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Comments regarding the evaluation of the Euromed-FTA's with Algeria, Egypt, Jordan, Lebanon, Morocco and Tunisia

Eucolait welcomes the planned evaluation of the association agreements with these 6 Euromed partners. All of them are also important markets for EU dairy products, albeit to different decrees. Together these 6 countries account for an estimated €1,4 billion of dairy imports from the EU in 2017, led by Algeria (currently our 3rd export destination in the world) and followed by Egypt, Lebanon, Morocco, Jordan and Tunisia, in that order. Apart from Tunisia, none of these countries is self-sufficient when it comes to dairy despite growing milk production, making continued reliance on imports a necessity.

Market access conditions for EU dairy products vary considerably from one country to another. In Egypt and Jordan, all EU dairy products can enter duty free, whereas only very limited concessions are in place in Tunisia. In Morocco, EU exporters enjoy duty free access for most products as a result of the 2012 agricultural agreement, except for WMP and UHT which are excluded and SMP for which a longer phasing out period applies. Similarly, no customs duties are applied to most EU dairy products in Lebanon, with the exception of certain cheese lines in particular. EU exports to Algeria are subject to MFN duties unless imported under the TRQs in place for SMP, WMP and cheese.

In a possible revision of the association agreements following the evaluation, already underway for Morocco and Tunisia in the DCFTA negotiations, the objective should be to remove all remaining tariffs and quotas on dairy products.

Next to tariffs, we would like to highlight a number of non-tariff barriers affecting EU dairy exports.

Lebanon – proof of origin

It seems that that customs officials in Lebanon are only accepting EUR1 movement certificates as proof of origin, i.e. they are not accepting the origin declaration made by an approved exporter as defined in the Euromed agreement. Such refusal is contrary to the agreement and constitutes a non-tariff barrier. There have also been occasional reports of similar problems in other Euromed countries.

Algeria – import licencing

An import licensing system has been in place in Algeria since the beginning of 2016 to manage the quotas offered to EU operators, including the dairy quotas (3 300 tonnes of cheese, 30 000 tonnes of SMP and 40 000 tonnes of WMP cheese annually). The operation of this import licence system is quite intransparent as EU exporters do not know who holds the import licences and what share of the quota has been used up at a given point in time. It seems licences are primarily made available to a short list of industrial users (rather than wholesalers). This is part of the government's efforts to control imports

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more efficiently. Prior to the licence system, these quotas were managed on a 'first come, first served' basis which was much more transparent, conducive to trade and easier for EU traders to navigate.

Egypt

In 2016, Egypt adopted new legislation requiring foreign food establishments to be registered with the Egyptian authorities before exports can take place. This requirement is different from the plant approval carried out by many third countries as the registration is done directly by the exporting establishments rather than competent authorities. However the process has turned out to be very opaque with the extensive delays in the processing of applications, while companies are not informed about the status and outcome of their applications. When the requirement was introduced at the beginning of 2016, there was no interim or 'grace' period offered to operators and therefore operators only had 6 weeks to sort out all of the required documentation from the time the measure (G/TBT/N/EGY/114) was notified through the WTO system (1 February 2016) until the measure entered into force (16 March 2016).

The length of validity of the registration of plants is also contingent on the length of validity of quality control certificates etc. held by the plant and it can happen that a company with several plants needs to submit new requests to the Egyptian authorities several times a year, depending on when the quality control certificates of individual establishments expire.

In this context, dairy products were also added to the list of products subject to the conformity assessment programme with the consequence that a certificate of inspection became mandatory for customs clearance. When carrying out physical inspections and laboratory testing, Egyptian authorities are reportedly taking a very hard line on matters such as traces of substances in food (zero tolerance) with consignments being subsequently detained in the port because of requirements that are impossible to satisfy.

It is worth highlighting that EU dairy exports to Egypt in January-September 2017 amounted to € 162 million, down from 232 million € in the same period in 2016 and 286 million in 2015. While a large share of the decrease can be attributed to the political turmoil in Egypt and the lower oil price, the registration and conformity assessment have certainly played their part as well.

We hope these points will be taken into account in the evaluation and possible future negotiations with the countries concerned. We remain at your disposal for any further information regarding dairy trade between the EU and the Euromed countries.