
A call from the private sector

Arab-EU Agricultural Trade

In order to facilitate Arab-EU trade within the agro-food sector, the Arab-EU Business Facilitation Network, representing more than 330.000 companies in Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Syria and Tunisia, recommends that the following measures are taken:

Summary of recommendations:

For the governments in our region, we recommend the following:

- Make sure that local sanitary and phytosanitary standards comply with EU-legislation and Codex Alimentarius.
- Improve legislation on product labeling and bring it into conformity with the EU legislation
- Make sure that the food inspection is trustworthy and of high standard. All countries should therefore intensify their cooperation with the European Veterinary and Food Office and benefit from capacity building in this regard.
- Use laboratories from international accepted bodies
- Cancel requirements for obtaining approvals, certificates, conclusions and other documents not necessary in the EU [or CODEX] legislation
- Minimize the time period needed for issuing documents for food exports.

For the European Union we recommend the following:

- The EU as a general principle should balance their reaction in cases of non-compliance with the EU sanitary and phytosanitary standards. For example the EU should not ban import from all exporters in a given country if the problem exclusively relates to one specific export / exporter and there is perfect traceability but instead narrow the scope of bans to target the affected producers or areas only.
- EU should consider the creation of a white list of exporters of fresh produce of perishable nature, whose shipments for a predefined period of time have not shown any violations of EU standards relating to food safety. Exporters appearing on the white list should be subject to random tests. The percentage of samples taken should not exceed 2% of any shipment and the shipments should be released from customs and not wait until tests results appear because of the very nature of such products. This white list should be reviewed annually.
- The EU should set up a fund that will assist agro producers and exporters in setting up productions according to EU standards.
- The E.U. should also create an early warning system to ensure that its diplomatic machinery is in a better position to prevent technical decisions about trade and food safety from undermining its broader foreign policy priorities.

1. Introduction

Free trade can only exist when enterprises can actually access their markets. To help companies take advantage of the opportunities for trade, the European Commission and our Governments provide guidance and information on the help that is available. Sometimes, however, not everything goes smoothly nor is the information adequate and occasionally enterprises are unable to access and operate on foreign markets. In the case of our access to the EU, this is often caused by lack of information, confusion about the application of EU legislation and/or the non-conformity and compliance with certain standards and quality measures. In case of non-compliance, the EU has on several occasions placed a ban on an entire sector in the given country or even on related sectors. This was the case with recent ban on fenugreek seeds and green beans in Egypt early 2011. This general ban have block 10% of all Egyptian agricultural exports, despite the fact that the contamination has been traced to the fenugreek seeds only. The EU has on several occasions and in many of the associations meetings governing parts of our relations stressed the importance of reinforcing close cooperation in the field of sanitary and phytosanitary measures, technical barriers to trade and geographical indications with the aim to facilitate trade.

In this context, we, the leading business and professional organizations in the MENA region, have decided to establish a region-wide ARAB-EU Business Facilitation Network (AE Network) that represent 330.000 enterprises in the region, to enhance Arab-EU trade and in particular improve the exchange of processed and fresh agricultural products.

This is important for the long term development of our enterprises and growth potential, but equally important in the short term concerning the consolidation of the political and economic transitions that take place in many of our countries in the region.

2. The potential

The Euro-Mediterranean Partnership Agreements between the EU and our region incorporates free trade arrangements for a range of goods as well as concessionary arrangements for trade in agricultural products. The agreements may vary from country to country, but overall, the bilateral agreement under the Partnership opens up the prospect for greater trade between our regions. With this agreement in mind, it is time to further deepen the liberalisation of trade and especially concessionary agreements in the agree food industry.

Our region has a considerable potential for exports for processed and fresh agricultural products and the agricultural output has been increasing steadily for more than a decade. The tables below present the increase in agricultural output among the member countries in the ARAB-EU network.

Table 1 - Agricultural Output Indices for the MENA-region

1999-2001	2005	2006	2007	2008	2009	2010
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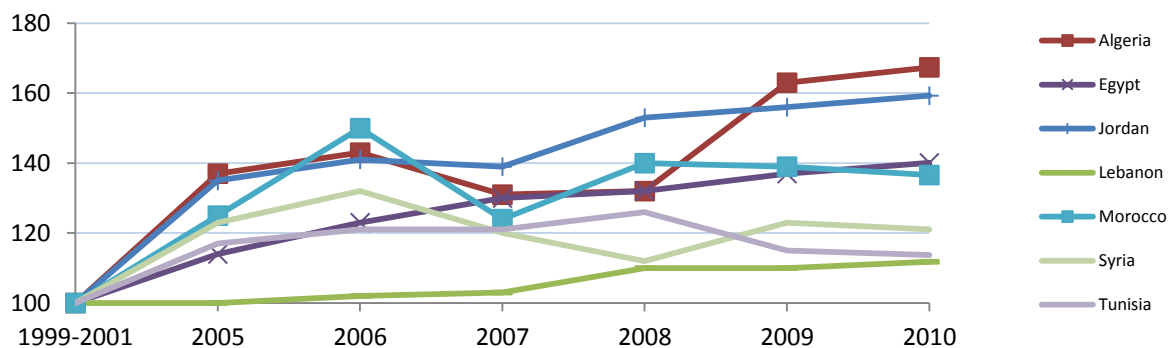
Algeria	100	137,0	143,0	131,0	132,0	163,0	167,4
Egypt	100	114,0	123,0	130,0	132,0	137,0	140,1
Jordan	100	135,0	141,0	139,0	153,0	156,0	159,3
Lebanon	100	100,0	102,0	103,0	110,0	110,0	111,8
Morocco	100	125,0	150,0	124,0	140,0	139,0	136,6
Syria	100	123,0	132,0	120,0	112,0	123,0	121,0
Tunisia	100	117,0	121,0	121,0	126,0	115,0	113,7

Source: Euromonitor.com, accessed July 2011 (<http://www.portal.euromonitor.com.esc-web.lib.cbs.dk/Portal/Pages/Search/GeographyTreePage.aspx>)

As illustrated in Table 1 most of our countries have increased their agricultural output substantially since base year in 1999-2001. Algeria has increased its output by almost 70 pct., Egypt by 40 pct., and Jordan by almost 60 pct. What is also important to notice is that none of the countries have experienced a negative growth compared to base year.

Figure 1 illustrates that all countries have followed a trajectory of increasing output since base year. Despite the economic recession in 2008, the output has not been particularly affected.

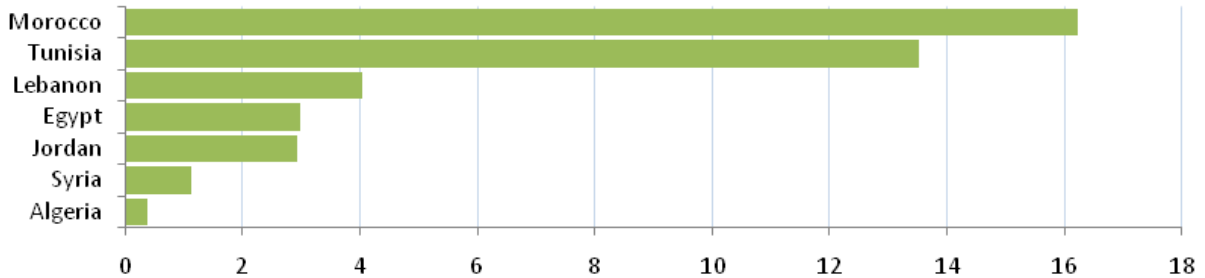
Figure 1- Agricultural Output Indices for our region



Source: Euromonitor.com, accessed July 2011

However, as Figure 2 shows, the percentage of EU agricultural consumption from the region is modest at its best. Only Morocco and Tunisia export more than 10 pct. of their agricultural output to the EU. There is in other words a vast space left unfilled in terms of exportation to the Common Market in the EU.

Figure 2 - Pct. of total agricultural output exported to the EU, 2010



Sources: CIA World Fact Book & European Commission on Trade, Accessed July 2011

When looking at figure 2, the question obviously becomes one of why Morocco and Tunisia are so far ahead of the other countries of the region when it comes to exporting part of their agricultural products to the EU. The reason for this probably lies in the fact that Morocco and Tunisia both have initiated free trade agreements with the EU. Tunisia and the EU implemented their free trade agreement in the period of 1995-2008, during which Tunisian agricultural export began to increase significantly as barriers to trade were gradually broken down (see figure 3 below). This exponential growth in Tunisian agricultural export illustrates how big an impact breaking down barriers to trade can have and points towards the potential for improving access to the EU market for agricultural products of our entire region.

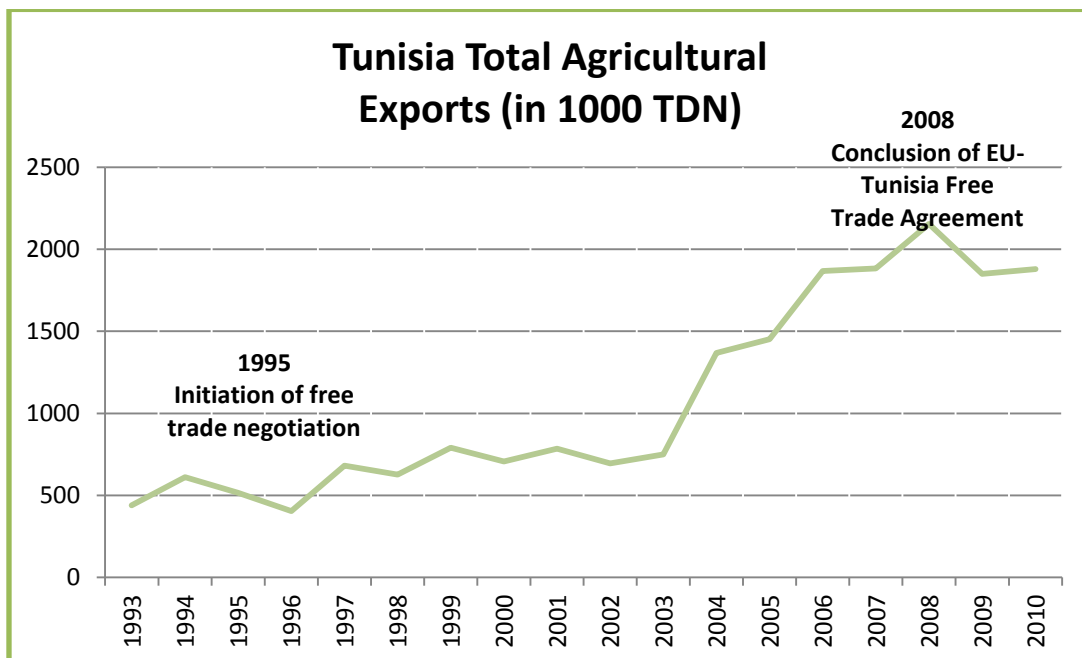


Figure 3 – Source: Tunisian National Institute of Statistics and EU Commission – DG Trade

Table 2 presents a more detailed breakdown of production statistics in for the members of the countries in the ARAB-EU network.

It is clear that the potential in the member countries is significant but only two countries enjoy a systematic exportation to the EU market. If the development continues as illustrated in Figure 1, member countries of the ARAB-EU network should be highly capable of providing agricultural and agro-food products to the EU market.

Table 2 - Agricultural Statistics and GDP

Member Country	Total GDP (mill. USD)	Agriculture share (mil. USD)	GDP share of agriculture (pct.)	Agriculture value EU Import (Mil. USD)	Pct. of total agricultural production exported to EU
Syria	59.330,0	10.442,0	17,6	116,6	1,1
Morocco	103.500,0	17.699,0	17,1	2.874,2	16,2
Egypt	218.500,0	29.498,0	13,5	877,0	3,0
Tunisia	44.290,0	4.695,0	10,6	635,0	13,5
Algeria	160.300,0	13.305,0	8,3	50,4	0,4
Lebanon	39.250,0	2.002,0	5,1	80,6	4,0
Jordan	27.530,0	936,0	3,4	27,4	2,9

Sources: CIA World Fact Book & European Commission on Trade, Accessed July 2011

3. Key Challenges

Unfortunately, the potential of exportations of products in the agro-food sector to the EU from our region is not being fully utilised, which hampers the growth of the sector in the individual countries as well as the possibilities for creating growth and jobs.

The challenges and obstacles that lead to the less than full exploitation of this potential are numerous but can roughly be categorized along three main axes:

1. The companies in our region lack knowledge and understanding of EU standards and requirements

Among the members of the Arab-EU network, the companies especially the SME's but also the larger ones, find the complex of requirements and regulations on EU food standards and requirements unclear and difficult to understand. In addition to this, they experience difficulties in keeping updated with new changes and additions the existing regulations and requirements.

2. The varying quality and coherence of local food laws and regulations as well as local food inspection authorities

This particular issue has two sides. A local food law or requirement may not live up to the EU standards and following the local requirements therefore does not entail a possibility for exportation to the EU. Also, there are many examples of additional local requirements that are not necessary for exporting to the EU. In both cases, companies carry out double efforts and in neither case is the possibility for exportation to the European market guaranteed.

3. EU general import bans on sectors that damage entire industries or sectors

In case of non-compliance, the EU has on several occasions placed a ban on an entire sector or even on related sectors. This was the case with the ban on brown rot among potatoes in Egypt as well as the recent ban on fenugreek seeds and green beans. In the latter case, this general ban may block 10% of all Egyptian agricultural exports, despite the fact that the contamination has been traced to the seeds only.

4. Recommendations

In order to meet these challenges and fulfill the potential of agro-food exports from our region to the EU for the benefit of both regions, the ARAB-EU Network takes it upon itself to alleviate the lack of information and understanding of EU requirements and regulations as well as the issue of keeping companies updated. Therefore, the network will put in place information channels and procedures that will ensure early dissemination of information on changes in regulation and standards related to exportation of agro / food products. The human and if possible the financial resources necessary for carrying out this initiative will be borne by the EU-ARAB Network and the participating organizations and a website will be dedicated to this task. In case of lack of financial resources other sources of financing shall be explored. Finally, the AE-Network commits itself to advocating the government of our region as well as the EU on the implementation of the recommendations listed.

For the governments in our region, we recommend the following:

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- Improve legislation on product labeling and bring it into conformity with the EU legislation
- Make sure that the food inspection is trustworthy and of high standard. All countries should therefore intensify their cooperation with the European Food Safety Agency and benefit from capacity building in this regard.
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- EU should consider the creation of a white list of those exporters of fresh produce of perishable nature, whose shipments for a predefined period of time have not show any violations of EU standards relating to food safety. Exporters appearing on the white list will be subject to random tests. The percentage of samples taken should not exceed 2% of any shipment and the shipments should be released from customs and not wait until tests results appear because of the very nature of such products. This white list will be reviewed annually.
- The EU should set up a fund that will assist agro producers and exporters in setting up productions according to EU standards.
- The EU should also create an early warning system to ensure that its diplomatic machine is in a better position to prevent technical decisions about trade and food safety from undermining its broader foreign policy priorities.

Algeria: Forum des Chefs des Entreprises (FCE)

Egypt: Federation of Egyptian Industries (FEI)

Jordan: Jordan Chamber of Industry (JCI)

Lebanon: Association of Lebanese Industrialists (ALI)

Libya: Libyan Youth Business Council (LYBC)

Morocco: Confédération Générale des Entreprises du Maroc (CGEM)

Syria: Damascus Chamber of Industry (DCI)

Tunisia: Union Tunésienne de l'Industrie, du Commerce et de l'Artisanat (UTICA)