

# Review of the 'Global Sourcing' derogation for Papua New Guinea

## CFFA position

December 2011

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### CONTEXT

Four years ago, when signing the IEPA with Papua New Guinea and Fiji, the EU agreed to a derogation to the rule of origin, in the form of 'global sourcing'. This means that, regardless of where the fish (tuna) is caught, or the status of a vessel's flag, registration or ownership, the fish is deemed originating, and can therefore benefit from duty free access to EU market, as long as it is transformed from being fresh or frozen into being a pre-cooked, packaged or canned product. This was a demand of the Pacific ACP group in their EPA negotiations with the European Union.

The first objective on the part of the Pacific ACP was to support and develop local processing activities, which, without the global sourcing concession, had difficulties sourcing sufficient supplies of 'originating tuna' to be provided either by local fleets or EU fleets: there is no locally owned tuna fleet and the EU only has four vessels fishing for tuna in the region which supply their own factories in South America. There are conditions to be met by PNG for benefitting from this global sourcing, including the demonstration of positive development impacts, and the effective management of conservation and sustainable management of the resources. In 2011, a review of the global sourcing derogation has been initiated, in light of the assessment of developmental impacts it had.

Following a request based on access to information regulation, CFFA received in August a copy of a recent 2010 study commissioned by DG mare on preferential rules of origin for fisheries and aquaculture products<sup>1</sup>. The study shows the importance of the global sourcing derogation for PNG local development, in particular in terms of job creation. It also demonstrates that, if the PNG processing industry was to expand its production thanks to the global sourcing derogation, this will have few direct impacts on the EU tuna industry. Moreover, the study concludes that *'the perspective of having the EU market flooded by imports from PNG does not appear to be realistic.'*

Meanwhile, in December 2011, at the occasion of the WTO eighth Ministerial Conference, the European tuna industry organization Eurothon asked the WTO to 'guarantee that the same game rules, including in terms of control, are applied for all in the competitive world-wide tuna market', explaining that *'this non-discriminative treatment is in danger because of the bilateral agreements, like the Economic Partnership Agreement with the Pacific, as this agreement exonerates these countries of meeting EU norms'*.

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<sup>1</sup> [http://cape-cffa.org/IMG/pdf/Oceanic\\_Devt\\_2010\\_EU\\_Preferential\\_RoO\\_for\\_Fish\\_%28PACP\\_RoO\\_section%29.pdf](http://cape-cffa.org/IMG/pdf/Oceanic_Devt_2010_EU_Preferential_RoO_for_Fish_%28PACP_RoO_section%29.pdf)

## CFFA position

In line with their international commitments, particularly the FAO Code of Conduct for Responsible Fisheries, the European Union and Papua New Guinea should put at the heart of their trade relations ***the support of environmentally, socially and economically sustainable fisheries*** development in Papua New Guinea.

Tuna processing provides an important source of employment in Pacific islands countries, such as Papua New Guinea, a country which suffers from high unemployment levels. Because of both the limited presence of EU vessels in the region and the small size of local tuna catching industry, the rules of origin existing prior to the global sourcing derogation structurally limited the quantities of tuna that could be considered of origin and exported duty free on the EU market, therefore limiting Papua New Guinea's capacity to develop local tuna processing and employment.

**CFFA feels therefore that the global sourcing derogation is important to maintain in the future. Moreover, an extension of global sourcing to other fish products should be considered in the negotiation of the full EPA- so that all ACP Pacific islands can increase their benefits from offshore fisheries. However, CFFA also wants to suggest concrete improvements, in particular regarding (1) the sustainable exploitation of tuna resources and (2) the benefits of foreign investments for local populations, coastal communities in particular.**

**Such issues could be discussed in the context of the current review process, informed by the review report to be published, and appropriate mechanisms to address them in the future should be designed to improve the impacts of global sourcing. PNG civil society and coastal communities should be adequately informed and involved in the process.**

On these two issues, CFFA has the following comments and proposals:

➤ **The sustainable exploitation of tuna resources**

The use of the global sourcing derogation will take place in this difficult context described in a recent report<sup>2</sup> which states that, in the Pacific islands region, *in the purse-seine fishery, there will be continued pressure to admit additional fishing vessels in the region as foreign, locally based or domestic vessels, and older vessels will be gradually replaced by new, more efficient and generally larger vessels. These developments will result in increased and more efficient purse-seine fishing effort. Skipjack tuna are likely to be able to accommodate such increases, although the standing stock will probably be decreased, thus reducing catch rates. Impacts of the*

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<sup>2</sup> Report, The Future of Pacific Islands Fisheries, SPC and FFA, , October 2010  
[http://www.spc.int/fame/doc/corporate\\_docs/Future\\_of\\_PI\\_fisheries\\_Report.pdf](http://www.spc.int/fame/doc/corporate_docs/Future_of_PI_fisheries_Report.pdf)

*purse-seine fishery on yellowfin and bigeye tuna stocks will depend on the management of how, when and where the purse-seine fishery operates. There will be pressure for the increased use of FADs to counter rising fuel prices, and, in the absence of technical or logistical solutions to manage the associated juvenile yellowfin and bigeye catches, pressure on these species will continue to increase. Such an increase would be expected to have negative impacts on the longline and non-FAD purse-seine fisheries that target them at a larger size, and may also negatively impact the overall status of stocks. As capacity expands, and if efforts to limit catches or fishing are effective, the scarcity of fishing opportunities will drive the incentive for both foreign and domestic fleets to fish illegally’.*

**To improve the sustainable exploitation of tuna resources,** CFFA requests the EU to deepen the collaboration with Pacific islands in the context of the WCPFC, and support efforts made by the Pacific Islands in the context of the Parties of Nauru Agreement (PNA), to improve the management of the regional tuna fishery through restoring stocks and implementing appropriate reference points and harvest strategies<sup>3</sup>. The EU should also pay particular attention at supporting Pacific islands efforts to combat IUU fishing, and ensure full traceability of their products.

➤ **Benefits of foreign investments for local populations, coastal communities in particular**

Large-scale fisheries development, as the one undertaken in PNG to take full benefit of the global sourcing derogation, is capital intensive and, given the lack of local resources to finance the necessary investment, it requires foreign investments.

Recently, PNG coastal communities have opposed the new industrial project at Madang – PMIZ, due to its negative environmental impact on the area, implications for inhabitants, and social conditions of workers in tuna-related industries (a number of related press releases are attached). That raises the question about the social benefits derived from the current use of global sourcing. Earlier on, DEVFISH project<sup>4</sup> stated that, although the proposed tuna industry developments ‘*may reduce operating costs for the fishing/processing companies, the financial and social impacts of those locations on the workers may not be receiving adequate attention*’.

It is important to ensure that current and future foreign investments result in benefits for PNG population, and coastal communities in particular.

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<sup>3</sup> This would provide an important counter weight to the current opposition by other powerful DWFNs present in the region to many important management measures proposed in the context of WCPFC.

<sup>4</sup> DEVFISH – is a regional project financed by the European Union for the development of the tuna fisheries in the Pacific.

To improve benefits of foreign investments for local populations, coastal communities in particular, CFFA proposes that:

- Central mechanisms should be set up for demonstrating local benefits include full compliance with national minimum wage legislation;
- National labour law and rights, including on occupational health and freedom of association, should be included into PMIZ and other processing development projects, like the developments going on in Lae and Wewak, legislation<sup>5</sup>;
- any tuna processing facility should employ a *minimum* of 60% local labour;
- The partnership of local players (e.g. service providing firms) with foreign processing investments should be favored.

Simple additions to PMIZ and other processing development projects might include, for example: the provision of crèche facilities for working mothers, the provision of adequate (and remunerated) breaks, free meals to workers, and the provision of adult education classes. All such improvements should be verified by an independent annual inspection.

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<sup>5</sup> Rather than the standard by-passing of national labour laws via enclave ‘free trade zones’ or ‘export processing zones’