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Eucolait position on an EU- Mercosur Free Trade Agreement

- Eucolait vehemently supports the negotiations for a free trade agreement between the EU and Mercosur. We are strongly of the opinion that liberalisation or significant tariff reductions for dairy should form part of an agreement with Mercosur. Easier and increased international trade in dairy products and commodities will provide a strong impetus for growth and job creation both in the EU and in Mercosur.
- Any reduction of tariffs should be accompanied by an elimination of non-tariff barriers in order to ensure an effective deal. We consider this necessary if we are to see increased movement of dairy between the EU and Mercosur.

Market Access

- The conclusion of an FTA will promote an increase in exports and market stability. Important products from an EU export perspective include cheese, lactose and whey. Currently tariffs imposed on cheese imports range from between 16% and 28%, depending on the particular tariff line. Lactose tariffs are typically 12-16% (Brazil has a limited 2% tariff rate quota for lactose in powdered form) and whey tariffs are between 14 and 28%, (again, with a limited 2% tariff rate quota operated by Brazil). An ambitious programme of lowering or eliminating tariffs is a step in opening doors for EU exporters and in turn creating opportunities for efficient and dynamic trade.
- We are confident that there is scope for export growth, particularly as regards exports to Brazil. There is untapped potential for EU exporters on the Brazilian market, given that there is already an established culture of dairy consumption (approximately 177 kg per capita consumption in milk equivalent per year) and that demand for dairy products is set to rise.
- Brazil ranks in the top forty destinations for exports of EU dairy. Exports from the EU are currently limited because of the advantage of duty free access to the Brazilian market

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enjoyed by neighboring Argentina and Uruguay (because of their Mercosur membership). In addition, Brazil applies anti-dumping duty to exports of milk powder from the EU. Cheese exports to Brazil are generally of the high value added variety, as the EU is prevented from exporting basic commodity cheese by the discrepancy between high EU prices and lower world market prices and by freight disadvantages.

- Venezuela is not currently party to the Mercosur negotiations with the EU. However, if at a later date Venezuela were to join, this would present a golden opportunity for trade growth. Venezuela is a major importer of dairy products on the world market and ranks in the top ten global importers of whole milk powder, (having imported 27 204 tonnes in 2013, of which 4 855 was imported from the EU).
- We recognize that the EU and two of the Mercosur Partners (Argentina and Uruguay) are major exporters of dairy products and supply to the world market.
- Opening the EU market to exports from Argentina and Uruguay will help to stabilize prices, as well as creating a more competitive global dairy market, based on reciprocal trade of dairy commodities such as SMP.

Elimination of non-tariff barriers

- The removal of tariffs should be accompanied by an ambitious SPS/TBT chapter. There are significant challenges currently facing EU dairy companies exporting or trying to export to some Mercosur markets.
- Brazil has a complicated procedure for approval of exporting plants and an extremely burdensome system of approving packaging and labelling. Both aspects of Brazil's SPS policy have hampered exports and have prevented export markets from growing up to now.
- Argentina have adopted in recent years particularly protectionist means of improving their balance of trade, (i.e. non automatic import licensing, which was eliminated in January 2013, and 'sworn prior importer declarations' which continue to have effect. Certain imports must also be 'balanced' with domestic production. A WTO DS panel has been established, to which the EU is a party). Any actions or policies chosen by Argentina should not be accepted as a grounds for preventing the conclusion of a meaningful and affective agreement between the EU and the Mercosur. All necessary steps should be taken in negotiations to ensure that this defensive position of Argentina in trade matters is either reversed or is not allowed to interfere with a fully functioning agreement between the EU and Mercosur.