

PFP asks for a fair treatment of primary food industries in trade negotiations with ASEAN countries

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- PFP is concerned with the potential impact on its competitiveness of bilateral agreements between the EU and ASEAN countries. PFP asks the Commission to consider in market access negotiations the sensitivity of specific PFP sectors, be it import or export interests, according to the specificities of ASEAN economies. Depending on existing and future trade flows for both raw and processed products between the EU and ASEAN countries, granting concessions on these products could bring detrimental consequences for primary food industries.
- PFP emphasises the economic gap existing between Singapore and the other ASEAN countries and asks the Commission to negotiate market access with the other ASEAN countries on a case by case basis. In any case no concession should be made on sugar and high sugar content products and tapioca starch.
- PFP highlights that raw materials are available in ASEAN countries at much lower price in comparison to European market prices. This creates a competitive disadvantage for EU PFP industries.
 - In parallel, processing capacity of raw materials will continue to grow in ASEAN countries. ASEAN has a growing potential in terms of agricultural commodities production and exports, which is a key issue for PFP industries.
- In the framework of regional cumulation of the rules of origin, PFP asks the Commission to avoid trade circumvention among the other ASEAN countries.
- PFP requires the implementation of a level playing field through the elimination of distortive trade practices applied by ASEAN countries such as the Differentiated Export Taxes (DETs).

The EU started trade talks with 7 of the Association of Southeast Asian Nations¹ (ASEAN) countries in 2007. The EU launched bilateral negotiations with Singapore and Malaysia in 2010 and Vietnam in 2012. In the near future the EU could probably launch negotiations with Thailand, Indonesia and the Philippines. PFP understanding is that the EU negotiates Free Trade Agreements (FTAs) with individual ASEAN countries with the ultimate goal of achieving an agreement within the regional framework. This goal is made even more important by the programme to build an ASEAN Economic Community by 2015.

1. PFP highlights the sensitivity of specific PFP sectors in Tariff negotiations

The sensitivity of certain sectors such as the sugar sector and the starch sector should be respected. Granting concession on these products will bring detrimental consequences for the industry.

- As a result of cheap tapioca roots and the export orientation of the production of tapioca starch, both Annex 1 and Non Annex 1 starch products should be considered as sensitive products.
- Sugar and high sugar content products should also be considered as sensitive products.

2. PFP points out non-tariff issues impeding the trade flows between the EU and ASEAN countries

2.1. Sanitary and phyto-sanitary issues

Non-tariff-barriers in the form of phyto-sanitary or administrative requirements represent also additional and costly burden for EU companies. A recent example is that of the Indonesian national standard (SNI) requirement of product certificate for cocoa powder (adopted in May 2010).

Therefore, PFP industries support the Commission's initiative bringing industrial requirements, testing and certification recognition onto an equal footing and, if possible, to harmonise all of them around one set of international standards.

2.2. Rules of origin

Effective and strict rules of origin must be applied in order to avoid trade circumvention between ASEAN countries once one benefits from an FTA with the EU. Some of the ASEAN countries are major producers of competitive products (tapioca starch), which could be exported to the EU through ASEAN countries benefiting from lower custom duties or relaxed rules of origin. As an example, the current GSP rules allow for processing of tapioca roots into tapioca starch to grant "originating status"- regardless of the origin of the raw material or intermediate products. Thus, preferential import duty into the EU is based on the location of the processing site. Should trade with individual ASEAN countries be liberalized, preferential access to the EU will be obtained

¹ Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

irrespective of the origin of the raw material.

In addition in the bilateral FTA with the ASEAN countries, the sensitive products as tapioca starch, sugar and products with high sugar content must be excluded from the regional cumulation.

2.3. Differential Export Taxes (DETs)

The practice of DETs is widely applied in the region. Since disciplinary measures on DETs are not covered under the WTO rules, PFP supports the elimination of such practices as a prerequisite for a trade agreement. For instance, the Indonesian export tax (5-10%) applied on cocoa beans to encourage local cocoa processing represents a discriminatory advantage against EU cocoa products entering Asian markets.

Furthermore, a long term resolution of the differential export issue is a prerequisite for any concession on the import duties on palm oil from Malaysia.

2.4. Environmental constraints

The EU imposes environmental constraints ([Emission Trading Scheme](#), Industrial Emission Directive) creating additional significant costs and a risk of carbon leakage².

The **Primary Food Processors of the EU (PFP)** consists of six trade associations:

European Starch Industry Association ([AAF](#))

European Committee of Sugar Manufacturers ([CEFS](#))

European Cocoa Association ([ECA](#))

European Flour Milling Association ([European Flour Millers](#))

European Vegetable Protein Federation ([EUVEPRO](#))

European Oil and Proteinmeal Industry ([FEDIOL](#))

PFP members form part of the primary processing industry in the food supply chain with close and strong links to the EU agricultural sector. Their principal activity is to purchase agricultural raw materials and to process them into a wide range of products or ingredients for food, feed and non-food uses to be used by second transformation industries.

PFP members process approximately 220 million tons of raw materials and employ over 120 000 people in the European Union. Raw materials availability and supply is the main concern of PFP members who must secure constant and regular access to high quality and safe raw materials in sufficient quantities.

² Carbon leakage is the risk to relocate EU polluting activities in third countries with less strict climate policy.