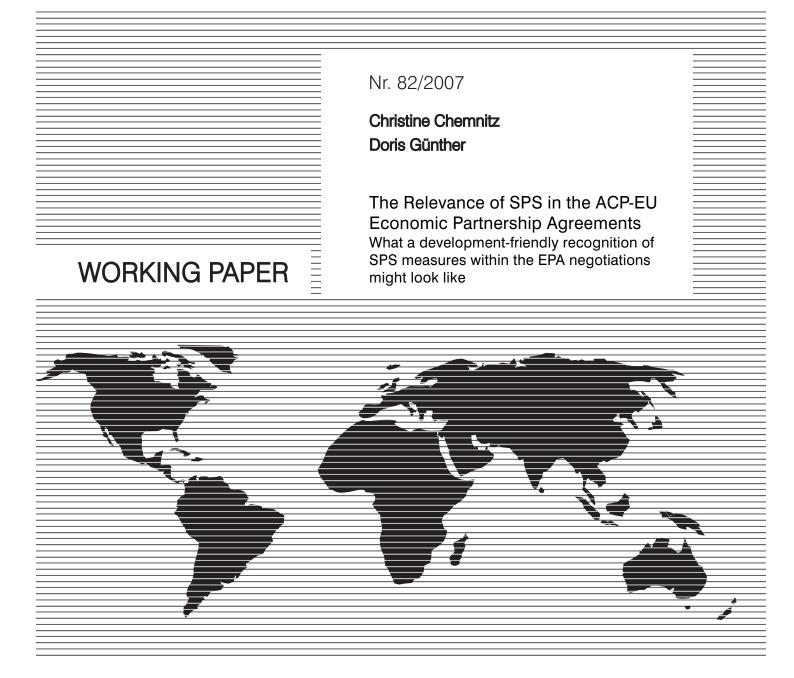
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The Relevance of SPS in the ACP-EU Economic Partnership Agreements What a development-friendly recognition of SPS measures within the EPA negotiations might look like

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Abstract:

The Africa Caribbean and Pacific (ACP) countries have benefited from unilateral preferential access to EU markets under various trade agreements. However, since agricultural trade is increasingly determined by food safety and quality standards, one of the main concerns of ACP countries is their inability to benefit from their preferential status due to their lack of compliance with EU food quality requirements. Recently, this dilemma has become of particular interest because the unilateral preferential access provided under the Cotonou Agreement no longer conforms with World Trade Organization (WTO) law, instead reciprocal trade agreements, the Economic Partnership Agreements (EPAs), should replace the former ones in 2008. ACP countries' ability to access EU markets and thereby gain from the new trade agreements largely depends on the progress they have made in adjusting their food safety systems to international standards. It is therefore essential to incorporate legally binding provisions into the EPAs that address the particular difficulties of ACP countries regarding SPS issues. This paper aims to develop a checklist for the development-friendly recognition of SPS measures in the EPA negotiations.

Key words: EPA, SPS, ACP, Food Safety

JEL classification: F13, F19

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Abbreviations

ACP	African, Caribbean and Pacific
CARIFORUM	Caribbean Forum of ACP States
CEMAC	Communauté Economique et Monétaire de l'Afrique Centrale (Central Africa Region)
COLEACP	Europe/Africa-Caribbean-Pacific Liaison Committee for the promotion of ACP horticultural exports
СТА	Technical Centre for Agricultural and Rural Cooperation ACP-EU
BMZ	German Federal Ministry for Economic Cooperation and Development
DG	Directorate General
EC	European Commission
ECOWAS	Economic Community of West African States
EDF	European Development Fund
EPA	Economic Partnership Agreement
EQP	Enquiry point
ESA	Eastern and Southern Africa Group
EU	European Union
FAO	Food and Agriculture Organization
FMD	Foot and mouth disease
GSP	Generalised System of Preferences
LDCs	Least developed countries
MFN	Most favoured nation
MRA	Mutual Recognition Agreement
MRL	Maximum residue level
NNA	National notification authority
OECD	Organisation for Economic Co-operation and Development
OIE	World Organisation for Animal Health
PACE	Pan African Programme for the Control of Epizootics
PIP	Pesticide Initiative Programme
SADC	Southern African Development Community
SFP	Strengthening Fishery Products Health Conditions
SPS	Sanitary and phytosanitary measures
STDF	Standards and Trade Development Facility
TBT	Technical Barriers to Trade
WHO	World Health Organization
WTO	World Trade Organization

1 Introduction

The Africa Caribbean and Pacific (ACP) countries have benefited from unilateral preferential access to EU markets under various trade agreements. For more than three decades they obtained preferences under the Lomé Convention, which was replaced by the Cotonou Agreement in 2000. This extends the Lomé preferences until 2007. Furthermore, ACP countries benefit from the "Generalized System of Preferences" (GSP) and least developed countries (LDCs) benefit in particular from the "Everything but Arms" Initiative. However, since agricultural trade is increasingly determined by food safety and quality standards, one of the main concerns of ACP countries is their inability to benefit from their preferential status due to their lack of compliance with EU food quality requirements.¹

Recently, this dilemma has become of particular interest for two reasons. First, the unilateral preferential access provided under the Cotonou Agreement no longer conforms with World Trade Organization (WTO) law, instead reciprocal trade agreements, the Economic Partnership Agreements (EPAs), should replace the former ones in 2008. In 2006 ACP-EU negotiations enter their third phase, where emphasis is put on the specific structure and scope of each EPA (Bilal and Rampa 2006). The issue of sanitary and phytosanitary measures (SPS) is highly relevant to this discussion as any potential benefits from the EPAs will diminish for the ACP countries if they are unable to meet the EU's food safety requirements, or if the cost of doing so renders their production uncompetitive (Doherty 2005a). The second reason is that in January 2006 the new EU Food and Feed Regulation 882/04 came into force. It places high demands on competent authorities in third countries regarding official controls in the food and feed sector. Since the least developed among the ACP countries in particular lack both the financial and the institutional capacity to comply with these new requirements, their market access might be reduced even further.

ACP countries' ability to access EU markets and thereby gain from the new trade agreements largely depends on the progress they have made in adjusting their food safety systems to international standards. Thus, it is vital that ACP countries undertake the necessary institutional and legislative reforms. However, even though ACP countries have to bear the main responsibility in doing so, one important problem is that they lack the capacity to upgrade their food safety control systems completely by themselves. Hence, their market access also depends on the willingness of the EU to provide technical assistance. It is therefore essential to incorporate legally binding provisions into the EPAs that address the particular difficulties of ACP countries regarding SPS issues.

This paper aims to develop a checklist for the development-friendly recognition of SPS measures in the EPA negotiations. Therefore, the remainder of this paper is structured as follows. Section Two analyses the key problems of ACP countries in accessing the EU market due to SPS

¹ ACP countries generally face problems in meeting the food quality requirements of their trading partners. However, the EU is particularly important owing to its outstanding importance as a trading partner (more than two-thirds of ACP agricultural exports are sold on EU markets).

requirements. Section Three analyses how SPS measures are treated in other EU free trade agreements, while Section Four discusses SPS in the context of the EPA negotiations. Finally, Section Five concludes by identifying ACP countries' key SPS issues for further EPA negotiations, and also provides a general discussion of further options and strategies for the negotiations.

2 Key SPS issues and difficulties of ACP countries

Broadly speaking, SPS measures are the laws, requirements, systems and procedures that protect animal and plant health and ensure food safety. The SPS Agreement constitutes the international legal framework on how to set and apply SPS measures in the international trading environment. The overall objective of the agreement is to minimise the trade-distorting effects of SPS measures while accepting individual countries' right to implement border measures relating to human, animal and plant life or health with regard to the level of SPS protection it regards appropriate. The SPS Agreement addresses the specific situation of developing countries in particular with respect to implementation periods, and to the obligation of developed countries to provide them with technical assistance.

However, even though the SPS Agreement provides a number of instruments to cater for developing countries' needs, the common concern exists that ACP countries will lose access to the EU market because of stricter SPS measures on two particular grounds. First, ACP countries lack the capacity to comply with specific SPS measures of the EU. Second, ACP countries cannot make full use of the instruments provided in the SPS Agreement to facilitate market access.

Before discussing the two issues mentioned above in detail, it must be stressed that the 41 least developed ACP countries are facing even greater difficulties within this new trading environment. ACP countries do not form a homogeneous group – neither in terms of exported products and destinations, nor in terms of their export performance. Considerable differences also exist in the way they have managed to adjust their agricultural and food export sectors according to the requirements of their trading partners. However, as a general observation, most are struggling in this respect, and countries that have successfully managed to introduce well-designed and functioning food safety assurance and control systems are the exception rather than the rule (CTA 2003).

2.1 ACP countries' gaps in SPS capacity

SPS capacity is the capability of a country to ensure food safety, control pests and diseases of plants and animals by means of sanitary and phytosanitary measures, and to monitor and communicate this capability to trading partners.

SPS capacity gaps can, in ACP countries as well as in any other exporting countries, exist on both a public and a private level. The particular needs and difficulties of countries may vary depending on a variety of factors, such as which export products are of particular importance, the existing SPS capacity in the country, the ability to adjust institutions, and the country's expected level of

compliance with future SPS requirements. Insufficient SPS capacity may lead to inability to comply with trading partners' requirements, leading to trade losses for the country in question.

Border rejections are indicators of food safety and quality problems, as they are always linked to an export country's inability to comply with the importing countries' requirements.² Losses of export revenue and the inability to fully exploit the export potential are natural consequences. For this reason, the following section briefly examines import rejections of produce from ACP countries at EU and US borders. There are two ways of analysing border rejections. The absolute number of border cases can be used to assess the extent of general safety and quality capability of a country. For a relative comparison between exporting regions or between products, border case data have to be weighted in relation to the volume of trade.

Thus, border rejections were placed in relation to the import volume of the EU (in US dollars) to provide a comparative figure, and the data were expressed as the number of border cases per unit volume. Weighted border cases provide a rather crude figure, as the border cases do not indicate how many kilograms were involved in each rejection (FAO 2005). However, this number at least provides a rough indication of a country's relative capacity to satisfy the SPS requirements of its trading partners.

The absolute number of ACP rejections at EU borders increased from 44 border rejections in 2002 to 54 in 2003 and doubled in 2004 to a total number of 155 border rejections. Within the group of ACP countries, rejections were attributable to only a few countries. In 2003 89 ACP countries noted no rejections or only one rejection at EU borders while in 2004 71 ACP countries noted no rejection.³

Looking in more detail at EU border rejections in the years 2003 and 2004, analysis shows that the countries with the highest average number of total border rejections are Ghana (41), Nigeria (12) and Botswana (8.5) and Côte d'Ivoire (7.5). Taking into consideration the product groups fruit vegetables, fish and meat the analysis shows that the product group with the highest total number of rejections for ACP countries is fruit and vegetables (18.5), followed by fish products (17) and meat (3.5). Rejections of fruit and vegetables are strongly dominated by rejections of nuts, which account for 10 rejections in the product group.

Weighted data corroborate this ranking. Fruit and vegetables (including nuts) are the product group which faces the highest number of rejections (1.8 rej/US\$ million imports) followed by fishery products (1.74rej/US\$ million imports) and meat (0.3 rej/US\$ million imports).⁴ When trade in nuts is excluded from the trade in fruit and vegetables, the first two product groups change places.

² Border rejections take place for two different reasons: 1) Weaknesses in the food safety and quality management systems. 2) Export concentration on products which faced a particular increase in food safety measures. As a consequence, the exporting country has to adopt the new requirements.

³ Information on border rejections for the EU under <u>http://ec.europa.eu/food/food/rapidalert/index_en.htm</u>.

⁴ Chemnitz and Künkel (forthcoming) analyse weighted border rejections for the whole group of developing countries. Results hint at the fact that meat shows the highest number of weighted border rejections, followed by fruit and vegetables and fish.

ACP countries with the highest number of border rejections per trade volume are the Gambia (1.3 rej/ US\$ million imports), Niger (0.52 rej/ US\$ million imports), Nigeria (0.46 rej/ US\$ million imports) and Sudan (0.44 rej/ US\$ million imports). Six countries note rejections in the fruit and vegetable sector, rejections of nuts again being of particular importance. When nuts are treated as a single product, the weighted rejections of Sudan are 1,772 rej/ US\$ million imports and those of Ghana 33.08 rej/ US\$ million imports.⁵ Ten ACP countries noted at least one rejection in fishery products. The country with the highest weighted number of rejections in this sector is the Gambia (1.3 rej/ US\$ million imports), followed by Fiji (0.35rej/ US\$ million imports), Nigeria (0.03rej/ US\$ million imports) and Kenya (0.03rej/ US\$ million imports). Only two ACP countries note rejections in meat products (Namibia 0.07rej/ US\$ million imports and Botswana 0.22 rej/ US\$ million imports).

Overall, it can be summarised that ACP countries show relatively low numbers of weighted border rejections at EU borders in comparison to other developing countries. In the ranking of all developing countries' weighted border rejections, the Gambia, as the first ACP country, comes ninth, followed by Niger and Nigeria in 11th and 13th place.

However, it is important to outline that the results should be interpreted very carefully, due to the pronounced shortcomings in data availability.

Trade concerns⁶ could be used as well as an indicator of an exporter's difficulties in complying with the importing countries' requirements. Overall, the number of trade concerns raised by ACP countries is low compared to other developing countries (WTO 2005). Table 1 lists the seven ACP countries which raised a particular trade concern in the SPS Committee.

No.	Issue	Country raising the concern	Country maintaining the measure
1	MRLs ⁷ for pesticides in fruit and vegetables	Côte d'Ivoire	EU
2	MRLs for pesticides in honey	Cuba	EU
3	MRLs for aflatoxins in food	The Gambia	EU
4	MRLs for aflatoxins in food	Senegal	EU
5	Maximum tolerance levels for ochratoxins in coffee	Papua New Guinea	EU
6	EU directive on foot and mouth disease (FMD)	South Africa	EU
7	Trade restriction in response to cholera (fruit, vegetables, fish)	Tanzania	EU

 Table 1:
 Trade concerns raised by ACP countries

Source: WTO 2005.

⁵ These very high figures have to be treated with care, since the trade volume in nuts of these countries is rather small.

⁶ "Trade concerns" are trade problems between members which are discussed within the SPS Committee. They can be solved bilaterally without using the official dispute settlement of the WTO.

⁷ Maximum residue levels

In all cases the country/region maintaining the measure is the EU, and the principal subject of concern in over half of the cases is the EU's strict MRL levels for pesticides and mycotoxins in food items. In the past, hygiene in fish and fishery products was a major concern when the EU imposed three consecutive import bans in 1997, 1998 and 1999. This may become more relevant again in the near future, as Regulation EC 882/2004 has withdrawn interim procedures whereby some third countries ("List II" countries)⁸ have been permitted to supply individual EU Member States with fishery products under bilateral arrangements, often containing less restrictive requirements, until they reach the fully approved status of "List II" countries.

The results of the analysis of ACP trade concerns are in line with the results of an CTA⁹ survey (2003) on the impact of SPS measures on ACP countries, which identified strict levels of MRLs as a major problem for ACP countries' exports.¹⁰ Furthermore, a 2005 survey by COLEACP¹¹ identified the new EU requirements regarding official food and feed control in third countries (EC Regulation 882/2004) as representing a major challenge, especially for the responsible authorities. At the EU's request, they have to provide detailed information on the general structure and management of their feed and food sanitary control systems, and guarantee that products destined for the EU meet EU safety standards or those considered equivalent.

To cope with ACP capacity weaknesses in their food quality management and control systems, the CTA survey (2003) identified "need elements" which apply to individual ACP countries to differing extents. These can be summarised as follows:

The need for a national food control strategy:
 Cooperation between government agencies, the food industry, consumers and research institutes.

The need for functioning food laws and regulations:
 Since food law, standards and regulations are often obsolete, incomplete or not enforced, an effective food control system needs to be established.

- The need for food inspection services:
 The administrations involved need to have clearly defined duties and sufficient staff resources and/or technical experience to carry out food inspections.
- The need to upgrade food control laboratories:

Laboratories need to be fully equipped in terms of physical structure, technical equipment and technical personnel.

⁸ Only products originating from EU-approved third country competent authorities are permitted entry at EU inspection posts. List I countries fully satisfy these requirements, whereas List II countries do not.

⁹ Short for the "Technical Centre for Agricultural and Rural Cooperation ACP-EU".

¹⁰ The survey shows that for various crops, the MRL limit is set at the limit of detection. This situation has become particularly serious for post-harvest fungicide treatments, which are essential when sea freight is used for export (CTA 2003, p.34).

¹¹ The Europe/Africa-Caribbean-Pacific Liaison Committee for the promotion of ACP horticultural exports.

- The need to enhance scientific and technical expertise:

The development of improved risk assessment capacity by ACP countries is extremely important as it provides the basis for compliance with the new food safety regulations of trading partners.

2.2 ACP countries' difficulties and needs in terms of making use of the SPS Agreement

The following chapter provides an overview of ACP countries' difficulties and needs in terms of making better use of the instruments in the SPS Agreement. The needs assessment and associated technical assistance requests originate from ACP countries' answers to a WTO questionnaire on technical assistance needs (WTO 2002, regularly updated). Although the questionnaire addresses all developing countries, this paper purely deals with the answers of ACP countries. Only 11 ACP countries returned the filled-in questionnaire, possibly owing to a lack of human capacity in the competent authorities.

The sub-sections below examine the specific instruments in the SPS Agreement which are particularly important for ACP countries' market access, and look at the specific difficulties and concerns of ACP countries in each case.

2.2.1 Equivalence (Article 4)

Equivalence refers to the mutual acceptance of another member's risk-minimising measures that may differ in process but have an equivalent effect on the safety of the product. Through a Mutual Recognition Agreement (MRA), each party is given the authority to test and certify products against the regulatory requirements of the other party, in its own territory and prior to export. Equivalence agreements seek to facilitate trade, since products can be delivered to the other party's market without undergoing additional procedures.¹²

<u>ACP countries' principal difficulties and concerns</u>: On the one hand, the main problem of ACP countries when it comes to making use of the equivalence instrument tends to be their inability to prove officially to the authorities their compliance with the importing country's requirements (Doherty 2005a, COLEACP 2005). The possibility of achieving mutual recognition is seriously undermined by institutional and legislative gaps such as the absence or insufficiency of national food laws, national testing authorities and accredited laboratories. Furthermore, much of the certification and testing, especially in the fruit and vegetable sector of ACP countries, is realised by the private sector. The insufficient existence of public-private cooperation in food controls is an important issue that undermines official equivalence recognition (COLEACP 2005).

¹² However, the EU only establishes MRAs with governments of third countries with a level of technical development comparable with that of the EU (Veggeland 2006). To date the EU has specific bilateral agreements with various countries. Nevertheless, none of the agreements contains full equivalence for all products. Agreements exist for individual products, for organic food or for the veterinary sector. The EU has veterinarian equivalence agreements with the US, Canada, New Zealand and Chile. Further negotiations are ongoing for Australia and Mercosur (Veggeland 2006).

On the other hand, developing countries frequently complain that Article 4 is not implemented. They state that developed countries often require "sameness" instead of "equivalence" (Jensen 2002). One problem tends to be that no internationally accepted implementation procedures exist with regard to equivalence.

<u>ACP countries' technical assistance requests</u>: As shown in Table 2, technical assistance is required to upgrade the legislative environment, such as improving national food legislation or technical and institutional aspects, e.g. the evaluation and accreditation of laboratories and qualification of laboratory personnel, and support for risk analysis units, inspectors and auditors.

No.	D. Item/need ACP countries		
1	Establishment, revision and updating of national standards/ safety systems	Barbados, Cuba, the Dominican Republic, the Gambia, Kenya, Mauritius, South Africa, Trinidad and Tobago and Uganda	
2	2 Support for establishing national food legislation Barbados, the Gambia, Kenya, Maldives, South Africa, Trinic Tobago and Uganda		
3	Establishment, upgrading, evaluation and accreditation of laboratories Antigua and Barbuda, Cuba, the Dominican Republic, the Ga Kenya, Mauritius, Senegal, South Africa, Trinidad and Tobag Uganda		
4	Training of laboratory personnel	Antigua and Barbuda, the Dominican Republic, The Gambia, Kenya, Mauritius, Senegal, South Africa, Trinidad and Tobago, Tunisia and Uganda	
5	Support for risk analysis unit	Antigua and Barbuda, Barbados, Cuba, the Dominican Republic, the Gambia, Kenya, Mauritius, Senegal, South Africa and Uganda	
6	Training of inspectors/auditors	Antigua and Barbuda, the Dominican Republic, the Gambia, Kenya, Mauritius, Senegal, Trinidad and Tobago, Tunisia and Uganda	

 Table 2:
 ACP countries' technical assistance requests – A focus on equivalence

Source: WTO 2002 (ongoing).

2.2.2 Regionalisation (Article 6)

Article 6 on regionalisation encourages member countries to recognise pest or disease-free areas for food, animal and plant products of their trading partners instead of blocking exports from the entire country if SPS problems exist in only one region.

<u>ACP countries' principal difficulties and concerns</u>: Even though the recognition of regional conditions is extremely important for many ACP countries, they face various difficulties in scientifically proving and identifying pest-free areas. Again, the absence of an adequate technical and institutional environment is the main impeding factor.

Even though the World Organisation for Animal Health (OIE) has developed a procedure for the international recognition of FMD-free countries and regions (Jensen 2002), the SPS Committee has not yet found a common position on whether guidelines for the recognition of pest-free areas should be developed or not (Doherty 2005a).

<u>ACP countries' technical assistance requests</u>: As shown in Table 3, seven ACP countries require technical assistance to establish and maintain their pest management and quarantine systems, and three require direct support to establish pest-free areas.

 Table 3:
 ACP countries' technical assistance requests – A focus on regionalisation

No.	Item/need	ACP country		
1	Establishment of/support for pest management/quarantine systems	The Dominican Republic, the Gambia, Kenya, Mauritius, South Africa, Trinidad and Tobago and Uganda		
2	Support for establishment of pest-free areas	The Dominican Republic, Kenya and Trinidad and Tobago		
3	Establishing/strengthening emergency programmes	The Dominican Republic		

Source: WTO 2002 (ongoing).

2.2.3 Transparency (Article 7)

SPS measures not only vary among countries, but are also often very complex and subject to frequent changes. Thus, member countries are obliged to establish enquiry points (EQPs) as well as national notification authorities (NNAs) with the aim of improving information for both foreign exporters to the national market and for domestic exporters in need of information about foreign markets.

<u>ACP countries' principal difficulties and concerns</u>: As can be seen in Figure 1¹³, all Organisation for Economic Co-operation and Development (OECD) countries reported that they had an EQP and an NNA by 1997. In contrast, it took much longer for many developing countries, especially the LDC countries, to comply with the transparency requirements of the SPS Agreement. Figure 1 depicts the number of WTO members among LDCs, developing countries and OECD countries (shown as lines). The bars depict the number of countries that signalled that they had an EQP and/or an NNA.

¹³ Since no particular information on ACP countries is available, Figure 1 takes into account the whole group of developing countries.

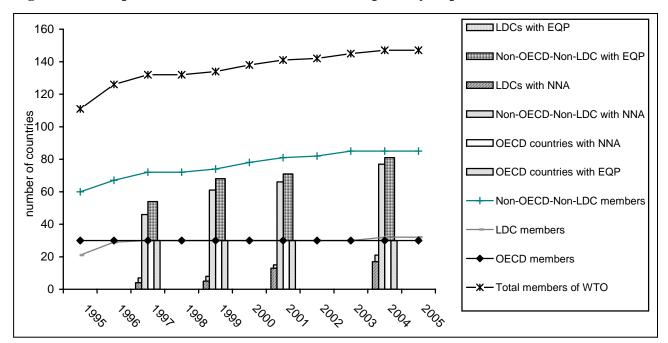


Figure 1. Compliance of WTO members with transparency requirements

Source: Chemnitz and Künkel (forthcoming).

In 2004, 15 developing countries (among them 11 LDCs) had not registered an EQP, while 23 developing countries had not registered an NNA (including 15 LDCs). In May 2005, 139 out of 148 members (94%) had notified the existence of an EQP, and 130 (87%) had identified an NNA (WTO 2005).

Although developing countries had more time to implement the requirements of the SPS Agreement, another reason for their delay in fulfilling the SPS Agreement could be their rare participation in the meetings of SPS Committee. As of 2001, 43 developing countries had not attended any official meetings (OECD 2002).

Even though by now most ACP countries have identified both an EQP and an NNA, the transfer of information to domestic exporters is insufficient. It seems unlikely that developing countries' exporters benefit from information generated by EQPs (COLEACP 2005). EQPs in many countries are poorly equipped, both technically and in terms of personnel. Thus they are typically unable to obtain, assess and make use of up-to-date information on SPS changes. ACP countries in particular complain that the consultation mechanism in Article 48 (2) of the Cotonou Agreement does not always work appropriately (Hirst 2001).

<u>ACP countries' technical assistance requests</u>: Table 3 shows that a major concern is developing countries' needs for better access to information on the requirements of their trading partners. All 11 ACP countries which answered the WTO questionnaire claimed they needed a database or an information system on their trading partners' requirements. Furthermore, three countries mentioned they needed general support to establish and upgrade their EQP. Finally, eight ACP countries require support to upgrade the technical equipment of their EQPs.

No.	Item/need	ACP country
1	Databases/information systems on international standards and requirements of trading partners	Antigua and Barbuda, Barbados, Cuba, the Dominican Republic, the Gambia, Kenya, Mauritius, Senegal, South Africa, Trinidad and Tobago and Uganda
2	Support for the establishment of EQPs or government authorities for NNAs	Barbados, the Gambia and Senegal
3	Technical and software equipment	Antigua and Barbuda, the Dominican Republic, the Gambia, Kenya, Mauritius, Senegal, Trinidad and Tobago and Uganda
5	Support for the establishment of national/ international networks	The Dominican Republic, Kenya, Mauritius and South Africa

 Table 4:
 ACP countries' technical assistance requests – A focus on transparency

Source: WTO 2002 (ongoing).

2.2.4 Dispute settlement (Article 11) and trade concerns

The dispute settlement mechanism and the possibility to raise trade concerns provide the possibility to challenge other countries' SPS measures when they are perceived as not conforming with WTO law. Trade concerns are to be raised in the SPS Committee. They can be solved bilaterally without using the official dispute settlement body of the WTO. In cases where negotiations in the SPS Committee have not succeeded in resolving trade disputes, the WTO dispute settlement procedures apply. More than 300 disputes have been raised under the WTO dispute settlement system, of which 30 referred to the SPS Agreement (WTO 2005).

<u>ACP countries' principal difficulties and concerns</u>: None of the disputes involved an ACP country. A similar picture is found for the trade concerns. Even though between 1995 and 2004 a total number of 204 trade concerns were raised by member countries, only seven came from ACP countries (two of which are LDCs).

The low participation of ACP countries in both dispute settlement and trade concerns may have upstream as well as downstream dimensions. In the first place, the upstream dimension is dominated by a lack of information. More generally, private exporters would have to inform public authorities about market access difficulties, something that they do only very rarely. However, in the second place, even if these upstream difficulties could be overcome, the downstream dimension would run into particular difficulties (Jensen 2002). Dispute settlements as well as the submission of trade concerns and subsequent negotiations might be demanding in terms of financial and human resources. These requirements may pose a prohibitively high burden on ACP countries' engagement. Among them, LDCs are especially disadvantaged since they often lack representation in the SPS meetings.

<u>ACP countries' technical assistance requests</u>: Eight ACP countries would still like general support and information on the SPS Agreement. Nine ACP countries explicitly required support for negotiation skills and participation in meetings of international organisations. Kenya and The Gambia have indicated their need for support to make better use of the dispute settlement mechanism.

 Table 5:
 ACP countries' technical assistance requests – A focus on regionalisation

No.	Item/need	ACP country	
1	General information on the SPS Agreement and related institutions and awareness-building	Cuba, the Dominican Republic, the Gambia, Kenya, Mauritius, Senegal, South Africa and Uganda	
2	Support for negotiation skills, participation in international organisations, conference meetings and exchange programmes with international organisations	Barbados, the Dominican Republic, the Gambia, Kenya, Mauritius, Senegal, South Africa, Trinidad and Tobago and Uganda	
3	Support in order to make use of the dispute settlement	The Gambia and Kenya	

Source: WTO 2002 (ongoing).

2.3 SPS-specific technical assistance

The analysis of SPS-specific development support to ACP countries concentrates in particular on the Standards and Trade Development Facility (STDF)¹⁴ and the EU.

The group of ACP countries received more than 65% of total STDF investments totalling nearly US\$6 billion (own calculations, STDF database 2006) during the period from 2001 to 2003. However, the picture for the group of ACP countries is rather heterogeneous. Investments are extremely high in some individual countries, whereas other countries do not receive any investments. Out of the group of 79 ACP countries, only 56 received STDF funding. Kenya, for example, received more than US\$ 3 billion and is thus an exceptional case among the total group of developing countries. After Kenya come Nigeria, Mauritius and Zambia, which received grants of around US\$ 300 million. On the other hand, Ghana, Côte d'Ivoire and Malawi received amounts of between US\$ 20,000 and 30,000, while Madagascar and Trinidad and Tobago received practically nothing.¹⁵ It is not possible to identify any general pattern in STDF investment, neither in terms of a country's volume of exports nor in terms of its export performance (Chemnitz and Künkel, forthcoming).

The EU is the other important donor in terms of SPS capacity-building measures. Between 2002 and 2005 the EU invested around \notin 300 million in various programmes or projects which aimed to upgrade SPS capacity in ACP countries at either an all-ACP level, a regional or even a national level.

Table 6 depicts the three large programmes financed by the EU in ACP countries.

¹⁴ The STDF was established jointly by the Food and Agriculture Organization (FAO), the OIE, the World Bank, the World Health Organization (WHO) and the WTO to coordinate the efficient use of resources in SPS-related activities.

¹⁵ Detailed information on STDF investments can be found under <u>http://stdfdb.wto.org/</u>.

Title of the project	Committed in €	Beneficiary	Period	Objective
Strengthening Fishery Products Health Conditions (SFP)	42,675,200	All-ACP level	Started in 2002	Assistance to overcome ACP difficulties in complying with European sanitary regulations in the fishery sector.
Pesticide Initiative Program (PIP)	29,120,000	All-ACP level	Started in 2001	Capacity building for fresh fruit and vegetable exporters in complying with SPS regulations.
Pan African Programme for the Control of Epizootics (PACE)	77,000,000	Central Africa	Started in 2002	Strengthening national and regional capabili- ties to assess the technical and economic aspects of animal diseases and to generate appropriate programmes for their control.

 Table 6:
 EU programmes in ACP countries

Source: EU 2006b.

In the area of SPS, three major EU programmes are underway. They represent a direct response to the main concerns of ACP countries in their most important exporting sectors. The SFP fish programme was created in 2002 with funding of more than \notin 42 million. The difficulties of many ACP fish exporters were the main driver of the SFP when, at the end of 2003, EC Regulation 2001/4 came into force (EPA newsletter 2006, CTA 2003). The SFP is helping ACP countries to improve production and to increase their exports to European markets. PIP is a five-year programme which started in 2001 with a budget of nearly \notin 30 million. It supports private sector companies, and provides a concrete response to the difficulties encountered in the export of fresh fruit and vegetables. The major drivers of this programme were the difficulties faced by horticultural producers to comply with the EU's strict MRL requirements. PACE was also established in 2002 with the largest budget of more than \notin 77 million. It aims at strengthening national and regional capabilities to assess technical and economic aspects of animal diseases and to generate appropriate programmes for their control in Central Africa.

Furthermore, as a response to various concerns related to Regulation 882/04, the EU started the "Better Training for Safer Food" initiative in 2006. The training is designed for all staff of competent authorities of EU Member States involved in official food and feed control activities. It will be open to participants from third countries, and specific training sessions will also be organised for third country participants on the spot, in order to make third countries and in particular developing countries familiar with EU import requirements and with the possibility of EU support (EU 2006a).

Additionally, the EU established the €50 million Trade.Com programme in 2003. It is subdivided into three components, the first of which aims at enhancing capacity for trade policy, the second of which puts in place a network of trade advisers seconded to the ACP governments and regional integration institutions and the third of which assists ACP countries in implementing WTO agreements and prepares pilot projects for institutional capacity building to address specific obstacles to trade, particularly the EU's TBT¹⁶ and SPS requirements.

¹⁶ Technical Barriers to Trade: all requirements are covered by the WTO Agreement on TBT.

Furthermore, the EU finances several programmes that are related to particular regional groups within the ACP countries, as well as to single countries. Additional projects that are not particularly related to ACP countries concentrate on specific aspects such as financial assistance related to developing countries' participation in the three standard setting organisations (\leq 550,000 in 2005), and training on residues and on aflatoxins and ochratoxin (\leq 500,000 in 2005). Furthermore, individual EU Member States have extensive capacity-building programmes in individual ACP countries.

3 SPS in EU free trade agreements

This section reviews how SPS is treated in other European free trade agreements. It does so by summarising the results of Rudloff and Simons (2004), who analyse the prevalence of SPS in several EU trade agreements.¹⁷

The study concludes that SPS provisions in all EU free trade agreements are very generalised, with an overall emphasis on cooperation. The EU-Mexico Agreement differs slightly as it establishes a particular joint management committee for SPS. The committee provides a forum to identify and address problems which may arise from the application of specific measures, and considers the development of specific provisions for regionalisation and arrangements for information exchange.

The EU-Chile Association Agreement goes much further than other EU free trade agreements. It includes two very comprehensive annexes, of which Annex IV covers SPS measures applicable to trade in animals, animal products, plant, plant products and other goods. Annex V covers trade in wine.

The main differences between the Chile agreement and other agreements are as follows:

- A joint management committee is responsible for monitoring and controlling the implementation of the agreement (Art. 16). The committee can be supplemented by additional ad hoc groups that deliberate on SPS-related issues.
- Technical assistance is specified for SPS matters.
- The agreement provides comprehensive provisions on equivalence integration and on regionalisation.
- The agreement sets out detailed provisions for information exchange, import checks and relevant scientific opinions (Art. 12).
- The agreement ensures transparency by defining strict time schedules (Art. 8) and deadlines for the submission of required information.

¹⁷ These are: The European Mediterranean Partnership Agreements; the Trade, Development and Cooperation Agreement with South Africa; the Economic Partnership and Political Coordination and Cooperation Agreement with Mexico; and the EU-Chile Association Agreement.

- The agreement foresees concrete steps for consultation when a party fails to comply with notification requirements (Art. 8.3).
- Besides these institutional provisions, the agreement puts special focus on animal welfare standards concerning the stunning and slaughtering of animals (Arts 2 and 3, and Appendix 1c).

The Chile agreement could function as a blueprint for future negotiations of free trade areas. Even though the overall legal framework is provided by the WTO SPS Agreement, the approach adopted by the EU-Chile Association Agreement, namely of defining procedural issues as integral to the agreement, provides a high level of procedural security for the negotiating parties.

4 SPS in the EPA negotiations

4.1 General background

Formal EPA negotiations with all ACP countries started in 2002 and are scheduled to be finished by January 2008. Regional negotiations took place between 2003 and 2004. Six regional unions are negotiating with the EU: the Eastern and Southern Africa Group (ESA), the Southern African Development Community (SADC), West Africa Region (ECOWAS + Mauritania), the Central Africa Region (Communauté Economique et Monétaire de l'Afrique Centrale, CEMAC), the Caribbean Forum of ACP States (CARIFORUM) and the Pacific ACP Region (PACP). EPA negotiations were separated into three different phases, of which only the first was conducted with all ACP countries. In the second phase, the six regional unions negotiated a road map for the negotiations. The third and probably most difficult phase of the EPA negotiations should address substantive issues, notably the specific structure and scope of each EPA, the approach to trade liberalisation, as well as the drafting of legal provisions. The intention is to finish EPA negotiations by 2008. Afterwards, the implementation phase of the EPAs starts. The EPAs provide flexibility in their implementation since not all elements must be in place at the same time (EU 2002). Even though a transition period of 12 years is envisaged (ICTSD 2002), this period can be extended for specific sectors or products where this is required by the specific constraints faced by the ACP countries concerned (EU 2002).

4.2 Treatment and importance of SPS in the EPA negotiations

With regard to SPS measures, the Cotonou Agreement reaffirms both parties' commitment to the WTO SPS Agreement. Thus, the starting point of the EPA negotiations is in compliance with WTO law. More generally, this means that mainly the WTO SPS Agreement determines the rights and obligations negotiated in the new EU ACP agreements (O'Connor, 2003). However, both sides agreed on the need for EPA negotiations to address SPS issues. In the EPA negotiations the issue of SPS is negotiated at both, all ACP country level and regional level.

Table 7 depicts the various converging and diverging starting positions of the ACP and the EU in negotiations.¹⁸ Convergence can be found in three points: 1) EPA negotiations should address SPS issues, 2) a coordination and consultation mechanism on SPS issues should be developed, and 3) the EU should assist ACP countries in building up their capacity to meet SPS standards. However, the third point has to be mentioned with some reservations as the EU is not willing to negotiate additional financial funds for capacity upgrading within the EPA negotiations. While the EU wants to finance all technical assistance programmes from the European Development Fund (EDF), ACP countries have requested additional financial aid.¹⁹ A relevant concern of ACP countries is that the EDF is governed by the Cotonou Agreement, which expires in 2020. So far, there is no assurance that development cooperation with the EU will continue after 2020.

Convergence	Divergence		Remarks
	АСР	EU	
EPAs should address SPS issues since they constitute obstacles to trade.	There should be a standstill on EU SPS measures as from September 2003.	The introduction of a standstill for ACP countries would not be possible since the EU has to retain the necessary latitude to introduce new measures where necessary.	The EU has pointed out that it would take new SPS measures in accordance with the WTO SPS Agreement so that these measures are as least trade-distorting as possible and based on internationally-agreed standards.
SPS issues can be dealt with at the national, regional and even at the all-ACP level.			
The EU is prepared to assist ACP countries in building up their capacity to meet SPS standards.	Derogation of five to ten years to ACP countries from compliance with EU SPS measures.	The EU has indicated that it has difficulties with the ACP proposal on derogation from compliance with SPS measures.	
	Conclusion of SPS equivalence agreements with the ACP.	Equivalence agreements cannot be concluded with ACP states because they have no testing and conformity assessment systems equivalent to those of the EU.	According to the EU, it could however be possible to conclude equivalence agreements in the long term
	ACP countries want to negotiate additional funds for development cooperation which exceed the commitments of the 10 th EDF.	The EU is not willing to negotiate financial commitments on top of the EDF.	

 Table 7:
 Convergent and divergent positions in SPS in EPA negotiations

Source: modified from EU 2003.

¹⁸ Information is taken from the concluding report of the All-ACP-EU negotiations ACP-EU/NG/NP/43, 2003.

¹⁹ In June 2006 the ACP-EU Council of Ministers agreed on the financing of the Cotonou Partnership Agreement from 2008 to 2013 with a financial package of over €22 billion, known as the 10th EDF.

Further divergent positions included the claim of ACP countries that SPS measures should not change after 2003; the EU did not agree to this. Thus, in terms of the standards to be met and their enforcement, ACP exporters to the EU will be in the same position as all exporters. Furthermore, the EU stated that the objective of mutual recognition, which had been claimed by ACP countries, could only be a long-term goal, since it is based on the existence of equivalent capacities in partner countries. However, these agreements would have a considerable trade facilitation effect and would confer to ACP exporters to the EU a "comparative advantage" in relation to most favoured nation (MFN) countries. Today, the EU supports mutual recognition by extending assistance for the development of national and regional capacities, including testing and certification institutions.

4.3 Current SPS negotiation positions of ACP regions and the EU

The following section provides a brief overview of the current state of EU negotiations with the regional units.²⁰

Eastern and Southern Africa Group (ESA):

At the beginning of 2006, a ministerial meeting in Port Louis, Mauritius, took place that addressed SPS. Both parties agreed that agriculture is a key sector for the development of ESA countries, making SPS particularly important (BMZ 2006).

From an ESA position, the EU should harmonise SPS requirements and use international guidelines. Furthermore, the ESA wants to define precise technical assistance needs in the area of capacity building for compliance with SPS requirements (BMZ 2006).

The EU emphasised the importance to the ESA of developing a regional SPS strategy. Capacity building for research institutions and certification bodies should play an important role in this process. Furthermore, the development of a "human resources policy" for primary institutions should be supported. The EU requires that SPS subjects should be supported by national or regional development cooperation and poverty reduction strategies (BMZ 2006).

South Africa Development Community (SADC):

SPS was a particular focus during talks in the period 2004-2006. In 2005 SADC identified a number of fundamental questions that need to be addressed at the beginning of the negotiations on SPS and TBT issues.²¹

²⁰ As negotiations are ongoing, the availability of information is patchy.

²¹ Results come from the SADC-EPA trade ministers meeting in Gaborone, March 2005.

Key questions include:

- The governance system for SPS and TBTs regulations within the European Commission (EC) is mainly under the responsibility of the Directorate General (DG) for Health and Consumer Protection, DG Agriculture and DG Fisheries. SADC emphasises the involvement of DG Development and Europe Aid with regard to their competence on development issues.
- Existing SPS and TBT competencies along product lines, such as those in fisheries, fruit/vegetables and horticulture, should be covered under the EPA negotiations. This may encourage the broadening of SPS capacity on sectoral lines beyond regional configurations.

Furthermore, the SADC countries are working on common SPS measures and have identified a precise common strategic SPS approach. Some of the main objectives were: 1) to develop regional capacity in SPS; 2) to develop a common regional framework for the analysis of the long-term costs and benefits of compliance; 3) to address sectoral and industry-specific constraints in meeting SPS and TBT challenges by providing targeted development support; and 4) to ensure the effective participation of SADC countries as a regional block in standard-setting processes.

Furthermore, SADC will evaluate problems in complying with SPS demands and will evaluate technical assistance needed.

SADC has requested that the EU should 1) harmonise SPS measures in all EU Member States according to international standards; and 2) provide funds to assist SADC countries to comply with SPS measures.

Economic Community of West African States (ECOWAS):

Formal negotiations on the EU-West African EPA began on 6 October 2003 in Cotonou. A road map approved by the two parties a few months later set out the structure of the negotiations and the key issues. A technical working group has been set up to discuss SPS issues. So far no harmonised SPS regulations exist at the West African regional level. It is therefore vital to identify a regional approach to SPS, especially for the upcoming negotiations.

Caribbean Forum of ACP States (CARIFORUM):

The Joint Report of the first CARIFORUM-EC Round of Technical Negotiations of the third phase (2006) indicates the following four overall issues that both parties agreed on²²: 1) the SPS Agreement should set the general framework of the SPS EPA negotiations, 2) the objective of further SPS EPA negotiations is to facilitate the implementation of the WTO SPS Agreement in the region, 3) the EPA will establish mechanisms designed to resolve SPS problems related to products or sectors of export interest to the parties, and 4) CARIFORUM will identify priority sectors and products that would enable a focused approach designed to attain the above objectives.

²² Summary of the results of CARIFORUM-EC (2006).

Furthermore, the report explores the common SPS objectives of the negotiating parties:

- Facilitating trade in plant and animal products covered by the WTO Agreement on SPS.
- Promoting intra-CARIFORUM trade and investment.
- Enhancing mutually beneficial cooperation between relevant EU institutions and the CARIFORUM equivalents.
- Promoting transparency by ensuring notification of SPS measures with a potential trade impact.
- Improving monitoring, implementation and enforcement of SPS measures.
- Facilitating the effective participation of CARIFORUM states in the relevant international standard-setting bodies.
- An overall concern of the CARIFORUM negotiators is that the EPA must allow for some asymmetries to take into account the different levels of development of the EU and the Caribbean; however, the EU has not yet made such a commitment (Bilal and Rampa 2006).

Central Africa Region (CEMAC):

For the Central Africa Region, a thematic working group produced a report analysing the status quo of the region in the area of SPS and TBT. The report identified a number of priority product areas for further analysis and development support. In September 2005 these results were presented at the Committees of Negotiators.²³ With regard to SPS and TBT measures, the first EU CEMAC negotiations in 2006 specified adequate strategies for institutional capacity building.

5 Conclusions

5.1 Key SPS issues in the EPA negotiations

Overall, it can be concluded that in the first phase of negotiations, both negotiating parties agreed on the particular relevance of SPS measures as they could potentially impede agricultural and food exports of ACP countries. Furthermore, they agreed that the EU should provide technical assistance to ensure that ACP countries' market access is supported.²⁴ Before turning to the most relevant issues of the ACP countries for further negotiations, the importance of common SPS strategies and harmonised SPS systems should be outlined as they definitely support and ameliorate ACP regions' positions in SPS-related EPA negotiations. Thus, it is extremely important that ACP countries seek to harmonise their SPS systems and develop common upgrading and negotiation strategies in SPS issues.

This section summarises the most relevant issues for the ACP countries concerning further negotiations:

²³ This report appears to be currently unavailable.

²⁴ However, no agreement was reached as to how this technical assistance will be financed (see sub-section 4.2).

- 1. Specification of technical and institutional arrangements to upgrade ACPs' SPS capacity (see information on needs and concerns in sub-section 2.1).
 - ACP countries'/regions' needs in terms of technical assistance for SPS capacity building should be identified. The associated amount of financing and the period of implementation for EU technical assistance should be defined on a sectoral basis.
- 2. Specification of structural or institutional agreements to facilitate the use of existing WTO SPS instruments (see information on needs and concerns in sub-section 2.2).
 - Equivalence: Agreements on mutual recognition would put ACP countries in a more favourable position than MFN countries and would support market access. Thus, all existing regional and sectoral quality management systems should be evaluated for their possible applicability for mutual recognition. Technical assistance for capacity upgrading (in terms of technical, institutional and competence upgrading) according to international standards is needed to push the discussion in the direction of mutual recognition. Regional and sectoral priority areas should be defined.
 - <u>Regionalisation</u>: ACP countries need support in identifying pest-free areas. Agreements on the procedural issues of regionalisation such as timeframes and consulting mechanisms should be discussed (see the EU-Chile Association Agreement).
 - <u>Transparency</u>: ACP countries' EQPs need technical assistance to assess and make use of up-to-date information on SPS changes in a proactive way. Twinning programmes could provide useful support. More emphasis should be put on coordination, consultation and information mechanisms whenever a measure might affect the interests of ACP countries' exports.
 - <u>Dispute settlement and trade concerns</u>: ACP countries need capacity support so that they
 can develop mechanisms to assess the potential impact of proposed SPS measures on their
 industries.
- 3. Specification of the overall negotiation framework for SPS.
 - DG Development and Europe Aid should be involved in agricultural and SPS negotiations to ensure that there is a development focus.
 - A consultation structure should be included in the EPA that inter alia enables its members to provide early input regarding new SPS measures likely to affect them. The terms of reference of such a structure should make it clear that both parties to the EPA intend that SPS measures should be formulated, introduced and implemented in ways that are least harmful to developing countries, while not detracting from the *proven need for the desired level* of protection of the EU consumer (Doherty 2005a, p. 23).

5.2 Strategies for future negotiation of SPS issues

The overall framework of the EPA SPS negotiations is provided by the WTO SPS Agreement. This leads to two key questions, namely 1) should SPS issues be negotiated under the WTO SPS Agreement or rather under the EPA negotiations; and 2) which SPS issues should be negotiated under the EPA, and which under the WTO SPS negotiations.

Principally, the Joint Report on the All-ACP–EC Phase of EPA Negotiations recommends that ACP countries should raise SPS issues within the WTO rather than with the EU under the EPA. This is true for all issues directly related to the SPS agreement as a legal provision.

However, ACP countries should negotiate various procedural and institutional SPS provisions under the EPA that go beyond the WTO framework (see for example the EU-Chile Association Agreement). These could minimise costs and provide more security for ACP countries and might finally strengthen mutual cooperation.

As keeping to the time plan seems to be particularly important to the EU, the EPA negotiations seem to be the best time to press for these arrangements to facilitate ACP countries' market access. Thus, Doherty (2005a) underlines that ACP negotiators should try to negotiate agreements which ensure that the problems raised for ACP countries by the EU SPS measures are recognised and dealt with in the agreements. SPS issues negotiated under EPA should imply the potential to strengthen ACP countries' SPS capacity.

Various ACP countries have claimed compensation due to trade losses arising from new EU SPS measures or from EU precautionary measures. One scenario could be that the EU guarantees today's effective market access to ACP countries. This implies that whenever the EU implements new SPS measures, it has to ensure that ACP countries are able to comply with these measures. If this is not the case, the EU then would have to compensate them for related trade losses. However, even though compensation payments do not contradict WTO law, it is highly unlikely that the EU would agree to such a regulation. Furthermore, the relevant concern exists that compensation payments to ACP countries would be counterproductive in terms of ensuring they make the necessary adjustments to SPS capacity.

Table 8 below summarises the particular advantages and disadvantages of the various negotiating strategies, which vary between leaving all SPS issues to WTO negotiations, to obtaining firm commitments to all relevant SPS problems).

	Options	Advantage	Disadvantage
1	SPS issues are not dealt with under the EPA, but instead under the WTO negotiations.	Removes pressure for agreement within EPA timetable.	ACP countries lose any possible negotiation advantages.
2	SPS issues are referred to in the EPA, enshrining the principle of support for capacity building, but without any firm commitment.	Relatively easy to negotiate and provides a platform for ongoing discussion.	This would lose the leverage that exists prior to signature, and the absence of commitment renders this of little value in practical terms.
3	As per Option 2, but including the establishment of consultation procedures on new measures and the clarification of the EU's attitude to ambiguities in the WTO SPS Agreement.	Avoids the potentially difficult area of obtaining a firm commitment for specific assistance within the time available, and tackles important areas in advance of likely protracted WTO deliberations.	Obtaining commitment to specific capacity building may be more difficult outside the EPA, and agreement as to what constitutes appropriate consultation procedures may raise difficulties at national and regional levels.
4	SPS issues are referred to in the EPA, including the principle of support for capacity building and making a commitment for a fixed financial amount of technical assistance within a set timetable.	More security for ACP countries, no additional negotiation on other platforms.	More difficult to achieve as the EU will resist the need to agree to such clear commitments.
5	As per Option 4, but additionally equivalence agreements are included for selected sectors.	As per Option 4, with advantages for particular sectors.	As per Option 4: the EU will be cautious in its approach to accepting evidence of equivalence, and the ACPs will need time to meet the equivalence requirement.

Table 8: Review of negotiating option

Source: modified from Doherty 2005a.

Finally, it should be summarised that SPS measures have a relevant impact on how much ACP countries might benefit from the EPAs and that, especially for the LDCs, the relevant concern exists that their inability to comply with EU SPS requirements will diminish their access to European markets.

Especially since the EPAs should combine trade and development aspects, it is particularly relevant that they contain commitments which address the difficulties of ACP countries in complying with EU SPS measures. Thus, ACP negotiators should try to obtain firm agreements on institutional and procedural mechanisms and on SPS-specific technical assistance with the aim of facilitating and supporting ACP countries' market access to the EU.

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