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## Eucolait reaction to the EU Trade Strategy 'Trade for all'

Eucolait warmly welcomes the renewed commitment of the Commission to advance trade as outlined in the new EU trade strategy 'Trade for all' published in October. As the organisation representing the dairy trade, we particularly appreciate the high level of ambition outlined in the strategy and already put into practice in some concluded agreements and ongoing negotiations.

### **General considerations on trade policy from a dairy trade perspective**

The EU exports about 12% of its milk production in the form of various dairy products. This share will increase further as EU production - no longer restrained by the quota regime - grows faster than domestic consumption in order to serve growing global demand. Hence, improved market access in third countries is crucial for our sector and it is vital that the EU is not lagging behind its main competitors such as the US, New Zealand and Australia. Our agreements should show at least the same ambition as those concluded in other parts of the world, such as the recently finalised Trans-Pacific Partnership (TPP). As the EU dairy sector is competitive on the world market, the EU should be offensive in its trade negotiations and dairy products should no longer be considered as sensitive. The general aim, as far as dairy is concerned, should therefore be mutual elimination of tariffs - over a transitional period if needed - accompanied by a strong regulatory chapter minimising the risk of undue technical and sanitary barriers.

### **WTO vs the bilateral route**

It is admirable that every effort is being made by the EU to enhance the multilateral trade system through an agreement at the 10<sup>th</sup> WTO Ministerial Conference in Nairobi and a subsequent revitalisation of the WTO by addressing the root causes of the impasse. Nevertheless, since this will inevitably be a very lengthy process and because agricultural market access will not be part of the potential Doha round deal, bilateral (and regional) negotiations by the EU and third country partners should be a priority in the short term in order to progress and to secure improved market access. The integration of these agreements into a broader WTO framework can follow at a later stage.

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## **Priorities in bilateral negotiations**

In general terms, we welcome any additional market access for EU dairy products but due to the limited resources available, a certain prioritisation is surely in order.

In this sense, we commend the priority which has been given by the Commission to the successful conclusion of negotiations for a TTIP and an EU-Japan FTA as both the United States and Japan are key markets for EU dairy products, with the US ranking first in value terms. In particular in the wake of a conclusion in the Pacific Rim of the TPP talks, it is vital that the EU positions itself as an even more ambitious player on the world market.

In addition to the US and Japan, Eurolait strongly feels that China should figure among the key priorities. While accepting that some progress has been made through the negotiations towards an investment agreement and an agreement on Geographical Indications, we call for an increased focus on closer trade relations with China in the form of an FTA. China is and is expected to remain the biggest dairy importer in the world and New Zealand as the Number 1 dairy exporter already enjoys preferential access into the Chinese market.

While the launch of the FTA negotiations with New Zealand and Australia would be welcome as such, we believe there needs to be a level playing field between the EU and these two countries in third country markets as far as access for dairy products is concerned. If the EU is to give greater market access to New Zealand and Australia, it is important that EU companies have parity of access with their exporters in our main export markets, most notably the US, China and South East Asia.

In this context we appreciate the high level outcome for dairy in the recently concluded deal with Vietnam and look forward to the conclusion of negotiations with other ASEAN partners. We also support the modernisation of the agreement with Mexico – one of world's major dairy importers - and the EU-Turkey customs union where we see great potential for EU exports due to expected consumption growth. The recent launch of the DCFTA negotiations with Tunisia is another positive development.

Finally, as far as Mercosur is concerned, this group constitutes a mixed bag in terms of dairy power as it comprises both major exporters (Argentina and Uruguay) and importers (Brazil and potentially Venezuela). Nevertheless, we support the continuation of these negotiations as we see potential for increased trade with this regional block.

Next to concluding negotiations, it should also be ensured that application of finalised agreements is as swift as possible so as to allow for the benefits to be manifested with limited delay. Once the stage of implementation is reached, careful monitoring is required to ensure that all the provisions of the FTA are applied in practice, as rightfully pointed out in the strategy.

## **Russian market**

The loss of the Russian market as a result of the embargo, which has been in force since August 2014, had a severe impact on the EU dairy sector as Russia was the largest export market for EU cheese. While the Commission and the dairy sector must be commended for their success in redirecting volumes to alternative third country markets, a concerted effort must be made by all political actors to rectify the situation and open up trade once again.

## **Concluding remarks**

We acknowledge that trade policy today is not only about tariffs and NTBs but has to tackle a wide range of issues ranging from investment protection to using trade as an instrument to promote EU values. Trade policy has to respond to multiple societal concerns and in this sense the recent initiatives to increase transparency and to improve communication can only be saluted and should be developed further. Despite the broader focus of today's trade policy, from the perspective of EU trade in goods and eliminating its barriers to support EU businesses must however remain central to this policy.