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Position Paper
EU free trade negotiations with Mercosur

- Coceral, Euromalt and Euroflour members support the conclusion of a free trade agreement (FTA) with the Mercosur and ask the Commission, in the perspective of finalization of the Doha Round, to ensure a smooth passage between the two trade regimes.
- As a net importer, the EU should ask for additional market opening for agricultural products for which there is an insufficient internal supply.
- The competitiveness of EU exports to the Mercosur countries should be enhanced through the elimination of high tariffs.
- Technical obstacles still cause important setbacks to trade and should be eliminated.
- Negotiations should include the issue of certification schemes for biofuels, as required by EU legislation.
- The creation of a free trade area between the Mercosur countries would not only enhance their integration but bring further guarantees for a consistent implementation of the future FTA

Coceral, Euromalt and Euroflour have as mission to represent and promote the interests of the European agri-bulk and first processing trade both in and outside the EU. In this framework and in the context of the recent restart of negotiations with the countries of the Mercosur (Argentina, Brazil, Paraguay and Uruguay) Coceral, Euromalt and Euroflour would like to bring its contribution to the negotiation process.

Coceral, Euromalt and Euroflour welcome the Commission's decision to reopen negotiations with the Mercosur area, which is a main source of agri-bulk commodities for the EU.

Evolution of EU agri-bulk imports from the MERCOSUR countries (in tons)

Source: COMEXT/EUROSTAT

ARGENTINA

Product	CN Code	2005	2006	2007	2008	2009
WHEAT	1001 90 99	85.399	3.467	8.298	9.039	2.042
MAIZE	1005 90 00	1.523.802	1.061.161	2.799.882	3.730.064	300.006
SORGHUM	1007 00 90	9.011	22.913	433.945	486.515	300
RICE HUSKED LONG BROWN, Parboiled	1006 20 17	-	759	188	97	3.833
RICE HUSKED LONG BROWN	1006 20 98	42	14.491	-	10.052	13.200
BROKEN RICE	1006 40 00	494	1 546	-	475	4 720
SOYA BEANS	1201 00 90	67.781	76.349	266.292	275.103	72.734
GROUNDNUT shelled	1002 20 00	192.905	276.548	284.103	287.006	282.255
LINSEED excl.for sowing	1204 00 90	13.289	5.322	23.100	6.646	4.602
SUNFLOWER SEEDS shelled, excl. for so	1206 00 91	21.131	15.533	15.478	17.906	13.505
SUNFLOWER SEEDS, Other	1206 00 99	43.773	9.418	3.874	7.193	9.579
CRUDE SOYA-BEAN OIL, technical uses	1507 10 10	14.729	118.307	174.110	341.049	104.972
CRUDE SOYA-BEAN OIL degummed, not	1507 10 90	6.485	53.579	30.151	74.821	200
SOYA-BEAN OIL, for technical uses	1507 90 10	6.000	13.762	13.996	20.215	7.952
GROUNDNUT CRUDE OIL	1508 10 90	30.227	44.505	26.507	31.645	28.866

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Product	CN Code	2005	2006	2007	2008	2009
SUNFLOWER-SEED OR SAFFLOWER OIL	1512 11 10	2.401	197	1.002	3.161	3.701
SUNFLOWER SEED OIL	1512 11 91	472.902	307.278	115.377	404.610	115.257
SUNFLOWER SEED CRUDE OIL, Other	1512 19 90	2.891	8.095	5.258	3.641	17.998
ETHANOL, undenaturated, alcoholic stre	2207 10 00	114.172	16.292	5.388	13.591	30.449
SOYBEAN MEAL extracted	2304 00 00	11.981.681	14.297.200	14.641.621	13.202.959	11.234.423
SUNFLOWER SEED MEAL extracted	2306 30 00	946.725	805.593	609.658	788.700	517.929
VEGETABLE MATERIALS, WASTE, Acorns	2308 00 40	28.803	34.389	44.323	55.440	61.151
VEGETABLE MATERIALS, WASTE, Other	2308 00 90	723.312	808.214	1.036.863	1.126.485	973.233
BIODIESEL, FATTY ACID MONO-ALKYL ES	3824 90 91	-	-	-	76502	853.590

BRAZIL

Product	CN Code	2005	2006	2007	2008	2009
WHEAT	1001 90 99	-	291.436	131	141	236
MAIZE	1005 90 00	117.188	847.353	6.975.016	4.151.706	254.840
RICE HUSKED LONG BROWN, Parboiled	1006 20 17	-	3	142	13.214	5.668
RICE MILLED LONG, Parboiled	1006 30 67	-	65	-	410	907
BROKEN RICE	1006 40 00	-	13.971	7.498	22.815	28.591
SORGHUM	1007 00 90	24.850	-	229.745	51.947	-
SOY BEANS	1201 00 90	9.390.622	8.955.852	9.492.876	8.518.113	8.871.374
GROUNDNUT shelled	1202 20 00	45.257	36.185	23.962	30.037	34.604
COTTON SEED	1207 20 90	11.388	-	16.722	15.461	73.744
SOYA-BEAN OIL, Crude, technical use	1507 10 10	36.703	124.512	132.194	136.012	99.798
SOYA-BEAN OIL, Crude, Other	1507 10 90	78.967	90.371	58.148	135.164	34.768
SOYA-BEAN OIL, technical use	1507 90 10	44.140	346.323	382.815	219.903	78.539
SOYA-BEAN OIL, refined, not for technica	1507 90 90	7.667	52.380	73.066	22.600	280
GROUNDNUT OIL, Crude	1508 10 90	19.359	18.251	8.556	16.957	30.273
PALM OIL, Crude, Other	1511 10 90	46.936	12.051	-	2.479	15.754
ETHANOL, undenaturated, alcoholic stre	2207 10 00	150.657	188.694	516.820	613.102	234.414
ETHANOL, denaturated	2207 20 00	112.264	69.098	45.753	127.923	123.709
SOYBEAN MEAL extracted	2304 00 00	9.908.716	7.819.019	8.515.963	9.061.464	8.695.448
VEGETABLE MATERIALS, WASTE, Acorns	2308 00 40	759.039	622.747	814.723	500.601	620.387
VEGETABLE MATERIALS, WASTE, Other	2308 00 90	20.642	15.500	14.840	337	70

PARAGUAY

Product	CN Code	2005	2006	2007	2008	2009
MAIZE	1005 90 00	-	103.433	512.077	265.209	-
SOYA BEANS	1201 00 90	945.456	1.004.429	1046465	894.085	713.042
GROUNDNUT shelled	1202 20 00	3.198	4.657	3.692	5.435	2.425
SESAMUM SEEDS	12074090	6.295	3.650	5.638	3.129	5.320
CRUDE SOYA-BEAN OIL, degummed, not	1507 10 90	-	-	-	2.299	3.582
SUNFLOWER SEED OIL	1512 11 91	2.175	9.103	-	12.535	4.000
RAPE, COLZA, MUSTARD OIL, Crude	1514 11 10	1.968	7.661	6.593	2.841	-
SOYBEAN MEAL extracted	2304 00 00	8.330	-	1.174	7.822	125.841
SUNFLOWER SEED MEAL extracted	2306 30 00	-	-	13.081	6.213	4.906

URUGUAY

Product	CN Code	2005	2006	2007	2008	2009
RICE HUSKED LONG BROWN, Parboiled	1006 20 17	-	4.386	29.047	31.802	41.297
RICE HUSKED LONG BROWN	1006 20 98	48	20.479	94.468	72.623	69.162
RICE MILLED LONG, Parboiled	1006 30 67	825	5.308	3.572	2.763	4.094
RICE MILLED MEDIUM	1006 30 94	270	230	619	278	332
RICE MILLED LONG	1006 30 96	433	634	592	723	549
RICE MILLED LONG	1006 30 98	3.617	5.846	5.381	3.315	3.005
BROKEN RICE	1006 40 00	3.931	11.478	9.489	12.100	18.152
SOY BEANS	1201 00 90	71.277	88.425	79.260	193.413	209.334
LINSEED	1204 00 90	1.139	1.372	161	40	142
SUNFLOWER SEEDS, Other	1206 00 99	93.550	36.900	11.646	38.516	-
SOYBEAN MEAL extracted	2304 00 00	17.051	17.250	2.100	170	6.200
SUNFLOWER SEED MEAL extracted	2306 30 00	20.957	550	671	481	90

In the context of proliferation of third country trade agreements and of the stalling of the Doha Round, our members support the conclusion of a free trade agreement (FTA) with the Mercosur. However, as the Doha Round would ensure a level playing field, overcoming the fragmentation of bilateral agreements, Coceral, Euromalt and Euroflour ask that the Commission ensures a smooth passage between the two trade regimes.

As a net importer, the EU should ask for additional market opening for agricultural products for which there is an insufficient internal supply.

- The *European Union is a net importer* of maize, rice, oilseeds, vegetable oils and meals as well as biofuels from the countries of the Mercosur, which have increasingly been a reliable source of raw materials. In view of ensuring the necessary supply*, our members ask that the future free trade agreement with Mercosur brings further market opening for agri-products for which the EU is not self sufficient.*

The competitiveness of EU exports to the Mercosur countries should be enhanced through the elimination of high tariffs.

- The further market opening achieved through trade negotiations should help promote EU's agri-bulk exports in the area, which consist mainly of high quality malt. A considerable increase in the yearly exports to the area of around 250 000 tons of malt could be foreseen should the 14% duty be reduced. In terms of logistics the EU is very well positioned to export malt at very low transport charges, on account of two way trade. Numerous containers used for malt exports are thus used during the back trip for the shipment of imported manufactured goods. **For this reason, malt exports are naturally competitive, being handicapped only by high import duties.**
- Additionally for certain products such as wheat flour a lowering of duties which are now at 12% could stimulate the export of these EU quality products. The table below exemplifies the evolution of EU malt and flour exports to Brazil.

EU malt and wheat flour exports to Brazil (in tons)

Source: COMEXT/EUROSTAT

	Malt	Wheat flour
	CN Code 1107 10 99	*CN Code 1001 00 15*
2005	252.628	253
2006	295.198	240
2007	257.818	1.001
2008	260.303	915
2009	159.716	1.184

Technical obstacles still cause important setbacks to trade and should be eliminated.

- In order to ensure trade facilitation, the non-tariff trade barriers would have to be tackled in the framework of the FTA under negotiation. Therefore:
  - the export licence system should work in a more efficient and transparent way, while the reduction of timelines for the delivery of certificates of origin would considerably facilitate trade operations
  - certain lengthy procedures for the recognition of phytosanitary norms, which currently act as trade barriers, should be revised
  - the asynchronous approval of Genetically Modified Organisms (GMOs) between Mercosur and the European Union needs to be tackled as representing a serious threat and cause of trade disruption

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- o import and differential export taxes should also be eliminated within the framework of the FTA
- o in order to ensure the correct application of the future trade agreement, the Mercosur countries should abide by the specific and strict rules of origin as those currently required under the Generalised System of Preferences

Coceral, Euromalt and Euroflour additionally ask for a better transparency and legal predictability for operators. Sudden changes in legislation as well as unilateral decisions can also convert into barriers to trade and can have serious financial consequences.

Negotiations should include the issue of certification schemes for biofuels, as required by EU legislation.

- Certain oilseed crops and vegetable oil imports from Mercosur are used in the EU for the production of biofuel. In order to abide by the new Renewable Energy Directive 2009/28/EC, which contains specific provisions on biofuel feedstock sustainability requirements, biofuel feedstock exporters to the EU will have to comply as of December 2010 with sustainability criteria to be proved through certification with voluntary schemes previously assessed at EU level. The EU – Mercosur negotiations should also tackle this issue, by considering the submission of voluntary certification schemes and foreseeing international agreements in the long run.

The creation of a free trade area between the Mercosur countries would not only enhance their integration but bring further guarantees for a consistent implementation of the future FTA.

- The EU currently promotes regional development through trade. In order to ensure the outmost effect of the FTA and provide for its correct application, the Mercosur countries should be stimulated to continue their regional integration in order to create a free trade area. The enhanced cooperation among the countries of the area, through the implementation of internationally agreed standards common laws for agricultural production and trade would give additional certainty for a common application of the future FTA.

Coceral, Euromalt and Euroflour thank the Commission in advance for taking into account the above named points in its trade negotiations and remain willing to share further their experience on the agri-bulk commodities trade market with the Mercosur countries.

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