



## Submission No 18

### **Inquiry into Australia's Trade and Investment Relations with North Africa (Algeria, Egypt, Libya, Morocco, and Tunisia)**

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Australian Government

Department of Agriculture, Fisheries and Forestry

Ms Kate Burton  
Secretary  
Trade Sub-Committee  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
Parliament House  
CANBERRA ACT 2600

Dear Ms Burton

Thank you for the opportunity to provide a submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade, Trade Sub-Committee's Inquiry into Australia's trade and investment relations with North Africa.

Please find attached the Department's submission which addresses the current and future prospects of the agricultural trade relationship with the countries of North Africa. Where information is available, we have responded to the queries raised by the Committee at the hearing on 2 August, in the submission.

We look forward to the outcome of this Inquiry

Yours sincerely

A handwritten signature in black ink that reads "Nicola Gordon-Smith".

Nicola Gordon-Smith  
General Manager  
International Trade Branch  
International Division

26 August 2005



**Australian Government**  

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**Department of Agriculture,  
Fisheries and Forestry**

Submission to the Joint Standing Committee on  
Foreign Affairs, Defence and Trade

**Inquiry into Australia's Trade and Investment Relations**  
**with the Countries of**  
**North Africa (Algeria, Egypt, Libya, Morocco and Tunisia)**

**August 2005**

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## **I. Terms of Reference of the Inquiry**

The Joint Standing Committee on Foreign Affairs, Defence and Trade will examine and report on expanding Australia's trade and investment relations with the countries of North Africa (Algeria, Egypt, Libya, Morocco and Tunisia), with particular reference to:

- the nature of Australia's existing trade and investment relations with the region
- likely future trends in these relations
- the role of the government, particularly Department of Foreign Affairs and Trade (DFAT) and Austrade, in identifying and assisting Australian companies to maximise opportunities in North Africa as they emerge.

## Executive Summary

North Africa with a population of over 155 million represents a small market for Australia. Total exports to the region represented less than one percent of Australia's total exports in 2004. The market is important, however, for a number of Department of Agriculture, Fisheries and Forestry (DAFF) portfolio industries including wheat, meat, dairy and pulses and at various times, live animals. Australia's exports to the region in 2004 were valued at \$763m, of which \$646m were exported to **Egypt**. Australia imports negligible amounts of agricultural commodities from North Africa.

The majority of North Africa's food and agricultural requirements is met through imports from major trading economies such as the European Union (EU) and the United States (US), and this dominance is expected to continue. Although countries like **Egypt** and **Libya** are making significant investments to increase the productive capacity of their land and boost their domestic agricultural production, it is likely that a significant proportion of future increases in demand will still need to be met by imports. The physical constraints associated with the lack of reasonably priced water and productive agricultural lands will remain as major factors constraining domestic agricultural production.

Australian food and agricultural industries face a range of trade impediments in the North African markets including high tariffs, discriminatory trading arrangements with our key competitors such as the EU, technical market access barriers and non transparent business operating environments. Nevertheless, further economic and political reforms in the markets of North Africa, their continuing dependency on food imports to meet domestic requirements, improvements in relative freight rates and an increased recognition of the quality of Australian products should facilitate further growth in Australian exports. Australian exporters have the potential to capitalise on opportunities to increase their presence in Egypt and Libya in particular. The Government (and DAFF through whole-of-government processes) is facilitating this process through more specific bilateral arrangements, including:

- a proposed Trade and Economic Framework (TEF) Memorandum of Understanding (MoU) with **Egypt** which could provide increased transparency of **Egypt**'s administrative and regulatory requirements as well as promote greater cooperation on policy and technical issues impacting on trade and investment between the two countries;
- the opening of an Australian mission in **Tripoli** later this year which should facilitate growth in the bilateral relationship through the presence of government representation to support commercial ties;
- **Libya** and **Algeria** World Trade Organisation (WTO) accession which should open up bilateral trade opportunities through more transparent trading environments;
- negotiations of MoUs on live animal trade with **Egypt** and **Libya** which should put the live export trade on a more predictable footing; and
- enhanced representation in the region through the presence on the ground of a DAFF Consul-Agriculture in Dubai to progress technical market access issues impacting on our food and agricultural exports to the Middle East and North Africa regions.

In addition, a successful and timely conclusion of WTO Doha Round agriculture negotiations could lead to increased market access through further tariff reductions and reductions in trade distorting domestic support as well as reduced export subsidies by key agricultural exporting countries like the US and EU which are key suppliers to North Africa, although special and

differential treatment likely to be provided to developing countries as part of the Round may limit the benefit to Australian exporters of those reforms.

In view of the potential increase in demand for Australian agricultural exports to North Africa, it is important that Australia continue to engage with countries in the region. DAFF works collaboratively with other Australian Government Departments, in particular DFAT and Australia's representatives in overseas markets, as well as Austrade, industry and State Governments (where appropriate), in identifying opportunities and impediments to trade and prioritising market access negotiations. High tariffs, lack of transparency of regulatory and administrative requirements, difficult business operating environments and bilateral preferential trading arrangements continue to act as constraints to Australia's exports to the region.

Most of the trade impediments that DAFF deals with are technical issues relating to certification, testing and standards. An important part of DAFF's technical market access effort includes an on-the-ground presence in key regions/markets, including a DAFF Consul-Agriculture in Dubai to help build relationships with key players in the markets to assist in facilitating market access and quickly deal with any technical access issues that may arise and benefit the broader trade relationship.

DAFF has been engaging actively with governments of live animal importing countries in the region and negotiating MoUs on live animal trade to secure agreements which would put the live animal trade on a more secure and certain footing. DAFF's focus in North Africa will continue this approach in relation to trade with **Egypt** and **Libya**.

Pursuant to the Government's election commitment to establish a Food and Agricultural Trade Service to better co-ordinate technical market access services, commencing on 1 July 2005, DAFF has implemented the International Food and Agriculture Service (IFAS). Priorities and strategies will be established in liaison with industry and DFAT in identifying new opportunities for growth in exports of Australia's food and agricultural commodities and to remove technical barriers. DAFF now has representatives in key markets and regions to facilitate Australia's agricultural interest and to manage the growing food and agricultural exports to these countries.



# 1. Australia's Existing Food and Agricultural Trade with North Africa

## 1.1 Overview

1.1.1 North Africa is a challenging market for Australia's food and agricultural exports for a number of reasons. Geographical proximity, historical links and preferential trading arrangements with the EU (excluding Libya) mean that North Africa's trade and investment relationships continue to be strongly linked to Europe (eg France, Italy, Germany) and in the case of **Egypt and Morocco**, also with the US.

1.1.2 Australia's exports to the region represented less than one percent of Australia's total exports in 2004. **Egypt** is Australia's main export market in the region taking \$646m of our total exports valued at \$763m in 2004. Australia's credentials as a key source of agricultural expertise and reliable supplier of quality produce have been recognised by both **Egypt** and **Libya**, our key agricultural markets in North Africa. As a consequence, North Africa represents a useful market for Australian wheat, pulses, live cattle and sheep, meat and dairy products.<sup>1</sup> Attachment A provides details of these exports to the region. Australia imports negligible amounts of food and agricultural commodities from North Africa, reflecting our position as a net food exporter.

### 1.1.3 Wheat

The North Africa region is an important and significant importer of wheat, representing around 15 per cent of global wheat imports. Australia's grains exports to North Africa are limited to wheat and wheat flour, with a long trade history with the region of over fifty years. **Egypt** has been the main destination for Australia's wheat exports to North Africa, accounting for 97 per cent of Australia's total wheat exports to the region in 2003-04. Smaller export volumes of wheat have also been made to other countries in the region in the past three years. The region accounted for 17 per cent of total Australian wheat exports in 2003-04. Australia's major competitors are primarily the EU and the US, with an increasing presence of 'non-traditional' exporters such as Russia. Exports from Europe and North Africa are likely to have freight advantage over Australia given their proximity to North Africa and the high volume of trade they handle. Preferential trade agreements (eg between the US and Morocco) also affect Australia's competitiveness in this region.

### 1.1.4 Live Animals

Australia is currently a relatively minor player in the supply of live animals to the region as South East Asia is the major destination for Australia's live cattle exports and the Gulf States are the key destination for our live sheep. **Egypt and Libya** have been significant markets for Australian live exports at various times although export levels tend to fluctuate due to factors such as exchange rates, economics, politics, supply and demand. Australia supplied cattle first to Libya and then cattle and sheep to Egypt in the mid/late 1990s through to 2002. The economic crisis in SE Asia in 1997/98 caused a sharp drop in cattle exports to Indonesia

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<sup>1</sup> NB: The ABS restricts release of statistics on certain commodities to avoid divulging commercially-sensitive details of any single firm's operations. A consequence of this policy is that the DFAT Composition of Trade publication does not identify exports of a number of commodities, including wheat, alumina and sugar (so while details of the volume or value of these commodities is not separately available in the trade statistics, their values are included in total export figures).

in 1998 immediately preceding enormous expansion of trade in this commodity with Egypt. Trade subsequently dropped sharply in 2003 and 2004. In 2005 there has been renewed industry interest in exporting live animals to Egypt (the first shipment of cattle since 2003 occurred in May 2005 with 7,000 head) and the potential for exports to Libya. Consequently, negotiations on MoUs on live animal trade outlining the conditions under which trade will operate are being actively progressed by DAFF. The Suez canal fees are regarded as a significant impediment to a cost-effective trade in this commodity (there is no standard fee – it is worked out to a formula by an inspector for each ship according to size, weight, horsepower etc. In 2004 transit fees worth \$3.2 billion were collected from 17,224 ships), so prospects for expansion of the trade into the North African region are limited.

#### 1.1.5 Dairy

North Africa (**Algeria, Egypt and Libya**) constitutes an important market for dairy products. **Algeria** is the world's largest importer of milk powders and accounts for almost ten per cent (10%) of world international trade in milk powders. **Egypt** is one of the world's largest importers of butter and butter oil and accounts for about five per cent (5%) of international trade in these products. **Libya, Tunisia and Morocco** are less important in terms of their impact on world trade but are large markets for milk powders and butters. The five countries of North Africa are also important markets for other dairy products including cheese, condensed milk, infant powder and liquid milk. The region is only a minor market for Australian dairy exports. In 2003-04 the region accounted for about 5.8% (2,436 tonnes) of Australia's total butter exports (41,925 tonnes). **Algeria** took 4,872 tonnes or two per cent (2%) of Australian total cheese exports (211,611 tonnes), while **Egypt** took less than one per cent (1,404 tonnes). The EU is the dominant supplier (providing approximately 75% of the region's dairy requirements) reflecting its preferential trading arrangements with Morocco, Tunisia, Algeria and Egypt.

#### 1.1.6 Meat

Australia is a relatively small exporter of meat to North Africa as exports are heavily influenced by technical barrier. These technical barriers include onerous import requirements and standards in **Egypt**, high tariffs in **Morocco** (as high as 275%) and unfair competition through preferential trading arrangements with the EU. **Libya** is currently a significant market for frozen mutton (\$7.8m in 2004).

### 1.2 **Egypt**

1.2.1 Egypt was Australia's 36<sup>th</sup> largest trading partner in 2004, with two-way merchandise trade (all goods) valued at \$680 million. The trade balance was in Australia's favour (+\$611m). Australian exports to Egypt fell sharply in 2003 (\$235m compared to \$667m in 2002) due to lower Australian wheat exports caused by the drought and the devaluation of the Egyptian pound against the Australian dollar (and other currencies).

1.2.2 Australian exports to Egypt rebounded in 2004 with exports valued at \$646 million. The cornerstone of Australia's economic relationship with Egypt is Australian wheat exports, for which Egypt is one of our largest customers. Other key exports were pulses (\$53m), coal (\$15m) and dairy (\$25m). Refined petroleum (\$20m), floor coverings (\$4m) and other textiles (\$2m) constituted our major imports from Egypt.

1.2.3 Wheat: Egypt is a significant importer of wheat. In 2002-03 it was the second largest importer of wheat globally behind Brazil. Egypt also has high per capita consumption of

wheat which, according to the US Department of Agriculture (USDA), is expected to continue to grow from the current level of 186 kg per year. Australia has a long trade history of exporting wheat to Egypt. Egypt has been the main destination for Australia's wheat exports to North Africa, with Egypt accounting for 97% of Australia's total wheat exports to the region in 2003-04. Overall exports to Egypt have fluctuated markedly in the last three years (1.7 million tonnes in 2001-02; 0.6 million tonnes in 2002-03 and 2.5 million tonnes in 2003-04). The reduction in exports in 2002-03 was due to significantly reduced production caused by the nation-wide drought conditions. With exports of 2.534 million tonnes in 2003-04, Egypt was the second largest destination for Australian wheat behind Indonesia. This gave AWB (International) Ltd its largest annual sales to Egypt and 35% of the Egyptian import market. Australian Standard White (ASW) wheat has become a significant component of Egypt's bread market, due to its high extraction rates and production of bright white flour.

1.2.4 AWB has a strong presence in Egypt, having established an office in Cairo in 1994. AWB has also made investments through a 30% stake in the Five Star Flour Mills, the largest miller in the private milling sector. Five Star Flour Mills reportedly purchases only high quality Australian wheats.

1.2.5 Traditionally, the Egyptian Government took responsibility for importing the total commodity requirements for the country, through the General Authority for Supply Commodities (GASC). However, from 1992, the Egyptian Government split the milling industry, with one sector producing a grade of flour used to make Baladi bread (82% flour extraction), for which GASC has retained import responsibility; and the other (private milling) sector which produces a different grade of flour (72% flour extraction) and operates on a commercial basis.

1.2.6 The demand for the "82% flour extraction" is linked to the relative costs of staples for the Egyptian people (when the costs of staples increases, a large proportion of the population moves towards the cheaper, subsidised products such as Baladi bread). This influences the import demands of GASC, including the volume and type of wheat to be tendered. According to the USDA, in 2003-04 GASC accounted for 75% of Egypt's wheat imports.

1.2.7 The Egyptian Government also operates in the private milling sector through Food Industries Holding Company (FIHC), to which AWB sells. Five Star Flour Mills also operates in the private milling sector. The increased affluence within parts of Egypt is likely to be influencing aspects of the private milling sector demands for wheat.

1.2.8 In May 2004, the Egyptian Government and AWB signed an agreement to establish a framework to explore long term supply arrangements (LTSA) for Australian wheat. The proposed LTSA would involve the supply of a minimum of between 500,000-1,500,000mt per annum of Australian Standard White wheat to GASC for a period of five to seven years. AWB also announced that it would explore the potential for investments in handling and storage facilities. Securing long term supply arrangements, on beneficial terms, would be an important element of improving the conditions of Australia's wheat supply. Nonetheless, successful trade with Egypt continues to occur without an LTSA and AWB continues to tender for sales to GASC and make sales to the private milling sector where these deliver strong returns for Australia's growers.

1.2.9 Pulses (broad beans, faba beans, chickpeas): Pulse Australia has done significant work over the last few years in developing the export market for pulses to Egypt which is now

becoming a 'pulse trading hub' in the region. In April 2002 a bilateral MoU on the specifications for quality and quarantine inspections of pulses was signed by Australian industry (Pulse Australia) and the Egyptian Ministry of Agriculture and Land Reclamation. The MoU was developed in response to some problems and constraints in exports due to the lack of harmonisation of Egyptian import standards and Australian export standards.

1.2.10 Egypt is currently one of Australia's largest markets (next to India) for pulses for human consumption (valued at \$52.5m in 2004)<sup>2</sup>. Australian industry has indicated however, that market analysis and planning is difficult due to the impact of global weather on annual pulse production and the presence of other exporting countries who are opportunistic in their approach. Emerging third world importers also tend to be "lowest price commodity based" meaning that freight, exchange rate and other export related costs have a huge bearing on market share.

1.2.11 Beef: In 1992 the Egyptian Government lifted its 3-year ban on slaughter cattle, frozen beef and beef products. Australia's shipments of frozen meat to Egypt are insignificant (averaged around 500 tonnes over the last five years) compared to Egyptian imports from Europe that are around 130,000 to 140,000 tonnes a year. Australia's beef exports to Egypt reached a peak in 1999 but declined after Egypt re-opened its borders to Irish beef following the easing of the BSE-related import requirements.

1.2.12 Live Animals: Australia is currently a relatively minor player in the supply of live cattle and sheep into Egypt. Ireland is a major source of live slaughter cattle for Egypt, averaging about 200,000 head a year. In the mid 1990s Egypt became a beneficial alternative market for Australia after the significant reduction of cattle exports to Asia following the economic downturn in that region. In 2003 Egypt took 7,583 cattle, down from 145,015 in 2002, and at present only minimal numbers of animals is being exported to this market. This is due to increased imports, initially from the EU (Ireland) and more recently, Brazil, but also due to the relatively high price of Australian cattle over this period.

1.2.13 The EU gives a subsidy to exporters for taking live cattle out of the EU. For every head of cattle shipped from Ireland to North Africa or the Middle East, the exporter gets a subsidy of about 200 Euro (the exact amount depends on the weight of the animal and the current grant amount). Recently, the EU agreed that the subsidies are to be restricted to cattle exports to the Lebanon and Egypt only. Ireland has been heavily involved in the live exports trade and developed new markets in North Africa, in particular Egypt and Libya.

1.2.14 The future of the live trade with Egypt remains insecure. Major factors contributing to the decline in demand for Australian cattle has been a sharp depreciation in the Egyptian pound against the A\$, the steady increase in the price of basic food items, which has further reduced discretionary spending on meat, and the return of Ireland as an import source following BSE related bans.

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<sup>2</sup> Note that in the DFAT Composition of Trade publication, the entry for one of Australia's principal exports to Egypt is 054 Fresh vegetables (\$52.5m) which is misleading as it really reflects the level of pulses exported. This data has been classified according to the Standard International Trade Classification, Revision 3 (SITC R3). The full description is "Vegetables, fresh, chilled, frozen or simply preserved (including dried leguminous vegetables); roots, tubers and other edible vegetable products, n.e.s., fresh or dried. The detailed breakdown of exports to Egypt under this category is as follows: dried broad beans and horse beans \$37.6m; dried shelled beans \$14.1m; dried leguminous vegetables \$500,000 and dried chick peas \$172,000.

2.2.15 May 2005 saw the first Australian shipment of live cattle to Egypt since October 2003, with about 7,000 head exported at a value of A\$3.8m FOB<sup>3</sup>. Reports from the Middle East suggest that reduced livestock supplies across North Africa have caused prices to increase to levels more in line with Australian landed prices, and there may be a renewed demand for Australian live cattle exports.

1.2.16 Key competitors for Australian agricultural exports to Egypt are EU (frozen beef); NZ (sheepmeat); Ireland and Brazil (slaughter cattle); and EU and US (wheat).

### **1.3 Libya**

1.3.1 Libya's economy depends primarily on its oil sector. This revenue together with a small population (5.7 million in 2004) gives it one of the highest per capita GDP (USD 4,454 in 2004) in Africa, but little of this income flows down to the general population. Climatic conditions and poor soils severely limit agricultural output and Libya imports most of its food requirements (around 80%), mainly from other African countries and the EU.

1.3.2 Libya has been a minor market for Australia. The suspension in 2003 of United Nations sanctions imposed in 1999, the resumption of bilateral relations in 2002, Libya's accession to the WTO and the development of its economy to a more market-based economy, including rehabilitation of its agricultural sector, provide potential new trade opportunities for Australia.

1.3.4 Libya has indicated a wish to restore the bilateral relationship to the level experienced in the 1970s and 1980s when Australia's agricultural cooperation with Libya was at its height. This is a positive development. Further trade opportunities for Australian business are likely to be enhanced through the opening of an Australian embassy in Tripoli. This is regarded as important by Libya as well as by our own industry.

1.3.5 Total Australian exports in 2004 to Libya were valued at \$14m. No import trade was recorded.

1.3.6 Meat : Libya is currently a small market for Australian meat exports, predominantly frozen mutton (\$7.8m in 2004). There is a potential for increase in demand as economic trading conditions become more stable.

1.3.7 Livestock: Australia has at various times enjoyed an active livestock trade with Libya. Libya took more than 20% of Australia's live cattle exports in 1998 (106,000 head of cattle), valued at around \$65 million. When the Libyan live animal trade ceased in the late 1990s Australian industry reported that significant factors leading to this drop in trade included the Suez Canal transit fees and difficulties in dealing with Libyan port officials.

1.3.8 Wheat: Australia has not exported wheat to Libya since 2001-02. Most of Libya's import requirements are met by the EU (58% in 2003-4).

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<sup>3</sup> Free on Board =

## 1.4 Algeria

1.4.1 Total Australian exports to Algeria in 2004 were valued at \$70m, with coal (\$26m); meat (\$25m), cheese and curd (\$15m), bovine meat (\$1m) and milk and cream (\$1m) our key exports. No significant imports were recorded.

1.4.2 Sheepmeat: The Algerian market is approximately 50% self-sufficient in livestock products. It has growth potential for Australian sheepmeat as demand growth occurs with rapid population increases. There are no laws or regulations governing livestock production and there is a lack of understanding of livestock farming and consequently, productivity is low. Algeria is however self-sufficient in white meat.

1.4.3 Wheat: Algeria is a major wheat importer but Australia has not sold any wheat to Algeria since 2001-02, even then accounting for less than 1% of Algeria's wheat imports. Algeria has strong ties with France which is also able to supply durum wheats. Canada is also a major exporter of durum wheats to Algeria.

1.4.4 Key competitors in Algeria are EU, Canada and US (wheat) and EU (dairy).

## 1.5 Tunisia

1.5.1 Australia's total trade with Tunisia was valued at \$9m in 2004 with the primary exports being inorganic chemical elements (\$2m) and cheese and curd (\$1m) and the primary imports being clothing (\$3m) and soft fixed vegetable fats and oils (\$1m). The trade balance is in Tunisia's favour (+\$2m).

1.5.2 Tunisia is almost self-sufficient in red meat with national production covering 95 percent of consumption. In June 2005, however, the first shipment of frozen sheepmeat occurred under a newly agreed protocol. This trade may only be opportunistic on a price basis. France is a major competitor for the supply of meat.

1.5.3 Tunisia's wheat requirements are mainly met by the EU and Canada and dairy from the EU.

1.5.4 With its proximity to Europe, the Government of Tunisia is attempting to strengthen its ties with the EU, further lessening its reliance on trade with its African neighbours.

## 1.6 Morocco

1.6.1 Total Australian trade with Morocco in 2004 was valued at \$50m with the balance of trade in Australia's favour (+\$9m). Major agricultural exports were crude animal materials (\$2m), cheese and curd (\$2m) and crude vegetable materials (\$1m), while crude fertilisers (\$11m) dominated imports.

1.6.2 Meat: Morocco's meat requirements are predominantly serviced by the EU. However, its annual red meat imports stand at less than \$3 million as the country covers most of its needs locally.

1.6.3 **Sugar:** The last shipment Australia made to Morocco (and the region more generally) was 64,000 tonnes in 2000. North Africa is neither a regular nor a current market for Australia's sugar exports.

1.6.4 **Wheat:** The EU and Canada are major suppliers to this market.

## 2 Trade Impediments

### 2.1 Overview

2.1.1 **Egypt, Morocco and Tunisia** are members of the WTO and **Algeria and Libya** are currently in the process of acceding to the WTO. High agricultural tariffs (average applied rate ranging from 22% for Egypt to 70% for Tunisia), the lack of transparency of import requirements and often difficult operating environment are major impediments to trade with the region. It will be important for Australia to continue to monitor the policies in these countries and to work through the WTO to ensure that their trade regimes are fair and transparent and consistent with their WTO commitments.

2.1.2 Effective outcomes in the WTO Doha round negotiations could provide Australian agricultural exports to this region with a more level playing field vis a vis competitor suppliers like the EU and the US that currently utilise (to varying degrees) trade distorting subsidy policies, export credit programs and export restitutions.

2.1.3 Preferential trading arrangements already in place, such as the **Euro-Mediterranean Partnership Association Agreements** with North African countries (Libya has observer status) and the **US - Morocco Free Trade Agreement**, will, however, continue to impact adversely on Australia's export interests in these markets<sup>4</sup>. There are prospects for a free trade agreement between Egypt and the US. Such preferential treatment to a major wheat export competitor in the North Africa region may significantly affect Australia's market share.

2.1.4 Most of the trade impediments handled by DAFF in support of Australia's food and agricultural exports relate to importing country certification requirements and in many instances, the lack of transparency of these requirements. DAFF works with the countries in the North African region to address these technical market access barriers to improve the clarity on quarantine requirements and health and import specifications (standards, testing, and certification requirements) for Australia's agricultural exports.

2.1.5 Disease incursions and accusations can also result in market access difficulties in other importing countries, as demonstrated by the difficulties experienced following Pakistan's (unfounded) allegations of the presence of karnal bunt in Australian exports of grain. Following the Pakistani allegations, Morocco (and Egypt) immediately introduced a

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<sup>4</sup> **Attachments B - E** provide extract on the provisions of the preferential access arrangements for agricultural products into the relevant North African markets from the EU and the US. For further details on the various Association Agreements with the EU go to [www.europa.eu.int/comm/external\\_relations/euromed/med\\_ass\\_agreemnts.htm](http://www.europa.eu.int/comm/external_relations/euromed/med_ass_agreemnts.htm) and for US Morocco FTA go [http://www.ustr.gov/Document\\_Library/Fact\\_Sheets/2004/USMorocco\\_Free\\_Trade\\_Agreement\\_Agriculture\\_Provisions.html](http://www.ustr.gov/Document_Library/Fact_Sheets/2004/USMorocco_Free_Trade_Agreement_Agriculture_Provisions.html)

requirement for the addition, on the export certificate accompanying each shipment, of an official declaration that Australia was free of karnal bunt.

2.1.6 Similarly, weed seed standards (and variations following reviews) in importing countries can create significant difficulties for Australian exporters. Resolution of such issues require negotiations to ensure continued market access, particularly if there are practical difficulties in meeting requirements or if the standards are perceived by Australia to be inconsistent with international standards. Typically these events are unpredictable and can have significant impact on market perception about Australian products.

## **2.2 Egypt**

2.2.1 Market access impediments in Egypt for Australian agricultural exports are principally high tariffs, rigid and burdensome Egyptian testing procedures and lack of application of internationally accepted science-based standards by Egyptian authorities. Complex regulatory systems also represent an impediment to business.

2.2.2 Despite a reduction in tariffs consistent with its WTO commitments, Egypt's tariff levels remain high (see Attachment C). While the new Egyptian Government appointed in July 2004 has moved to revive the economic reform program, including lowering customs duties and simplifying customs procedures, the average tariff rate is still in excess of 25%. While the average applied agricultural tariff is 22.8% there remain some tariff spikes of concern such as that on wine which is prohibitive - 1800%. In addition to tariffs, the Government levies various fees and taxes on imports. Further, exports to Egypt regularly face non-tariff barriers such as delays in clearing through customs (an average of over three weeks or longer), mandatory quality control standards and inconsistent product testing which can restrict agricultural trade.

2.2.3 Egypt is a major recipient of US aid. The Australian Government is concerned to ensure that the conditions of all food aid donations are transparent and that the aid will not displace local production or the commercial sales of other importers, through for example implied conditions for Egypt to give preference to purchases of US commodities. While the Australian Government is committed to maximising the provision of effective food aid to genuinely needy recipients, it is also committed to working through the WTO to introduce disciplines to eliminate all forms of export subsidy, including commercially motivated food aid that is trade distorting.

2.2.4 Egypt's food standards do not always conform to internationally accepted standards and Australia's wheat, meat and dairy exports often face access barriers associated with testing. Wheat exports are expected to meet standards that are not consistent with internationally accepted thresholds in relation to the presence of weed seeds, ergot and flag smut.

2.2.5 Like wheat exports, dairy exports also face testing irregularities in Egypt and the imposition of microbiological requirements that are not in line with international standards often leads to disputes about testing procedures and results. For example, Egyptian test results on imported Australian dairy commodities often differ from the results undertaken by Australia in accredited laboratories and agreement by Egypt for re-testing to resolve testing discrepancies is erratic.



2.2.6 Egypt's 1992 regulations on requirements for imported red meat severely restrict Australia's access and are considered by industry as unreasonable. The major areas of concern are Egyptian standards governing shelf life, cut size, chilled meat and fat content.

2.2.7 A dialogue between Australian and Egyptian officials on meat access issues has been underway since 1998 and culminated in Australia convening a Meat Access Forum in Cairo with relevant Egyptian authorities (Ministry of Health, the Egyptian Organisation for Standardisation and Quality (EOS), the General Organisation for Veterinary Services (GOVS), and the Ministry of Foreign Trade) in June 2003. This government-to-government forum was intended to commence a process of discussion and negotiation about Australia's market access concerns, and supported a proposal put forward by Australia's Trade Minister Mark Vaile to establish a Technical Working Committee that would

- bring together Egyptian officials to address, on an ongoing basis, issues of concern to the Australian meat industry
- assist in ensuring that regulations of both countries are science-based and least trade-restrictive while upholding quarantine and health standards, and
- consider the development of a MoU to provide a framework for dialogue and extending technical cooperation on meat industry issues.

2.2.8 While a MoU would not resolve Australian access issues, it could provide some leverage over relevant sections of the Egyptian bureaucracy, and ensure continuing dialogue between the different Egyptian government agencies that are responsible for setting and supervising Egyptian food standards. There is often little consultation and or coordination between the relevant agencies (Ministry of Health, Egyptian Organisation for Standardisation and Quality, General Organisation for Veterinary Services, Ministry of Foreign Trade) making it difficult to establish an agreed science-based approach to food standards and import requirements.

2.2.9 While Australia actively lobbied Egyptian Ministers for the establishment of the Technical Working Committee (TWC) and the development of a MoU, with the aim of having the first meeting of the TWC in early 2004, neither of these initiatives has been progressed by the Egyptians.

2.2.10 Egypt's preferential trading arrangements with the EU, neighbouring African and Middle East countries and arrangements with the US also disadvantage Australia as a supplier. For example EU milk powders enter free of duty while Australian exports attract a 20% tariff.

## **2.3 Libya**

2.3.1 Libya is regarded by industry as a daunting market in which to do business because of its complex business environment. It is hoped the reformist policies of Prime Minister Shukri Ghanem, including encouraging links with foreign commercial interests, easing access to foreign currency and privatisation program, will result in greater market access opportunities.

2.3.2 It is reported that Australian exporters to Libya have experienced some commercial difficulties including tender requirements that are not clear, the holding back of a proportion of the selling price until the buyer indicates full satisfaction; and not releasing shipping

containers (for which the container owners must be compensated). Despite the difficulties in dealing with this market, exports of dairy products exceeded \$100,000 in 2002 when world prices were low and stocks high, however since then Australia has not made any sales of dairy products to Libya.

## **2.4 Algeria, Morocco and Tunisia**

2.4.1 Agricultural tariffs remain high in Algeria, Morocco and Tunisia. For example, according to the WTO, the average applied tariff on agricultural products is 48.6% for **Morocco** (2002) and 70.4% for **Tunisia** (2003).

2.4.2 Whilst Australia is well placed to supply meat and livestock to **Morocco**, high tariffs (as much as 275% on meat) is a major constraint. The issue is compounded by the US-Morocco preferential trading agreement, which established preferential tariff rate quotas (TRQ) for high quality and standard quality beef, which impact negatively on Australian meat exports (for example, in-quota high quality beef tariff for US will be reduced initially to 45% and subsequently phased out in equal annual increments by year five). Wheat exports by the US to Morocco receive substantial tariff relief that will also affect the capacity for AWB to be price competitive (Attachment B provides examples of the preferential deal with the US on a range of agricultural products).

2.4.3 The primary trade impediment for Australian agricultural exports to **Tunisia** is high tariffs (for example 200% on milk and cream products), the competition from European suppliers and the targeted focus of Tunisia on European suppliers.

2.4.4 Market access for Australian exports to **Algeria** is inhibited by internal Algerian communication processes, and the inability to obtain responses from relevant government authorities on access conditions/certification (even through active representation by DFAT). Even when access conditions/certification appeared to have been agreed to, there is evidence that officials in import ports are not always advised by their central authority of such decisions, making the conduct of business in Algeria difficult and at times frustrating

## **3. Likely Future Trends and Opportunities**

3.1 Australia is well regarded as a reliable and competitive supplier of quality agricultural commodities as well as agricultural technology and management practices. Continued economic growth through further economic and political reforms in the North Africa region will lead to greater opportunities for Australia's agribusiness sector and future incentives for Australia's agricultural exporters. Favourable policy developments in the region, improvements in relative freight rates and an increased recognition of the quality of Australian products should also facilitate further growth in Australian exports. The purchasing decisions by buyers in this region are generally price-driven.

3.2 Opportunities for agricultural exports to North Africa in the future are greatest in **Egypt**, with some potential for **Libya** once stronger government-to-government relations are established. The net food importing status of both **Egypt** and **Tunisia**, and **Libya's** climatic conditions and poor soils (which severely limit agricultural output), are likely to result in those countries continuing to be dependent on imports of food and agricultural commodities to meet domestic requirements, and growth potential for Australian agricultural exporters.

3.3 **Egypt's** development programs to increase its agricultural productivity such as through the Toshka and Al Salam Canal Projects as well as **Libya's** program to reinvigorate its agricultural sector, could present opportunities for the export of Australian agricultural expertise and technology.

### **Agricultural Technology and Expertise**

3.4 While DAFF is not actively involved in looking at opportunities for exporting Australia's farming expertise to the North African region, it does assist in identifying appropriate contacts in response to specific requests from overseas countries or other Australian institutions. DAFF does work with the states, CSIRO and R&D Corporations to develop and promote adoption of more sustainable agricultural practices and technologies in Australia, including dryland farming systems (eg grain cropping, cattle and sheep grazing systems), many of which would be likely to be applicable overseas in regions such as North Africa. Issues addressed are wide ranging, including weed and pest management, soil erosion and minimum tillage, combating salinity, agronomy systems, revegetation, fertiliser use and management, plant breeding, improving efficiency of water usage, understanding impacts on biodiversity, catchment management, drought and risk management etc.

3.5 The expertise in these areas often resides in a number of publicly funded state agricultural agencies or their specialist R&D offshoots (eg SARDI in SA), bodies like CSIRO, particular universities and private sector companies and consultancy firms. The R&D Corporations tend to work with these types of research providers and consultants. Australia, as part of its commitment to international conventions, such as the Convention on Biological Diversity and Convention to Combat Desertification, has in-principle agreed to share information on 'best practice' approaches to better natural resource management with other countries.

### **Wheat**

3.6 There is potential for more Australian wheat exports to countries in North Africa as they are major importers of wheat. The combined wheat imports of Morocco, Tunisia, Algeria and Libya is almost the same as Egypt's. However, Australia's principal competitors, the EU and the US, have various policies, such as domestic production subsidies and export programs, likely to be underpinning their competitiveness in this region. There are also historical linkages between these countries and Europe that shape the trade relationships in the region.

3.7 Egypt's continued import of Australian wheat, within the framework of Australia's wheat export single desk, requires a strong relationship with the Egyptian government. What might be called 'single desk importers', such as GASC, are common to the region (Egypt, Tunisia, Algeria and Libya). The relationship between AWB and GASC could be strengthened through a long term supply arrangement, even though AWB continues to negotiate strong sales through GASC's tender process. In addition AWB has been building relationships with private sector milling companies, including through its own investments. The storage capacity at the Five Star Flour Mills has allowed AWB's joint venture partners to effectively deliver Australian wheat to smaller flour mills across Egypt. Egypt is one of the world's largest consumers of wheat flour, which combined with economic and population growth, will underpin demand for Australia's high quality wheat exports.

3.8 **Algeria** is also a major wheat importer. While one could conclude strong growth potential in the Algerian market, where Australia's sales in 2001-02 accounted for less than 1% of Algeria's wheat imports, demand tends to relate to durum and soft wheats supplied by other countries

### **Meat and Livestock**

3.9 While there is interest in developing the meat and livestock market in **Libya**, Australian industry (Meat and Livestock Australia) has not devoted significant resources to that market because of the lack of a stable or on-going diplomatic relationship with Libya and because of other market priorities.

3.10 While Libya traditionally sources its meat imports from the region (from other northern African states or Europe) Australian industry believes that once stronger government-to-government relations are established it may be commercially worthwhile to develop the market. Current trade is mainly through the Libyan Government tender process.

3.11 Agricultural export opportunities in **Algeria** may develop as part of the bilateral market access negotiations for Algeria's accession to the WTO (which commenced in 1998). Australia is currently seeking to secure Algeria's agreement to reduce its tariffs to low levels on products of current or prospective export interest to Australia. Relevant to agriculture, these include market access negotiations on beef, sheepmeat, dairy and wheat (note that the EU has preferential tariff quota access for these products under its Association Agreement with Algeria). DAFF has been working with DFAT to ensure that Algeria's commitments on agricultural domestic support, export subsidies and its SPS regime are consistent with WTO rules. Australia supports Algeria's application to join the WTO on appropriate terms that reflect a commitment to WTO rules and market liberalisation.

3.12 The Algerian market has growth potential for Australian sheepmeat as demand exceeds supply due to rapid population increases and livestock systems failing to keep pace.

### **Dairy**

3.13 World trade in dairy products to North Africa is dominated by the EU which supplies about three quarters of the five countries' dairy requirements. Under its Neighborhood and Mediterranean Partnership agreements, the EU has concluded special trade concessions with four of the North African countries (not Libya).

3.14 Most dairy imports into **Algeria** attract tariffs of around 30%. However, when its preferential agreement with the EU enters into force (expected to be ratified soon) the EU will have a duty free quota for 5,800 tonnes of cheese while all other cheese imports into Algeria, including from Australia will still attract a 30% tariff. The Agreement will also allow for a duty free quota for 70,000 tonnes milk powders while all others will continue to attract a tariff of 5%. This discriminatory arrangement will increase the EU's ability to dominate this market.

3.13 The EU Agreement with **Egypt** came into force on 1 July 2004. This saw an immediate erosion of Australia's access to this important market for milk powder as the EU product now enters free of duty while product from Australia attracts a 20% tariff. Quota access for butter and cheese, while restricted to specific volumes and maintaining small tariffs

gives EU a marketing advantage as European traders are able to leverage their reduced duty entitlements to make sales in the general market.

3.14 The EU has had agreements with **Morocco** and **Tunisia** since March 1998. Given the high tariff on dairy products into these two countries (Morocco's tariffs on dairy products range from 17.5% to 109% while tariffs in Tunisia are as high as 200% on milk and cream products; 101% for milk powder and 133% for cheese) trade is relatively small and mostly restricted to sales from the EU. For example, Morocco has undertaken to lower by 50% its customs tariff (from 60 to 30%) and taxes levied on imports of EU origin on a volume of 3,300 tonnes of powdered skimmed milk while imports into Tunisia on a volume of 9,700 tonnes attract a 17% duty.

## **4 Role of Government in Maximising Opportunities for Australian Exports in North Africa**

### **4.1 Overview**

4.1.1 While Australia's bilateral relations with Algeria, Tunisia and Morocco are relatively low key, there has been a growing interest in strengthening bilateral relations with **Egypt** and **Libya** in recent years, including through bilateral ministerial and official visits. These have included:

- a trade delegation to **Libya** in 2002 led by the Minister for Trade Mark Vaile;
- an industry-funded visit to Australia by the then **Egyptian** Minister of Supply and Internal Trade, Dr Hassan Khedr in May 2004;
- a visit to **Egypt** by the then Minister for Agriculture, Fisheries and Forestry, Warren Truss in April 2004 to pursue Australia's wheat, meat and livestock interests in that market; and.
- the convening of a Meat Access Forum in Cairo with relevant Egyptian authorities in June 2003, opened by the Minister for Trade Mark Vaile.

4.1.2 The Government is considering a Trade and Economic Framework (TEF) arrangement with Egypt to encourage growth and diversification in the commercial relationship and closer economic cooperation. DAFF is actively supporting the development by DFAT of a TEF arrangement as a means of increasing transparency of **Egypt's** administrative and regulatory requirements as well as promoting greater cooperation between the two countries on policy and technical issues impacting on trade and investment.

4.1.3 There has also been renewed interest at the state government level in re-establishing links with **Libya** in the agriculture sector. Western Australia's mission to Libya in October 2002 led by Western Australia Agriculture Minister, Kim Chance resulted in the signing of an agricultural cooperation MoU providing for collaboration in training, research and development and the provision of services in desertification, revegetation and dryland agriculture, rangeland management and forestry management and animal husbandry. A Libyan delegation is expected to visit Western Australia in September 2005 to discuss the program and priority projects under the MoU. Queensland also led a food and agribusiness trade mission in February 2004.

4.1.4 As part of its international rehabilitation **Libya** is seeking formal Australian representation in Libya through the establishment of an embassy in Tripoli. DAFF strongly

supports Australian representation in Libya as a means of establishing greater government-to-government relations in support of our commercial interests.

## **4.2. Role of DAFF in the Australia – North Africa Trade Relationship**

4.2.1 Australia's agricultural sector is highly efficient and export oriented, with wool, beef, wheat, cotton and sugar being particularly important in terms of global rural trade. Australia is also a significant exporter of dairy products and fruits. We export around 65% of production. Maintaining and increasing market access is increasingly important to the continued expansion of Australia's agricultural exports and a key role for government is to ensure that the policies of our trading partners are continually monitored to ensure no potential barriers (that cannot be justified) to trade are introduced.

4.2.2 In view of the potential increase in demand for Australian agricultural exports to North Africa, it is important that Australia continue to engage actively with countries in the region to protect and maintain our longstanding reputation as a reliable supplier of quality agricultural and food products. Ensuring Australia's favourable biosecurity, reinforcing its rigorous quarantine and food safety systems and maintaining the integrity of our export certification systems, is therefore a key role for DAFF.

## **4.3 Current DAFF Activities in the North Africa Region**

4.3.1 **Egypt** and **Libya** are key markets for some of DAFF's portfolio industries' exports in North Africa. While some engagement is associated with whole-of-government meetings coordinated by DFAT, much of DAFF's contact with these countries arises from bilateral negotiations at the technical level undertaken:

- to determine the import conditions for particular products;
- to resolve or progress specific technical market access issues;
- seek improved access conditions; and
- in response to requests for market access to Australia for products from these countries.

4.3.2 DAFF works closely with industry in identifying opportunities and impediments and to prioritise market access negotiations. A major day-to-day priority for DAFF is the facilitation of Australian food and agricultural exports through the provision of export inspection, auditing and export certification services to ensure compliance with importing country requirements; the identification of technical barriers to trade in overseas markets – such as over-restrictive import conditions on Australia's agricultural and food exports; facilitating ongoing market maintenance; and negotiating market access and international standards.

4.3.3 Pursuant to the Government's election commitment to establish a Food and Agricultural Trade Service to better co-ordinate technical market access services, DAFF has received additional funding of \$10m over four years to implement the International Food and Agriculture Service (IFAS). The IFAS came into effect on 1 July 2005 and ensures that DAFF resources, programs and policies are coordinated, both within DAFF and with other agencies and to ensure highly effective implementation of the Government's international agenda through collaborative working arrangements.



4.3.4 In addition to identifying new opportunities for growth in exports and working with industry and other agencies to remove barriers to trade in overseas markets, IFAS will establish new positions in Australian diplomatic posts in key overseas markets to target technical market access and market maintenance work to facilitate exports of Australian food and agricultural commodities, particularly where they face barriers or restrictions arising from sanitary or phytosanitary (SPS) concerns.

4.3.5 A significant part of DAFF's technical market access effort includes an on-the-ground presence in significant locations overseas to make representations for access for Australian produce or to assist in the stabilisation of access arrangements should technical market disruptions occur. These include a Consul-Agriculture position in Dubai to service the Middle East and North Africa regions. Specifically, this position supports portfolio industry exports by providing effective technical advice, progressing specific technical market access negotiations and dealing speedily with any technical access issues that may arise. The position also contributes to building better government-to-government relations.

4.3.6 One of the key current priorities for the DAFF Consul-Agriculture (Middle East) has been to progress negotiations on MoUs on live animal trade with countries in the region that import Australian livestock. The MoUs are aimed at setting down the conditions under which the sensitive trade in live animals can be undertaken on a transparent and efficient basis and in a way that will protect the health and welfare of the animals.

4.3.7 As far as North Africa is concerned, most efforts have focused on **Egypt**, and given the renewed interest in live exports from Australia to Egypt (the first shipment of cattle since 2003 occurred in March 2005) negotiations are being actively progressed.

- DAFF first proposed a MoU on live animal trade with **Egypt** in April 2004 during the visit by the then Minister for Agriculture, Fisheries and Forestry, the Hon Warren Truss MP. The **Egyptian** Minister for Agriculture and Land Reclamation, El Leithy recently expressed support for a MoU and DAFF is currently working with DFAT to progress the negotiations.

#### **4.4 Specific Future Activities and Priorities**

4.4.1 DAFF will continue to work collaboratively with key industries in support of specific market access interests in the region. Specifically, DAFF will continue to progress negotiations on a MoU on live animal trade with **Egypt**. DAFF will, in the near future, commence negotiations on a MoU on live animal trade with **Libya** in view of the potential for the Australian livestock industry in exporting to that market. As the MoUs on live animal trade proposed by Australia also contain provisions for technical cooperation, DAFF will be working actively with Egypt and Libya to determine the level and scope for technical cooperation and capacity building activities that can be undertaken in support of the MoU objectives.

4.4.2 DAFF will also be pursuing with **Egypt** the proposal for the establishment of a Technical Working Committee to address ongoing issues of concern to the Australian meat industry to put this trade on a more stable and secure footing in the longer term.

## 5. Conclusion

5.1 Europe and to a lesser extent, the US will continue to be key suppliers of food and agricultural products to North Africa. While Australia's bilateral agricultural trade relations with **Algeria, Tunisia and Morocco** could be characterised as low key, there has been a growing interest in strengthening ties with **Egypt and Libya** in recent years. Ongoing political and economic reform in the economies of North Africa; the establishment of Australia's diplomatic mission in Tripoli; ongoing improvements in the business environment in the region; and the desire of North African governments to diversify import sources, will enhance Australia's trade and investment potential in the region.

5.2 **Egypt** is clearly the main North African destination for Australia's agricultural exports and this position is likely to remain the case in the foreseeable future. However, the level of Australian exports will be influenced by external factors such as economics (currency fluctuations), politics (**Egypt's** relations with other key suppliers such as the EU and US), and global supply and demand for key commodities.

5.4 There is clearly potential for the agricultural trade relationship with **Libya** to expand once there is formal Australian representation in Tripoli.

5.6 The presence of a DAFF Consul-Agriculture (Dubai) in the region is expected to facilitate further Australian food and agricultural export interests by providing effective technical advice, progressing specific technical market access negotiations and dealing speedily with any technical access issues that may arise.



## Australia's Key Agricultural Exports to North Africa

### Wheat

**Table 1: Australia's wheat exports to North Africa and shares of each importer**

Year	Total exports	Algeria	Egypt	Libya	Morocco	Tunisia
	000 tonnes	%	%	%	%	%
2001-02	1,982	1.3	84.8	7.4	6.6	0.0
2002-03	694	0.0	86.7	0.0	9.2	4.0
2003-04 <sup>a</sup>	2,612	0.0	97.0	0.0	2.9	0.0

a. figure preliminary

Source: International Grains Council Trade Statistics

**Table 2: North Africa's wheat imports and major exporters' shares**

Year	Imports	Australia's exports	SHARES OF MAJOR EXPORTERS				
			Argentina	Australia	Canada	EU	US
	000 tonnes	000 tonnes	%	%	%	%	%
2001-02	17,777	1,982	2.8	<b>11.1</b>	11.4	28.7	23.8
2002-03	18,482	694	0	<b>3.8</b>	9.2	45.1	6.9
2003-04 <sup>a</sup>	15,650	2,612	4.4	<b>16.7</b>	9.3	24.4	32.3

a. figure preliminary

Source: International Grains Council Trade Statistics

**Table 3: Egypt's wheat imports and major exporters' shares**

Year	Imports	Australia's exports	SHARES OF MAJOR EXPORTERS				
			Argentina	Australia	Canada	EU	US
	000 tonnes	000 tonnes	%	%	%	%	%
2001-02	7,139	1,680	1.5	<b>23.5</b>	2.2	10.8	52.2
2002-03	6,415	602	0.0	<b>9.4</b>	0.0	40.8	14.3
2003-04 <sup>a</sup>	7,100	2,534	0.1	<b>35.7</b>	1.7	2.8	56.1

a. figure preliminary

Source: International Grains Council Trade Statistics

**Table 4: Algeria's wheat imports and major exporters' shares**

Year	Imports	Australia's exports	SHARES OF MAJOR EXPORTERS				
			Argentina	Australia	Canada	EU	US
	000 tonnes	000 tonnes	%	%	%	%	%
2001-02	4,570	26	2.9	<b>0.6</b>	17.8	41.9	4.7
2002-03	5,652	0	0	<b>0</b>	16.5	48.3	3.2
2003-04 <sup>a</sup>	3,900	0	8.9	<b>0</b>	15.6	42.1	12.3

a. figure preliminary

Source: International Grains Council Trade Statistics

**Table 5: Libya's wheat imports in and major exporters' shares**

Year	Imports 000 tonnes	Australia's exports 000 tonnes	SHARES OF MAJOR EXPORTERS				
			Argentina %	<b>Australia</b> %	Canada %	EU %	US %
2001-02	1,636	147	0.8	<b>9.0</b>	4.4	74.4	5.8
2002-03	1,496	0	0.0	<b>0.0</b>	0.0	68.1	7.0
2003-04 <sup>a</sup>	1,400	0	0.0	<b>0.0</b>	7.5	58.0	2.5

a. figure preliminary

Source: International Grains Council Trade Statistics

**Table 6: Morocco's wheat imports and major exporters' shares**

Year	Imports 000 tonnes	Australia's exports 000 tonnes	SHARES OF MAJOR EXPORTERS				
			Argentina %	<b>Australia</b> %	Canada %	EU %	US %
2001-02	3,046	130	1.6	<b>4.3</b>	21.8	34.0	5.0
2002-03	2,761	64	0.0	<b>2.3</b>	11.7	47.0	2.2
2003-04 <sup>a</sup>	2,400	77	12.7	<b>3.2</b>	24.2	30.2	18.9

a. figure preliminary

Source: International Grains Council Trade Statistics

**Table 7: Tunisia's wheat imports and major exporters' shares**

Year	Imports 000 tonnes	Australia's exports 000 tonnes	SHARES OF MAJOR EXPORTERS				
			Argentina %	<b>Australia</b> %	Canada %	EU %	US %
2001-02	1,386	0	14.6	<b>0.0</b>	23.0	11.8	3.3
2002-03	2,160	28	0.0	<b>1.3</b>	20.7	31.4	1.1
2003-04 <sup>a</sup>	850	0	3.1	<b>0.0</b>	3.6	51.8	18.9

a. figure preliminary

Source: International Grains Council Trade Statistics

**Table 8: Australia's wheat exports to Egypt by State**

Financial year	NSW	QLD	SA	VIC	WA	Total
			'000 tonnes			
2002-03	73	0.0	270	259	0.0	602
2003-04	58	10	1,105	577	785	2,534

Source: ABARE, Trade Statistics.

## Red Meat Exports

<b>Beef &amp; Veal</b>		2005 (to May)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Algeria	Qty (t)	233	383	304	0	691	63	468	469	312	0	0	0	0
	A\$m	0.6	1.0	1.0	0	3.6	0.2	1.5	1.6	0.8	0	0	0	0
Egypt	Qty (t)	5	177	443	172	290	241	1278	1120	498	620	40	16	0
	A\$m	0.06	1.0	2.0	1.8	2.1	1.3	5.8	3.4	1.6	1.6	0.2	0.08	0
Libya	Qty (t)	0	0	162	1225	168	1260	663	1282	382	29	598	681	161
	A\$m	0	0	0.5	4.3	0.7	3.5	2.0	4.0	1.1	0.1	1.8	2.3	0.5
Morocco	Qty (t)	0	0	187	3966	2273	42	82	492	506	0	0	0	0
	A\$m	0	0	0.7	15.2	9.0	0.1	0.2	1.3	1.2	0	0	0	0

<b>Lamb</b>		2005 (to May)	2004	2003	2002	2001	2000	1999	1998
Algeria	Quantity (t)	1117	3021	948	533	224	120	57	142
	A\$m	3.3	0.6	3.0	1.7	0.6	0.3	0.1	0.6
Egypt	Quantity (t)	0	57	5	14	285	222	439	99
	A\$m	0	0.09	0.03	0.07	1.1	0.7	1.0	0.2
Libya	Quantity (t)	130	124	0	0	177	530	37	285
	A\$m	0.4	0.3	0	0	0.4	1.2	0.08	0.6
Morocco	Quantity (t)	0	14	17	22	1531	51	25	32
	A\$m	0	0.06	0.06	0.09	3.8	0.1	0.06	0.07

<b>Mutton</b>		2005 (to May)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Algeria	Quantity (t)	1907	5298	749	90	1879	4198	6075	913	210*	0	0	0	0
	A\$m	5.3	15.3	2.0	0.3	3.1	7.1	9.7	1.9	0.3	0	0	0	0
Egypt	Quantity (t)	37	297	8	190	856	1296	244	346	15*	147*	62*	130*	0
	A\$m	0.09	0.8	0.02	0.8	1.9	2.3	0.5	0.6	0.04	0.4	0.1	0.3	0
Libya	Quantity (t)	1652	3438	1334	12191	13416	649	523	762	922*	214*	147*	140*	155*
	A\$m	4.6	9.3	3.9	33.8	34.3	1.0	1.5	2.1	1.8	0.3	0.3	0.2	0.3
Morocco	Quantity (t)	0	2	0	0	0	3	6	0	51*	20*	0	22*	0
	A\$m	0	0.007	0	0	0	0.009	0.01	0	0.1	0.04	0	0.06	0

\* lamb and mutton combined

## Live Animal Exports

Live Cattle		2005 (to May)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
	Egypt	Quantity (head)	6961	0	7583	145,015	203,206	207,551	240,820	119,579	37,539	52,210	15,541	0
	A\$m	3.8	0	5.0	96.8	153.7	129.7	131.3	61.6	19.3	27.7	9.9	0	0
Libya	Quantity (head)	0	0	0	0	0	0	23,115	120,717	105,299	10,007	1,298	2,655	1,280
	A\$m	0	0	0	0	0	0	13.5	64.9	57.4	4.6	1.0	1.9	1.0

Live Sheep		2005 (to May)	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
	Egypt	Quantity (head)	0	0	15,730	139,285	271,401	348,839	164,054	38,031	55,209	44,299	93,000	30,000
	A\$m	0	0	1.1	6.2	13.6	12.1	5.9	1.4	2.1	1.8	3.5	1.2	2.5
Libya	Quantity (head)	0	0	0	0	0	0	0	0	38022	62755	40988	0	16223
	A\$m	0	0	0	0	0	0	0	0	1.3	1.8	1.4	0	4.0

## Other Grain Commodities Exports June 04-July05

Commodity (Quantity - Metric tonnes)	Egypt	Libya	Morocco
Beans	996.55		
Broad Bean	212.68		
Chickpea	347.52		
Faba bean	30467.37		
Lentil	12196.07		
Lucerne	55.025	107.35	321.5
Lupin	1438.778		

## Dairy Exports

	2003-04	2002-03
Algeria	\$16.56m mainly cheese	\$19.3m cheese/butteroil
Egypt	1,404 t  \$20.84m, mainly cheese	\$19.3m cheese/butteroil
Morocco	\$2.19m, mainly cheese and butteroil	\$2.28m, butter
Tunisia		\$2.3m, cheese

## Attachment B

### US-Morocco Free Trade Agreement Agricultural Provisions

Under the US-Morocco Free Trade Agreement which was signed in June 2004 (expected to enter into force shortly), access to the Moroccan market for US agricultural products is enhanced through preferential market access according to schedules negotiated on a product-specific basis. The Agreement establishes preferential tariff rate quotas (TRQs) for a range of agricultural products, including:

Beef: Morocco's tariffs are as high as 275%. US beef exporters will have preferential access, including through two preferential TRQs.

*High Quality Beef.* The initial in-quota quantity for the TRQ on high quality beef will be 4,000 metric tons, and will expand by 4% percent annually. The in-quota tariff will be reduced initially to 45% and subsequently phased out in equal annual increments by year five. The over-quota tariffs will be eliminated in 18 years in equal annual instalments. Morocco may establish an import licensing system for high quality beef, and the Agreement contains provisions to ensure that any such import licensing program and procedures do not impede the orderly fill of the TRQ. Imports of U.S. beef will be sold to and in certain hotels and restaurants.

*Standard Quality Beef.* The initial in-quota quantity for the TRQ on standard quality beef will be 2,000 metric tons, and will expand by 2% annually after five years. The in-quota tariffs will be eliminated in equal annual instalments over ten years. Over-quota tariffs will remain in place unless Morocco negotiates a reduction with another trading partner, which the United States would receive under the preference clause described above.

Dairy: Morocco's tariffs on dairy products range from 17.5% to 109%. Morocco will immediately eliminate its tariffs on pizza cheese and whey products. Tariffs on other cheeses will be eliminated in 5 or 10 years depending on the product, on butter in 8 years, and on milk powders in 12 or 15 years. All tariff cuts will be made in equal annual instalments.

Wheat: Reflecting the sensitivity of its wheat sector, Morocco employs a complicated import system for durum and common wheat, including tariffs as high as 75% for durum wheat and 135% for common wheat. Under the Agreement, Morocco will create preferential TRQs for durum wheat, with an initial TRQ in-quota quantity of 250,000 metric tons that will increase by 10,000 metric tons each year. The in-quota tariff will be set at 25% below the applied MFN rate (currently 75%) during the first five years of the Agreement. The preferential in-quota tariff rate will not be available to U.S. exporters during June and July, unless Morocco imports durum wheat from another exporter during these months, in which case U.S. exports would receive the preferential rate. The Agreement uses a formula to establish the preferential in-quota tariff on common wheat because Morocco frequently adjusts its applied MFN tariff rate on this product.

Sugar: Morocco's tariffs on sugar range from 25 to 60%. Morocco will phase out its sugar tariffs in 5, 10, and 18 years. In 2002, Morocco was a net importer of more than 573,000 metric tons.

Fruits, Vegetables, and Nuts: Moroccan tariffs on fruits, vegetables, and nuts range from 17.5% to 52%, with many tariffs at 50%. Morocco will phase out its tariffs over periods ranging from immediate elimination to 18 years, depending on the product.

Processed Foods. Morocco's tariffs on most processed food items are 40 or 50%. Morocco will phase out its tariffs on processed foods over periods ranging from immediate elimination up to 15 years, depending on the product.

Distilled Spirits. Morocco will immediately eliminate its 50% tariffs on distilled spirits.

Wine. Morocco will eliminate its 52% tariffs on wine over 10 years in equal annual instalments.

Other Grains. Morocco's tariffs for barley, which can be as high as 35%, will be phased out in five years (barley for brewing) or 15 years (other barley), in equal annual instalments. Morocco's tariffs on rice – as high as 172% – will be phased out in equal annual instalments, either 5 years or 10 years, depending on the specific product.

Under the **Association Agreement with the EU**, Morocco established preferential tariff quotas for certain agricultural products and undertook to assess on a regular basis product by product the possibilities of granting further concessions on a reciprocal basis. See Attachment B(i) for details.

## Egypt's Tariff Arrangements

Egypt's applied average tariff on agricultural goods was 5.8% in January 2005. Applied tariffs are relatively high on meat and edible meat offal (21.2%), and edible fruits and nuts (14.4%). The highest agricultural tariff of 40% is charged on various fruits (apples, apricots, bananas, and pears). Lower tariffs are charged on oilseeds and oleaginous fruits, at an average rate of 2.9%, and on cereals at 3.3%. Average applied tariffs on imports of food, beverages and tobacco range from 15.3% and 23.2% on food products to 1,545.3% on beverages. For religious reasons, Egypt maintains prohibitive tariffs of up to 3,000% on imports of alcoholic beverages. However, the tariff on alcoholic beverages imported under a licence issued by the Ministry of Tourism is 300%.

### Summary Analysis of Egypt's MFN Tariff, 2005

	No. of lines <sup>a</sup>	Applied 2005 rates					Imports 2003 <sup>b</sup> (US\$ million)
		No. of lines used	Simple avg. tariff (%)	Tariff range (%)	Std-dev (%)	CV	
<b>Total</b>	5,68	5,67	20.0	0-3,000	148.3	7.4	10,892.7
	7	6					
<b>By WTO definition<sup>c</sup></b>							
<b>Agriculture</b>	769	758	66.4	0-3,000	386.6	5.8	2,679.9
Live animals and products thereof	97	97	18.4	5-32	13.0	0.7	218.4
Dairy products	36	36	11.5	2-32	9.1	0.8	123.8
Coffee and tea, cocoa, sugar, etc.	146	146	35.4	2-3,000	247.3	7.0	212.0
Cut flowers and plants	34	34	4.0	2-32	7.1	1.8	9.4
Fruit and vegetables	158	158	15.9	2-40	12.8	0.8	212.7
Grains	16	16	3.3	2-5	1.5	0.5	1,136.7
Oil seeds, fats, oils and their products	99	99	6.4	0-32	5.8	0.9	421.9
Beverages and spirits	38	38	1,028.8	12-3,000	1,346.4	1.3	1.9
Tobacco	12	1	22.0	22	0.0	0.0	188.6
Other agricultural products	133	133	4.1	0-32	4.5	1.1	154.3

Total number of lines is listed. Tariff rates are based on a lower frequency (number of lines) since 11 tariff lines are specific duties and no *ad valorem* equivalent were estimated.

<sup>b</sup> The total imports figure is higher than the sum of sub-items due to US\$1,529.7 million of imports that have not been classified in the Harmonised System nomenclature.

- c Seven tariff lines are excluded from WTO definition (essentially petroleum products).  
d International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).  
Note: CV = coefficient of variation.

*Source:* WTO Secretariat estimates, based on data provided by the Egyptian authorities. Imports 2003 from UNSD, Comtrade database.

Under the **Association Agreement between the EU and Egypt** which came into force in 2004, both sides agreed to progressively establish a greater liberalisation of their trade in agricultural, fisheries and processed agricultural products of interest to both parties. Agricultural products originating in the EU listed in Protocol 2 on importation into Egypt are subject to the arrangements set out in that Protocol (see Attachment C(i)).