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EU Commission President JM Barroso welcomes PM Donald Tusk as Poland takes the reins for its first ever EU Presidency

Editorial

2011 kicked off to a momentous start as the Ivorian post-electoral crisis unraveled. While the situation on the ground became increasingly difficult for all Ivorians, with mounting insecurity, breakdown of financial services, and the ensuing slow down in trade, companies also came under extreme pressure. As the EU's new External Action Service came into play, far-reaching EU sanctions were taken against a list of entities and individuals in Côte d'Ivoire, which were closely followed by a ban on cocoa exports from the Ouattara administration. With all cocoa exports halted, ECA, together with FCC, acted to obtain additional clarification on the scope of the measures. As the crisis evolved, the two associations sought to maintain alignment amongst locally active members – while ensuring that the EU and other relevant stakeholders were aware of the impact of the measures in Côte d'Ivoire, and further down the line, for EU industry. Ultimately, alignment was also achieved with chocolate manufacturers through joint positioning between ECA, FCC and Caobisco.

More than ever, the crisis highlighted the fact that what affects Côte d'Ivoire affects cocoa, and vice-versa.

We pay tribute to all those who stood firm throughout the crisis.

While to most, the crisis is deemed to be over, sanctions are now lifted and trade has resumed, the impact on the ground has been severe. Many programmes aimed at increasing sustainability in the chain have been hindered (either because they had to cease activities for a long period of time or have seen their offices looted).

The international community, through the IMF, the EU, the French AFD, and many more, are developing considerable aid efforts in Côte d'Ivoire. Along with fellow cocoa associations, we are anxious to see that the reconstruction efforts ultimately also help the millions of Ivorians who depend on cocoa for their livelihoods. In this respect ECA, Caobisco and WCF have reached out to Côte d'Ivoire, the EU Commission, Member States and key development agencies to trigger a high-level multi-stakeholder initiative to assess challenges and opportunities for Ivorian cocoa going forward. We are confident this will materialize before the end of this year.

Isabelle Adam - ECA General Secretary

Poland takes over EU Presidency from Hungary

On Friday 30th June, Polish PM Donald Tusk and his ministers presented details of the programme of the Polish Presidency to the European Parliament. The objectives of the Polish Presidency cover: further integration, economic growth, increased competitiveness and guarantees of energy and food safety. According to the Prime Minister, priorities concern the entire Community and not only one or several states. "Polish priorities are a test for Europe's further integration," Donald Tusk explained. **More on page 2**

Sustainability Update

EU works on New Development Policy

The Commission published a Green paper on 'EU development policy in support of inclusive growth and sustainable development' late 2010 which outlines the EU policy framework for development going forward.

As a reminder, the EU is the world's largest provider of Official Development Assistance (ODA), totaling almost € 54 billion in 2010. Annual imports from third countries exceed € 1.3 trillion (Euro zone only).

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Hungary hands the EU Presidency to Poland

Poland will also, justifiably, be focusing on the EU Budget. It is well positioned to influence this debate, as former Polish PM Jerzy Buzek is the current President of the EU Parliament and the Commissioner for financial programming and budget, Janusz Lewandowski, is also a Pole. Mr Lewandowski has defended a 5% increase to the EU budget for 2012. The country has also been deeply involved in negotiations, notably with France and Germany, to have 'a more equitable distribution of payments'. Poland is in fact the single biggest net recipient of EU funds and also one of the biggest recipients per capita. Their policy during the Presidency will be to support enhanced cooperation within the EU and reform of the Common Agricultural Policy (modernization and enhanced competitiveness).

Through the creation of free trade areas with states of the Eastern Partnership, the Polish Presidency will contribute to expanding the zone embraced by Union's rules and regulations. Poland more specifically wants to progress the process of signing association agreements and free trade areas (e.g. with Ukraine and Moldova). In addition, Poland supports the continuation of accession negotiations with Turkey, and hopes to establish a new framework of cooperation between the EU and Russia.

In terms of common trade policy, the most important issue for the Presidency will be to continue the current WTO Doha round. In addition to further steps towards the liberalisation of trade (elimination of customs barriers), issues such as agriculture subsidies and intellectual property protection will be discussed.

In respect to the Environment, the Polish Minister for the Environment says: "One of the pillars of sustainable growth is the availability of natural resources, which directly affects environment and energy security. In times of crisis the task of environment ministers will be to strive for adequate funding of activities related to environmental protection."

In the news

Raw materials and commodities – price volatility

On 10 May 2011, the EU Council adopted conclusions on financial challenges with regard to raw materials and commodity markets regulation. This document underlines the need to improve the quality and availability of data, further cooperation between the regulators of financial markets and those of commodity markets and increase transparency on commodity derivatives markets, in particular by requiring investors to notify their investment positions to regulators.

BEPA conference on Commodities and Raw materials

The Bureau of European Policy Advisers (BEPA) forges links between the European Commission and think tanks, civil society, churches and communities of conviction. On 14 June it held a conference on Commodities and raw materials, hot topics on the European and global agendas, during which President Sarkozy outlined G20 priorities.

Whether in agriculture, industry or the energy sector, their pricing and supply are key issues. One of the aims of the BEPA conference was to identify the kind of policy responses that might be needed at the EU, G-20, WTO and other international levels.



"There is a principle: let us apply to commodity and raw materials markets the same rules that we have tried to apply for financial markets. There is one word, and this word is not taboo: 'regulation'. A market without regulation is what brought us to catastrophe with financial markets. Are we going to let the same thing happen for raw materials and commodities? The question is simple, and obvious. We can't delay the response any longer."

In parallel, the EU is currently working on an "Action Plan on the volatility of agricultural prices" to be endorsed by the Heads of State Summit (November 2011). France, which is leading this initiative, has identified the following needs:

- To develop agricultural production in the long run in order to match the increasing demand and limit shortages (food security challenge);
- To improve market information and transparency with the creation of a joint database on stocks and production;
- To improve international coordination in order to enhance confidence in international markets and to prevent and manage food crises more efficiently;
- To develop risk management tools for the most vulnerable players in order to cope with excessive food volatility;
- To better organize the agricultural markets.
- **G20 leaders**, during the summit last November, requested that FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World bank and the WTO work with stakeholders "to develop options for G20 consideration on how to better mitigate and manage risks associated with the price volatility of food and other agricultural commodities". The link to access this report (published 2 June 2011) can be found at: http://resakss.files.wordpress.com/2011/06/g20_int_eragency_report_food_price_volatility.pdf

Sustainability Update

New Development Policy (cont'd from page 1)

The Green Paper on EU development policy seeks to launch a debate on how the EU can best support developing countries' efforts to speed up progress towards reaching the Millennium Development Goals and how it can strive to leverage new opportunities to reduce poverty. It defines a set of questions on how to achieve the four main objectives to be pursued collaboratively by the EU and its Member States:

1. How to ensure high impact EU development policy?;
2. How to make development policy a catalyst for inclusive and sustainable growth?;
3. How to promote sustainable development as a driver for progress?;
4. How to achieve durable results in the area of agriculture and food security, especially for Africa?

ECA responded to the public consultation in March 2011 and elaborated on the following points:

- The EU should ensure that Member States and other international stakeholders are aligned in their approach on development issues.
- The EU needs to work more closely with governments of developing countries, the business sector and take more account of the expectations and needs of the beneficiaries of the programmes.
- The role of local authorities in rural communities, development agencies, and the private sector on the ground should be strengthened to make aid programmes more effective, for example by increasing coordination between geographically targeted activities.
- Reporting systems, effective local governance, in the area of infrastructure and services notably, are vital to address smallholder farmers' issues.
- Credit access for smallholder farmers in rural communities should be increased to ensure enough investment in the agricultural sector.
- Long term technical assistance by EU or donor governments in effective monitoring systems at local level is key to assess development results.
- The EU should also assist developing countries in increasing capacity to produce agricultural goods that meet the safety and quality requirements necessary to export to third country/regions, notably the EU.

A new consultation is now underway on 'Trade and Development' (closing date 21/08/2011), which ECA will also be responding to.

Joint ECA/WCF/Caobisco presentation to EU Council's ProBa group on 14th July 2011

Cocoa and chocolate associations were invited to present on main challenges and opportunities faced by the cocoa sector during ProBa's meeting in July. ProBa is the Council's working group on base products and is composed of EU Member State experts on these products. This was the first meeting under the Polish presidency.

Key messages delivered during the presentation:

- The new development policy under discussion clearly sees a role for agriculture as a motor for development despite the challenge of the smallholder farming model prevalent in Sub-Saharan Africa;
- The EU should support the sustainable development of agri-commodity supply-chains through relevant policy areas (development, food-safety, environment, trade);
- Need to raise the profile of commodities in the EC:- (aiming for a more structured and holistic approach including better resources/manpower);
- A strategy is required for increasing cooperation programmes between governments, industry and other interested parties (ppp's);

On Food safety, our key messages were:

- There is insufficient support from the EU in terms of funding and specific programmes to build local capacity for compliance with EU legislation.
- Need for a better dialogue between EU producing countries when developing new legislation.

Given the current trend towards bilateral trade negotiations, ECA underlined that the manufacturing industry needs reciprocal market access for finished products in order to be competitive.

Modernized Procurement Rules

The EU is currently reviewing its public procurement policy to address the growing demand for ethical trade goods and to improve the access of European companies to third country markets while tackling corruption. In this context the Commission published in January 2011 the much anticipated Social guide for public procurement which defines the rules for sustainability requirements

- The contracting authority cannot require products to display a specific ethical trade label;
- The contracting authority must define sustainability criteria in its technical specifications ;
- Labour conditions cannot be a criteria in the technical specifications but social criteria could be included in the contract performance conditions.

Example: If a contracting authority wishes to buy ethical trade, it can insert in the contract performance conditions a clause requesting the supplier to pay the producers a price allowing them to cover their costs for sustainable production (i.e. decent labour conditions, environmentally friendly production methods).

In April 2011 ECA responded to the EU public consultation in the framework of this revision. ECA's position was very much aligned on the Coffee sector's (ECF) position, i.e. the need for a level playing field for all actors and for rules to be applicable to SMEs...

Environmental reporting

The European Commission is currently working on two aspects of environmental reporting which are relevant to our sector.

The first is on the **Environmental Footprint of Products** while the second is on **Corporate Environmental Reporting**. These two legislative proposals should be finalised by 2012/2013. ECA organised different meetings with the Commission and we received the confirmation that reporting activity on Environmental footprint may become binding at company level in the near future and that mandatory measures to reduce shipping GHG emissions are already under discussion at EU level. In May 2011, the EU Finance Minister called for a global maritime and air carbon market. The proposal is to set up a carbon pricing system for international shipping and aviation, to cut emissions and raise finance for climate change mitigation.

Labour Conditions in Cocoa

Tulane University's Payson Centre for Research on Development, which was mandated by the US Department of Labour to oversee industry's commitment to eliminating WFCL as per the Harkin Engel Protocol, have issued their **final oversight report**: <http://www.childlabor-payson.org/Tulane%20Final%20Report.pdf>. This includes industry's response to Tulane's assessment of progress to date.

New Anti-Slavery International (ASI) report

A new report has been published on the trafficking of children in West Africa, based on the experience of the cocoa sector in Côte d'Ivoire. This report states that trafficking is still underway at a potentially significant scale despite the efforts of NGOs, governments, and industry. It however recognizes that this is a long-term effort that will require behavioural change.

ECA (together with Caobisco and WCF) met with ASI Director Aidan McQuade to discuss the report. A number of questions were raised regarding methodology, sample representation; concrete action foreseen vs 'expected' industry commitment, the need for better coordination and trust between different stakeholder groups.

IDH Child Labour Platform

The Dutch Sustainable Trade Initiative is working on best practices in supply-chains to curb child labour. IDH aims to finalise its work by the end of this year and present its report to the European Parliament. ICI has been involved in the process (as a reminder ICI is working on emerging best practices in this respect for the cocoa sector).

Launch of VOICE, NGO platform

A series of NGOs from the UK, NL, Germany, Belgium and Switzerland that have actively been following issues related to revenues of cocoa producers and labour conditions in cocoa (most notably the incidence of child labour), **have decided to join forces under the 'VOICE' Platform.**

VOICE stands for 'Voice of Organizations in Cocoa in Europe' and includes Fairtrade, Oxfam, and TCC to name just a few. ECA and fellow associations met with VOICE on 25/5/2011 to discuss common areas of interest and agreed to meet at regular bi-annual intervals.

Trade & Customs Update

Non preferential rules of origin – ECA position

Last year the European Commission requested ECA feedback on suggested revisions to non-preferential rules of origin. ECA submitted a common position on Chapter 18 (Cocoa and cocoa preparations) and, in meetings with the Commission, obtained the full integration of its position (available on ECA extranet) into the EU proposal. These new rules were discussed in March 2011 at Member State' level and will become part of the draft implementing provisions for the new "modernised" Customs Code. The Commission is currently reviewing its timeline for the adoption of this new Code (initially foreseen in June 2013 but it may be delayed until 2015). European companies still have to apply the existing rules until the formal adoption of this code.

SNI Certification Requirement for cocoa powder

In May 2010, the Indonesian authorities introduced new mandatory (SNI) certification requirements for cocoa powder. Due to the complexity and costs of new certification requirements (either by means of EU plant inspections or through testing of each shipment by Indonesian authorities) the impact on trade is substantial. In 2011, ECA raised this issue on different occasions at the Commission level, with DG trade and the MAAC (Market Access Advisory Committee) Unit. In January 2011, ECA participated in a meeting in Jakarta with representatives of the Indonesian authorities and an EC delegation. A practical solution was found through a simplified certification procedure allowing the testing of samples to be made upon arrival. However, ECA is still under discussion with the Commission to have a process allowing European laboratory accreditation for this type of sampling (so that tests can be conducted before export).

As the Commission has started (June 2011) the pre- negotiation process to launch a potential EU-Indonesia FTA, and as provisions on non tariff barriers (NTB) would be included, ECA hopes that these negotiations will provide a faster elimination of these barriers.

ECA's position paper on EU-Singapore and EU-Malaysia FTAs

The Commission started trade negotiations with Singapore and Malaysia on a bilateral basis in 2011 and invited ECA to submit its position. ECA Trade Working group members took part in an inter-service Commission meeting in May 2011, and specific meetings were further organized (June and July 2011) to defend the interests of the European cocoa industry. The ECA's position (available on ECA's extranet) argues that should the EU liberalise trade, then Malaysian and Singaporean processors will obtain duty free access to the EU while having already duty free access to China and Japan (which are large consumer markets). In contrast, EU (& African) producers are still faced with substantial tariff barriers to these markets. Moreover, under the current GSP rules, the processing of cocoa beans into cocoa products (liquor, butter & powder) can grant "originating status" to cocoa products regardless of the origin of the cocoa beans. The result is preferential import duty into the EU. Therefore, ECA's position is that the EU processors are not on an equal footing with ASEAN processors and they will face substantial increased competition from ASEAN produced butter on EU markets as EU duties are liberalized. The competitiveness of the European cocoa industry could be severely impacted, notably in terms of investment, innovative capacity or job losses.

ECA document review of GSP

Last May 2011, the Commission tabled its proposal for the reform of the generalised tariff preferences (GSP) which aims at helping developing countries to export their products to the EU. There is no requirement that this access be reciprocated by the countries concerned. The current GSP program (which includes Standard GSP, GSP+ and EBA(Everything But Arms) was initially due to expire at the end of 2011 but was recently extended until the end of 2013.

This reform could effectively lead to a 50% cut in the number of countries benefiting from GSP treatment (from 176 to 80). Countries likely to be excluded are those that have been classified by the World Bank as high or upper middle income economies over the past 3 years and those which have signed an FTA or other agreements (EPAs or the special regime for Balkan countries). The final list of beneficiaries will be established at the end of the decision-making process (Q2/3 2013).

This reform also covers other areas such as the revision of the graduation mechanism, the inclusion of incentives for GSP+ countries (new vulnerability and sustainability criteria) and changes on sustainability compliance. The Commission proposal is currently discussed at the EU Parliament and Council levels. The new GSP should be implemented as of January 1st 2014 and its publication is foreseen 6 months before its entry into force (additional information provided on the ECA extranet).

Food Safety

EU discussing Cd limits on foodstuffs

Discussions are picking up again at EU level on the need for setting Cadmium maximum levels in food stuffs. The Joint ECA/Caobisco Working Group is in contact with the Commission in this respect.

EDES ACP-EU Programme 2010-2014

A new programme was launched in 2010 that aims to build on the COLEACP's former PIP programme (farmer training on pesticide usage in ACP countries). This new programme, which is funded out of the European Development Fund, is designed to help ACP countries in adapting practices to meet EU phyto-sanitary standards. **Please contact the Secretariat for more information.**

EU Consultations in the pipeline

In line with the Lisbon treaty, the Commission organises more and more public consultations on EU policy. As appropriate, ECA informs its members on consultations that could have a potential impact on the cocoa sector. For instance, the EU is launching two consultations on a "New Trade and development communication" (closing date: 21/08/2011) and on "The access of third countries to the EU's public procurement market" (closing date: 02/08/2011). Information is available on the ECA Extranet or at <http://eu.europa.eu/yourvoice/>

Association News

Meet Simonne Mayne, our new Office Administrator



As announced during our last GMM, Wei Wang has left the team as she is moving to Beijing with her family. We are sad to see Wei leave but are delighted to welcome Simonne who brings considerable experience to the position.

Simonne is a British national who speaks perfect French and Dutch. She will be working in our offices Mondays, Tuesdays, Thursdays and Fridays.

We hope Simonne can join us in Amsterdam for our next GMM so members can meet her.

ECA Working Groups

Peter Hofland of Cargill has taken over the ECA Trade WG chairmanship from Wim de Waegeneer of Barry-Callebaut. We thank them both for their active engagement in ECA trade activities.

ECA to work with Caobisco and WCF through Joint Cocoa Sustainability Committee (July 2011)

ECA is seeking Sustainability experts from member companies to take part in joint meetings with Caobisco and WCF. The group will cover all aspects of Sustainability, from the EU's New Development Policy to CSR reporting, public procurement or environmental footprint of products.

Cocoa landscape

A new Executive Director has been appointed to head the International Cocoa Initiative

Nick Weatherill was formerly with DFID (the UK Development Department) and has worked in West Africa, both for DFID and the European Commission. He will be starting in September 2011.

This and That

We pick up little tid-bits of cocoa information every now and again which we feel compelled to share...

Community Solutions International works with various community based organizations to improve the livelihoods of people in developing communities, enhance sustainability and reduce environmental impacts.

To specifically support cocoa farming communities CSI produce a range of cocoa based paper and cardboard products that can be used as promotional and corporate material or business and greeting cards.



The cocoa paper and cardboard products are hand-made in Indonesia by community based organizations using the waste bark stripped from cocoa tree branches removed in pruning and farm maintenance activities on the cocoa rich island of Sulawesi.

The ability to sell this waste bark not only directly improves cocoa farm family incomes but also engages and encourages farmers to prune, which is often the most critical farm activity supporting cocoa farm productivity.

The bark collection and paper production processes also create additional employment opportunities for community based enterprises within the supply chain and the entire process has been developed to minimize environmental impact and the use of potentially harmful chemical agents.



Please check the website for products and prices www.ecocsi.org

Events

- **Next ECA Board Meeting: 8/9 September 2011 – Bordeaux**
- **Next ECA GMM: 30 November 2011 – Amsterdam**
- **Next ECA Conference – September 2013 - Istanbul**