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Eucolait position on EU-Indonesia Trade negotiations

Eucolait warmly welcomes the announcement that the EU will commence negotiations with Indonesia for a Free Trade Agreement. Following the stalling of region to region negotiations with ASEAN in 2009, the launch of these negotiations and those with Philippines, as well as the concluded agreements with Vietnam and Singapore are very positive signs of EU engagement in South East Asia. ASEAN is one of the fastest growing regions globally in terms of dairy consumption and dairy imports.

Indonesia, with a population of more than 250 million people, presents a great opportunity for exports of dairy products and commodities. Indonesia is a major importer of dairy commodities, in particular powders. Per capita consumption of dairy is still relatively low (13 kg/annum), however there is evidence from export figures that suggests that Indonesian consumers are demanding more dairy year on year and that the population is growing. **Indonesia is approximately 50% self-sufficient in terms of dairy**, which means that half of all dairy requirements need to be imported.

Current **tariffs on dairy products** are relatively low, (5% for skimmed milk powder, whole milk powder and cheese). A **successfully concluded FTA with duty free access** will nonetheless bridge the tariff gap faced by EU exporters when competing with New Zealand or Australian exporters, who already enjoy the tariff reduction benefits of the ASEAN Australia New Zealand FTA (AANZFTA). The US also has a free trade agreement with Indonesia and currently the top three exporters of dairy products (in descending order and in value terms and taken in terms of individual countries) are New Zealand, US and Australia.

However it is **non-tariff barriers** which constitute the greatest challenges faced by EU exporters of dairy products.

Plant registration and registration with the Indonesian ministry of trade have proven at times to be difficult and cumbersome. Plant registration is a two-step system – there is a 'country' list and then there is a 'plant' list. Veterinary approval of a country is a prerequisite for plant approval. Most countries are still however 'non veterinary approved', which means that plants in these countries cannot be approved based on the submission of papers to the Indonesian authorities and a physical audit for the country is required. It can be difficult to secure a visit from the Indonesian authorities as their budget for auditing is limited and company sponsorship of their visit is not allowed. There is therefore substantial inconsistency in the length of time of the approval procedure (for some companies it is completed very quickly and for others it is very protracted). Eucolait hopes to see all EU Member States become 'veterinary approved' in the course of the upcoming FTA negotiations.

Import licences or permits are also issued in relation to specific plants as opposed to countries, which makes it impossible for a company to switch their production for the Indonesian market from one factory to another and creates a very inflexible situation for importers in terms of sourcing their products. Eucolait therefore requests that an EU or Member State level import licence replaces the current system.

Eucolait fully supports the efforts of the European Commission going forward and remains available to answer any questions or queries related to dairy trade which may arise.