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Eucolait position on the modernisation of the EU-Mexico agreement

Eucolait warmly welcomes the negotiations to modernise the free trade agreement between the EU and Mexico. In the context of this, we present below a number of observations based on the experiences of our members in exporting to Mexico and our hopes for the future trading relationship between the EU and Mexico.

Significant potential to increase EU exports if tariff protection is removed

Mexico is roughly 82% self-sufficient for dairy products, meaning that it needs to import 18% of its dairy product needs every year (approximately 3 million tonnes in milk equivalent). This and a growing population of already 120 million make Mexico a major importer of dairy products and thus from our perspective a priority country on the EU trade policy agenda. The revamped agreement should result in significantly enhanced, preferably duty-free access for EU dairy products in Mexico.

Currently, the primary supplier to Mexico is the US, benefiting from its proximity to Mexico, but also crucially from duty free access to the Mexican market as part of the NAFTA (which has been the case since 2008, when all duty and quantitative restrictions were lifted between the NAFTA members). The US exported over €1 billion of dairy products to Mexico in 2015, all at zero duty.

By comparison, EU exports of dairy products were valued at about €178 million during 2015. However, unlike their US counterparts, EU dairy exports were subject to tariffs of up to 60%. The top products being exported by the EU to Mexico are SMP, cheese (primarily varieties falling under CN 0406 90, in particular Gouda and Edam) and infant formula.

Need to address non-tariff barriers

As regards non-tariff barriers, there are a number of outstanding issues affecting exports to Mexico. Notably, there is the restrictive 'cupo' system of import permits operated by the Mexican authorities. There are also SPS hurdles to overcome: for instance, when a product is approved for export, the Mexican authorities begin a liaison process with competent authorities of the Member State from which the product will be exported to agree on a veterinary certificate. This process takes a rather long time to be completed. Furthermore, in terms of the Mexican authorities' approach to product approval from Member States, it would be most helpful if the standards applied to products from non-EU suppliers which are currently approved for the Mexican market (e.g. cheddar cheese from the US) could be used as a basis for determining the standards with which EU product would have to comply (e.g. cheddar cheese from an EU Member State). Eucolait wishes to see these outstanding matters addressed in the current talks with the Mexican authorities.

Conclusion

The time is ripe for a modernised agreement which will help to place the EU on an equal footing with the US and other global exporters. If the Transpacific Partnership enters into force, New Zealand and Australia will also enjoy preferential access to the Mexican market in the form of duty free TRQs for most product categories. Modernising the agreement and ensuring that the necessary solutions and tools are in place also ensures that EU dairy traders can react more quickly to potential opportunities in Mexico which may arise in the years to come.

The timing is further supported by the likely impending changes to US trade policy. There is indeed a possibility of a disruption in US-Mexico trade, or at least a re-opening of the negotiations of the terms of the NAFTA. While this would be geopolitically and economically destabilising, it might nonetheless present an unparalleled opportunity to EU companies to increasingly supply Mexican demand for dairy products.

Therefore, Eucolait looks forward to seeing enhanced access for EU dairy which will result from the talks to upgrade the EU-Mexico agreement and is available to offer any feedback or assistance to the Commission should this be necessary.