 1980s”*

Food import dependency has risen sharply since the 1980s, linked to changing consumption patterns in an era of cheap food imports and more recently to changes in the retail sector. Rice and bread are replacing local traditional food staples, and consumption of cheap fatty meat cuts and processed foods with high sugar content

is increasing. This raises major public health concerns, with calls being made for government policies to give priority to local production of healthy food-stuffs for local markets. Food import dependency rates in PACP countries range from 36% in Kiribati to 84% in Palau, leaving them particularly vulnerable to rising food prices.

In the face of rising food prices, customary ownership of land is seen, by analysts at Monash University in Melbourne, Australia, as “the one thing that stands between people of the Pacific Islands and hunger”. Customary land tenure systems dominate throughout the PACP, and there are fears that service provisions of comprehensive trade agreements might lay the basis for substantial land alienation. Under Vanuatu’s WTO accession services schedule, for example, the government will no longer be able to “limit the amount of land foreigners can lease for agriculture, hunting or forestry”, except in very few cases.

This raises important issues related to the implications of international trade agreements for customary land-ownership structures. Indeed, concerns are growing about the impact that trade agreements might have on governments’ scope to adopt measures to promote both local agricultural production and healthier food consumption. Policy measures to restrict imports of fatty meats may be particularly affected.

This, then, is the context within which PACP leaders have called on their international partners to recognise the unique challenges that PACP countries face, and to consider non-traditional forms of trade agreements, which place the development of production and trade capacity at centre stage.

#### Balancing smallholder and commercial agri-food sector developments

Given the focus of agricultural production in many PACP countries on home consumption and local markets, many initiatives have been launched to encourage smallholder farmers to create associations around diverse forms of agricultural production and livestock-raising. But the expansion of smallholder production for local use raises policy issues to do with the balance between small-scale production and the promotion of investment in larger-scale commercial production.

*“Balancing smallholder and commercial agri-food sector development is a challenge in the Pacific”*

This is closely related to questions of land tenure and policies on privatisation and foreign investment.

This is perhaps particularly acute in two sectors: first, the poultry sector, where major regional companies are investing in the expansion of production for national and regional markets (e.g., the Australian Goodman Fielder International’s investments in poultry production in Fiji – see *Agritrade* article ‘[Fiji poultry sector to expand amid regional tensions](#)’, 18 June 2012). Secondly, the dairy sector, where the government of PNG is seeking to encourage investment by foreign dairy companies in local dairy sector development, and where the newly privatised Fijian Dairy Company is actively seeking to expand production for regional markets, based on imported skimmed milk powder.

As these larger commercial enterprises develop, will PACP governments simply let smallholder production in these areas disappear, or will government policy aim to promote out-sourcing links between

commercial enterprises and smallholder producers? Concerns about this kind of issue are giving rise to calls for the greater involvement of farmers in the formulation of agricultural policy, and for governments to develop coherent policies to treat farms as small business enterprises.

### Commercial agri-food sector development and imports

With PACP governments seeking to promote national commercial agri-food sector enterprises, pressures are increasing in some sectors, in some countries, to use import controls to make room for national agri-food sector development. This can perhaps be most vividly illustrated by recent developments in PNG, which has a strong policy commitment to trade liberalisation.

In 2012–13, representatives of the PNG poultry sector claimed that retailers were sourcing more poultry meat from Australia, giving rise to increased imports and a decline in local production of poultry meat of 10–20% (see *Agritrade* article ‘[Poultry imports hit Papua New Guinea producers](#)’, 9 September 2012). In November 2012 the Poultry Industry Association of PNG called for a ban on imports, conflating protectionist concerns with an alleged SPS threat from Australian poultry (a claim rejected by the PNG National Agricultural Quarantine and Inspection Authority – see *Agritrade* article ‘[Growing concerns over poultry imports in PNG](#)’, 2 February 2013). Despite this rejection of the SPS grounds for trade restrictions, a “full review of fresh and frozen poultry imports” into PNG has been under way, nominally on biosecurity grounds.

In 2012/13, tariff issues in the sugar sector also came to the fore in PNG, with Ramu Sugar, PNG’s only sugar producer, having reportedly “lost 31.5% of its sales since the government slashed

[tariffs] on imported sugar”. This led Ramu Sugar to call for a 50% import duty to be levied for the next 5 years to ensure a viable sugar industry in PNG (see *Agritrade* article ‘[Concerns growing over the future of Papua New Guinea’s sugar industry](#)’, 21 January 2013).

While the government of PNG has not introduced bans or increased tariffs, the calls made by larger-scale agri-food companies are indicative of the policy pressures exerted in an era of rising food prices and a renewed focus on national food security.

### A growing focus on differentiated product exports and niche marketing

Across a range of sectors in the Pacific there is recognition that product differentiation strategies and niche marketing offer a means of side-stepping competitiveness and logistical constraints facing PACP agri-food producers.

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*“In the Pacific there is a growing focus on differentiated product exports and niche marketing”*

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It is increasingly recognised that, wherever possible, this should involve movement up the value chain to the export of low-volume, high-value products. This process of product differentiation and niche marketing applies across a range of commodities, from major exports such as palm oil and sugar, through fine or flavoured cocoa and organic or fair-trade horticultural products, to value-added coconut-based cosmetics.

In the palm oil sector, more than three-quarters of production by PNG-based New Britain Palm Oil Ltd (NBPOL) now takes place on land certified sustainable. While this does not generate

significant price premiums, it enables NBPOL to position itself successfully in European markets to supply leading food manufacturers. The strong performance of NBPOL in promoting sustainably produced palm oil has brought investment in production expansion, co-generation of electricity, and an expansion of its UK refining operations (see *Agritrade* article ‘[Sustainable palm oil still ahead of canned tuna in Papua New Guinea trade with EU](#)’, 31 March 2012). Against this background, concerns arise over the recent questioning of the integrity of the Roundtable on Sustainable Palm Oil (RSPO) sustainability certification scheme. In February 2013 an assessment by the Worldwide Fund for Nature (WWF) of the RSPO certification process found significant shortcomings in reporting by RSPO members (see *Agritrade* article ‘[RSPO members questioned over sustainability of palm oil production](#)’, 28 April 2013).

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*“Efforts are under way across the Pacific ACP region to develop fair-trade-certified production”*

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Efforts are under way across the PACP to develop fair-trade-certified production. In August 2012 some US\$4.56 million in new funding for Fairtrade Australia and New Zealand (ANZ) was announced “to help unlock the export potential of smallholder farms in Pacific agriculture”. Real potential is seen for quality-differentiated products such as cocoa, coffee and vanilla in the Pacific, with fair-trade certification, for example, helping to improve the position of Pacific producers within the value chain. Concretely, a new initiative has also been taken by Fairtrade ANZ to develop exports of fair-trade coffee from PNG (see *Agritrade* article ‘[New funding for promotion of fair-trade production in the Pacific](#)’, 8 October 2012).

However, in the fair-trade sector, as with other instances of product differentiation, the issue of the volume of production involved is critical. An assessment of the Fijian fair-trade certification experience in the sugar sector found that “fair-trade certification works for sugar because of the large volumes and sufficiently large premiums”, which helped to carry the fixed costs of running a small producers’ organisation and staying certified (see *Agritrade* article ‘[The costs and benefits of fair-trade certification in Fiji](#)’, 23 June 2013).

The importance of the volume of production involved to the net benefits gained from any form of third-party certification (TPC) was highlighted in a review of the experience of the PNG coffee sector. The costs of compliance with TPC schemes were found to lead often to the exclusion of individual smallholders from such schemes. Indeed, it was maintained that “the most important factor in determining whether a farmer benefits from certification” was the volume supplied, with larger volumes and better producer organisation strengthening the position of primary producers in the supply chain (see *Agritrade* article ‘[Constraints on product differentiation in the Pacific](#)’, 13 June 2013).

Thus, where production volumes are limited, the costs of TPC can offset the net benefits to producers of the price premiums available, particularly as price premiums fall as competition among retailers of certified products increases.

While these challenges vary for different products under different certification schemes, careful evaluation of the costs and benefits of specific product differentiation strategies would appear to be required, with certification on its own being insufficient to ensure net benefits.

## What are participatory guarantee systems (PGS)?

The International Federation of Organic Agricultural Movements (IFOAM) defines PGS systems as “locally focused quality assurance systems that certify producers based on active participation of stakeholders”, with the system being “built on a foundation of trust, social networks and knowledge exchange”. This system reduces certification and verification costs and can improve the net benefits to primary producers serving organic market components which accept such schemes.

Such schemes are currently limited to local markets, where key customers can be actively involved in the inspection of farming processes practised by suppliers. Such schemes could prove useful in serving organic markets in the expanding tourism sector in the Pacific.

## Recent initiatives around organic agricultural production and marketing

Despite the challenges faced by a number of PICs, developing organic-certified agricultural production is seen as an important way forward. In the Cook Islands, for example, public-private partnerships are being launched to promote ‘green growth’ based on organic production methods, with opportunities identified particularly in horticulture. In Vanuatu, meanwhile, efforts are under way to convert its largest coconut plantations to organic production. This forms part of a wider Vanuatu Sustainable Agri-Business Initiative (VASABI), a logical move to enhance the value of current production, which already often takes place without the application of mineral fertilisers. Only certification, then, is lacking.

For small island nations such as the Cook Islands and Vanuatu, converting the entire agricultural sector to organic production could offer major economic gains in terms of minimising the cost of inputs, reducing certification costs and developing a unique brand identity. If islands can become synonymous with natural (organic), high-quality

production, the capacity of agricultural producers to gain price premiums on overseas markets could be considerably enhanced (although such a strategy is not without its challenges: see *Agritrade* article ‘[Going organic seen as way forward in Vanuatu](#)’, 18 May 2013).

It should be borne in mind that markets for organic products lie not only overseas. Expanding tourism sectors and mounting lifestyle-related health concerns are creating market opportunities much closer at hand in a number of PACP countries. These market components can be more cost-effectively served through PGS systems of organic certification.

Organic producers’ associations across the Pacific (including French overseas territories) came together in May 2012 in the first meeting of the Pacific Organic and Ethical Trade Community (POETCom). A handbook on the PGS system of organic certification was launched at this meeting, and reviewed by a specially constituted POETCom review committee to ensure compliance with the Pacific organic standard. The handbook was then distributed throughout the region.



## The main 'aid for trade' programmes being implemented in 2012–13

The Increasing Agricultural Commodities Trade (IACT) project, financed by the EU to the tune of €9 million, was rolled out in 2012. Launched in 2011 and scheduled to run until May 2015, the IACT seeks to build on the earlier Facilitating Agricultural Commodity Trade (FACT) pilot project, which ran from 2008 to 2012. The project aims to increase the agricultural and fisheries export capacity of PACP states by strengthening the national institutional framework, developing trade capacity, and increasing private sector competitiveness and access to international markets. The major focus of the programme to date has been on technical assistance and training in product development and marketing, support to participation in trade fairs, and support to the POETCom project.

The IACT programme can be seen as complementing the more focused AusAid-financed Pacific Horticulture and Agriculture Market Access (PHAMA) programme, launched in 2011, with a second phase planned to start in 2013. The PHAMA programme focuses on addressing regulatory aspects of market access for agricultural products. Initiatives to date have focused on improving the quality of taro production, addressing quarantine issues so as to reduce losses from destroyed consignments, and addressing SPS issues linked to the export of Fijian pineapples to New Zealand.

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IACT programme

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PHAMA programme

<http://www.usaid.gov.au/countries/pacific/rp/Pages/initiative-pacific-horticultural-agricultural-market-access.aspx>

PGS organic certification is cheaper than third-party certification and will potentially expand the supply and market for organic products across the region, and feed into growing tourism markets.

In a related development, the International Federation of Organic Agricultural Movements (IFOAM) accepted in April 2012 the Pacific organic standard into its family of standards. This IFOAM scheme of mutual recognition aims to facilitate access for organic products to different markets and is achieving growing credibility as the basis for assessing equivalence of foreign

standards. It is unclear how the EC's proposed revision of food and feed controls will affect the organic sector. Fears have been expressed that the move to a uniform legal framework for official controls will entail the introduction of controls that will "virtually eliminate" the system of organic certification and controls established by the European organic farming industry (see *Agritrade* article '[Concerns expressed over impact of revision of EU food and feed controls on the organic sector](#)', 11 August 2013). Controls on the production process might be replaced by systems based on product analysis. This is significant,

since current Pacific organic cooperation initiatives span PACP countries and French Pacific territories.

Overall, organic production for both local and overseas markets is seen as presenting "a new and exciting market opportunity" for farmers across the PACP. This emphasis on organic production is attracting growing levels of 'aid for trade', from capacity building for producers' associations, through certification support, to marketing studies.

## Developments in intra-regional trade

### Developments in the Melanesian Spearhead Group (MSG)

The period 2012–13 saw significant developments in the framework of the MSG. Trade between member states reportedly grew by 300% between 2005 and 2009, although Australia and New Zealand still accounted for 43% of MSG members' exports.

In 2012 PNG agreed to remove all but three items from its list of products excluded from tariff elimination commitments under the MSG free trade agreement (MSGTA). Fiji had earlier removed all products from its negative list. Vanuatu followed PNG. Solomon Islands agreed to phase out tariffs on imports from MSG members by the end of 2017.

The inaugural ministerial meeting of MSG trade ministers took place in May 2013. At this meeting, PNG's trade minister expressed disappointment at the slow PACER-Plus negotiations, suggesting that PNG might refocus its efforts on developing increased trade and economic cooperation within the MSG. Fiji's minister of trade meanwhile highlighted the commitment of MSG leaders to consolidate trade among MSG

members by “putting in place a duty-free regime, working towards a tariff-free common market”. Vanuatu’s trade minister said that his government would need to examine how to “maximise the use of the MSG Trade Agreements in terms of labour mobility, and so forth”.

The meeting as a whole committed member governments to revise the MSG trade agreement so that it might become more of an economic integration arrangement for MSG states.

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*“Intensified cooperation and trade among MSG members could strengthen the whole Pacific ACP region”*

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It was argued that intensified cooperation and trade among MSG members could strengthen the whole PACP region in its dealings with its traditional trade partners, Australia and New Zealand. In this context a bilateral PNG–Fiji Business Council was revamped in the run-up to the meeting.

The Chief Trade Adviser to Pacific Island Countries has maintained, however, that the benefits to be gained from a PACER-Plus agreement will far outweigh the benefits to be gained from the MSGTA, and has called for greater policy attention to be paid to the PACER-Plus process.

### **Intra-PIC trade integration and evolving patterns of corporate investment**

Patterns of investment in agri-food enterprises are emerging in the Pacific, aimed at exploiting intra-regional market opportunities arising as a result of moves towards intra-PIC trade liberalisation. Thus in June 2012 it was reported that Fijian poultry production had increased 36% between 2008 and 2012 (from 11 million to 15 million chickens per annum), following investments by Australian-

owned Goodman Fielder International aimed at exploiting emerging export opportunities under the MSGTA (see *Agritrade* article ‘[Fiji poultry sector to expand amid regional tensions](#)’, 18 June 2012).

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*“Patterns of investment in agri-food enterprises are emerging in order to exploit intra-regional market opportunities arising from moves towards intra-PIC trade liberalisation”*

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Similar issues potentially arise in the dairy sector, where a pan-regional food procurement and distribution company (CJ Patel) in August 2012 purchased government stocks in Fiji’s sole dairy company (see *Agritrade* article ‘[Privatisation raises hopes for Fijian dairy sector but issues remain](#)’, 25 March 2013).

Both of these cases potentially raise import rules-of-origin issues under the MSGTA, given the high import dependency of production of poultry and dairy products under the corporate strategies currently being pursued. Depending on how they are handled, these issues could foster the development of backward linkages within the dairy and poultry sectors concerned. In addition, they are likely to give rise eventually to concerns over the intra-regional trade consequences of different levels of government support and fiscal incentives.

This suggests that any review of the legislative framework for the management of trade in the affected products will need to get to grips with emerging intra-regional trade flows arising from corporate investments that are designed to take advantage of sub-regional trade agreements, such as the MSGTA. It also suggests a need to strengthen competition rules and their effective application, if private investment

in necessary modernisation processes is to be mobilised.

### **Developments in PACP third-country relations**

#### **Developments in the (I)EPA negotiations**

In the Pacific, the implementation of the PNG Interim Economic Partnership Agreement (IEPA) is under way. Major development benefits are reported in the fisheries sector as a result of the global sourcing provisions of the rules of origin. The Fiji IEPA has not been ratified and is not yet being implemented. According to EC representatives, three other PACP countries have indicated a desire to accede to similar IEPA arrangements.

In the course of 2012–13, the Pacific–EU negotiations gathered pace, in line with the instructions issued by PACP leaders to conclude the negotiations in 2013. A formal negotiating session with the EC took place in October 2012, with all 14 Pacific countries having submitted their market access offers to the EC. Further technical meetings took place in December 2012 and in March 2013. It was maintained that decent progress had been made on technical aspects of the negotiations through these meetings. Nevertheless it is felt in the Pacific that more flexibility is now required to narrow the gap on outstanding contentious issues, particularly to do with fisheries, where securing improved rules of origin for chilled and frozen fish is accorded a high priority.

The technical complexity of the outstanding fisheries issues, particularly linked to effective fisheries management and conservation systems, is recognised. So too is the growing political sensitivity in the EU to global sourcing and other issues related to rules of origin.

The secretary-general of the Pacific Islands Forum Secretariat concluded at the May 2013 PACP trade ministers' meeting that "unfortunately... the European Union has not been responsive to the situation that is unique to the Pacific and to countries of this region, and thus has not lived up to Pacific expectations," adding that it was "largely for these reasons that negotiations have taken this long to conclude".

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*"Trade ministers have expressed a sense of urgency over concluding the EPA process"*

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In May 2013 PACP trade ministers expressed a sense of urgency over concluding the EPA process, given the establishment of 1 October 2014 as the deadline for the lapsing of the market access regulation MAR 1528/2007, which extended transitional duty-free, quota-free access to Fiji and PNG. Fiji's trade minister argued that "continuing extension of the negotiations could no longer be tolerated," with Fiji seeking to conclude negotiations by the end of 2013, thereby providing sufficient time for ratification by all the parties concerned before the 1 October 2014 deadline.

The EC Pacific delegate, however, maintained that concluding the negotiations by the end of 2013 was "unrealistic", since "there were just too many gaps... to believe such talks would be finalised before the end of the year" (see [Agritrade article 'Fiji urges 2013 completion while EC delegate expresses doubts over end of year deadline'](#), 1 July 2013). But the EC delegate also provided a slightly more nuanced perspective on the deadline issue, pointing out that "the market access regulations only concern the interim EPA" and "do not establish a deadline for negotiations of a comprehensive EPA" where "no deadline exists".

In June 2013 the PACP ministerial spokesperson, in a letter to Trade Commissioner Karel De Gucht, set out PACP concerns over the lack of progress in negotiations, stressing the importance of fisheries issues to PICs and reiterating the view of PACP governments that "if crafted properly, a comprehensive EPA has the potential to create the right conditions for trade and development." But it was maintained that this would require the EC to offer PACP countries "improved market access, including global sourcing, and adequate and timely aid for trade resources... to improve their trade-related infrastructure and build their productive capacity, as well as the capacity to comply with EU export requirements".

From a Pacific perspective, considerable importance is attached to keeping the region's options open. In this context, Fijian officials have highlighted the options of continued EPA access for less developed countries, ratification of the IEPA by Fiji, and even accession to the IEPA by other PACP countries if they so desire.

### Progress in the PACER-Plus negotiations

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*"The PACP governments consider that the PACER-Plus negotiations should not result in a conventional free trade agreement"*

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From 29 to 30 November 2012, the fifth meeting of officials of the PACER-Plus trade negotiations took place. The PICs reiterated their position of May 2012, that "PACER-Plus should not result in a conventional free trade agreement," and stressed the importance of including provisions that would "ensure sustainable growth and development of the Forum Island Countries" (see [Agritrade article 'Pacific PACER-Plus trade talks continue'](#), 27 January 2013).

"Good progress" is reportedly being made in the PACER-Plus negotiations, with ongoing efforts to "narrow differences between the parties". The principal outstanding issues for the agriculture sector are those related to SPS measures, technical barriers to trade (TBTs), rules of origin, and development assistance support targeted at building up trade-related infrastructure (see [Agritrade article 'Progress reported in PACER Plus negotiations'](#), 15 July 2013).

The long-running saga of access to the Australian market for Fijian ginger exports is illustrative in this regard. In May 2013 it was reported that "after over 12 years of negotiations, it appears the path may soon be clear for Fiji to commence exports of ginger to Australia", following recommendations from the Australian Department of Agriculture, Fisheries and Food (DAFF) on how to minimise SPS threats from yam scale and burrowing nematode. However, "the Australian ginger industry believes that a thorough research project into pests and diseases in Fiji should be carried out so that all major pests and diseases can be screened for strain and virulence", before access is granted for imports of ginger from Fiji.

In terms of rules-of-origin issues, a May 2013 press review of roadblocks in the PACER-Plus talks noted that, while the current non-reciprocal South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) allows "duty-free entry of islands' goods to Australia and New Zealand", the arrangement is deemed ineffective, since "rules of origin were too stringent and island countries had great difficulties complying with the agreement's measures" on SPS and TBT.

This provides the broader context against which current progress at the

technical level in the PACER-Plus negotiations should be seen. PNG's trade minister expressed concerns in May 2013 that any PACER-Plus agreement would be "one sided", given the SPS-related difficulties of exporting taro and horticulture products to Australia and New Zealand. Getting to grips with this issue, in the face of growing domestic protectionist pressures in the Australian horticulture sector, is likely to be critical to the actual benefits gained under any eventual agreement.

### 3. Current policy debates and issues

#### Balancing smallholder and commercial agri-food sector priorities

The focus of agricultural production in many PACP countries is on home consumption and local markets. Some PACP governments are now trying, in the context of growing urbanisation, to promote both local and foreign corporate investment in the agri-food sector. This raises important issues related to how to balance support for smallholder production with efforts to attract increased corporate investment, and throws up a range of challenges that PACP governments will need to get to grips with, both nationally and, increasingly, regionally, as intra-PACP trade liberalisation gains momentum (for example, the consequences for regional trade of domestic market protection).

#### Promoting agri-food sector investment and trade regulation

Efforts to promote commercial investment in the agri-food sector has prompted calls for increased tariff pro-

tection and even import restrictions, so as to create market space for new investment. Apart from the issue of consumer interest in lower-priced food and the impact of tariffs on food prices, differential rates of domestic tariff protection can give rise to distortions of competition, as tariffs on intra-regional trade are dismantled. These issues will need the attention of the MSG Secretariat at the technical level, and MSG trade ministers at the political level, if regional trade integration processes are not to be undermined by periodic food and agricultural trade disputes.

#### Enhancing the credibility of palm oil sustainability certification

If questioning the credibility of palm oil sustainability certification gains traction, then this could strengthen the trend towards "palm-oil free" labelling of processed food products in markets targeted by the Pacific region's largest palm oil exporter.

This suggests a need for initiatives to secure greater recognition of the strong performance of companies such as NBPOL in promoting palm oil production on land certified sustainable within the RSPO scheme, and to strengthen the scheme's underlying compliance requirements.

#### Ensuring a comprehensive approach to product differentiation

Product differentiation on its own is no guarantee of improved returns for producers. Government support for the provision of infrastructure is often required, alongside measures to strengthen the position of producers in the value chain through more effective organisation. This represents a complementary agenda for government action as part of private-pub-

lic partnerships to develop and support effective product differentiation strategies.

#### Reconciling organic production strategies with conventional agriculture

Efforts to move towards island-wide organic farming should be balanced against the needs of existing conventional agri-food industries. This requires a nuanced approach to reducing costs of certified organic production while not undermining the operations of conventional agri-food enterprises. PACP-wide consultations on how best to address this issue could well prove useful.

#### Centrality of SPS issues to the PACER-Plus negotiations

SPS issues are a major source of concern in the PACER-Plus negotiations, since they critically determine the value of the duty-free access granted to developed country markets. Procedural constraints on securing SPS approvals can fundamentally undermine the value of 'aid for trade' support at the enterprise level, and for infrastructural and institutional investment, as well as the nominal market access granted.

Against this background the question arises as to how substantive the reported progress in the PACER-Plus negotiations is on the underlying SPS, TBT and rules-of-origin issues of concern to PACP governments, such as addressing current problems faced in developing Pacific exports as a result of ongoing SPS disputes and cumbersome SPS approval procedures. How this question is addressed is likely to be critical to the eventual net benefits arising in the agri-food sector from any PACER-Plus agreement.



## Ensuring that differentiated product certification yields net benefits

Given that production volumes in PACP countries are often small, questions can arise about the financial sustainability of TPC. This is increasing the attractiveness of PGS systems of cer-

tification. Against this background, PACP governments may wish to join wider ACP efforts in ensuring that EC proposals to modify the regulatory regime for food and feed controls do not undermine current efforts to promote PGS-certified trade in organic products.

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### About this update

This brief was updated in October 2013 to reflect developments since September 2012. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at <http://agritrade.cta.int/>



The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint ACP–EU institution active in agricultural and rural development in African, Caribbean and Pacific (ACP) countries. Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management.

It does this by providing access to information and knowledge, facilitating policy dialogue and strengthening the capacity of agricultural and rural development institutions and communities in ACP countries.

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