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**A REPORT FOR
THE CALIFORNIA
CHERRY BOARD**

GENERAL ISSUES OF INTEREST TO THE CCB:

Mexico Opens Consultation Period Regarding Renegotiation of NAFTA

- Mexico's President Enrique Peña Nieto on February 1 announced his administration is opening a 90-day consultation period to receive stakeholder feedback regarding parameters for the proposed renegotiation of the North American Free Trade Agreement (NAFTA). Government officials noted formal talks are expected to begin in May, following the conclusion of this consultation period. Mexico also intends to continue consultations after negotiations have begun.
- U.S. President Donald Trump—who has identified NAFTA renegotiation as one of the administration's key immediate goals—stated his nomination for Department of Commerce Secretary Wilbur Ross will lead the talks for the U.S.
- Notably, under the rules of the Trade Promotion Authority (TPA) legislation passed by U.S. Congress in 2015, the Trump Administration must provide written notice to Congress 90 days before it formally enters into trade negotiations with another country. The administration must also publish a document outlining its specific negotiating objectives 30 days prior to the initiation of formal talks. An outline of TPA requirements is available [here](#).

U.S. Food and Agriculture Groups Send Letter to Trump Administration Regarding Asia-Pacific Trade

- On February 6, a group of nearly 90 U.S. food and agriculture organizations delivered a [letter](#) to the Trump Administration underscoring the importance of the Asia-Pacific region for U.S. exporters.
- In the letter, the groups urge the Trump Administration to deepen engagement in the region, namely by responding to Asia-only regional trade deals being negotiated by foreign competitors and by building upon the valuable aspects of the now-defunct Trans-Pacific Partnership (TPP) agreement. The message notes the Asia-Pacific region is the largest market for food and agricultural products in the world and is expected to grow rapidly in upcoming years. Expanded market access to Asia-Pacific markets is cited as critical for U.S. food and agriculture groups to take advantage of future export potential.
- Foreign countries are considering revised trade policy strategies in the wake of the U.S. decision to withdraw from the TPP agreement (*BCI Monitor* 1-31-17). Both bilateral and regional alternatives are being considered, with the Regional Comprehensive Economic Partnership (RCEP) being cited as an opportunity for multilateral trade liberalization. RCEP talks currently include the ten-country Association of Southeast Asian Nations (ASEAN), Australia, China, Japan, India, New Zealand, and South Korea. RCEP negotiations began in 2012 and the parties involved are aiming to complete the talks in 2017.

Mexico, European Union Agree to Accelerate Free Trade Agreement Modernization Talks

- Chief negotiators representing Mexico and the European Union (EU) recently agreed to an accelerated schedule to modernize the nearly 17-year-old free trade agreement (FTA) between the two sides, according to a recent European Commission [press release](#).

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- Representatives will meet for formal negotiating rounds from April 3-7 and from June 26-29; chief negotiators will also meet in Mexico City between the two rounds to assess progress. The two rounds represent the third and fourth official rounds of negotiations since the EU and Mexico launched the modernization effort in May 2016 (*BCI Monitor* 5-31-16).
- Trade in goods between the EU and Mexico has grown 180 percent since the original agreement entered into force in 2000, with bilateral trade surpassing \$55 billion in 2015. Overall, the EU is Mexico's third-largest trading partner, while Mexico is the EU's fifteenth-largest trading partner. The renewed effort to update trade ties between Mexico and the EU takes place as both sides re-examine their trading relationship with the U.S. under the Trump Administration.
- In related news, after mid-January meetings between New Zealand Prime Minister Bill English and European leaders, the EU and New Zealand reportedly committed to begin FTA negotiations as soon as possible in 2017. The two sides noted they intend to quickly complete the deal, citing possible completion in two to three years.

British Government Publishes Brexit White Paper, Parliament Considers Withdrawal Process

- On February 2, the British Government published a [White Paper](#) detailing its goals and strategies regarding the United Kingdom's (U.K.) withdrawal from the European Union (EU). The White Paper elaborates on the 12 main priorities of the U.K. in its EU withdrawal negotiations, which include ensuring free trade with European markets as well as the ability to secure new trade agreements with other countries.
- This publication occurred the day after the U.K. House of Commons approved the first stage of [HC Bill 132](#) (known as the "EU Notification of Withdrawal Bill") by a margin of 498 to 114.
- Although the favorable vote is an important step forward for the U.K. Government regarding its withdrawal agenda, the bill will face further scrutiny in the House of Commons in the upcoming days, during which time opposition parties may propose amendments. The final bill must also be approved by the House of Lords before it can become law.
- The bill—which is ultimately expected to pass—would empower U.K. Prime Minister Theresa May to utilize [Article 50](#) of the Treaty of Lisbon to formally initiate the process of the U.K.'s withdrawal from the EU, which she has pledged to do before the end of March 2017.

China and Canada to Meet for Free Trade Agreement Exploratory Talks

- Canadian and Chinese officials intend to meet this month for exploratory discussions regarding a potential bilateral free trade agreement (FTA) between the two countries, according to media sources. The first round of talks is scheduled for February 20-24, 2017, with another round expected to take place as soon as April 2017.
- China currently applies a ten percent most favored nation (MFN) tariff on fresh cherry imports from both Canada and the U.S. Canada will likely seek to secure preferential tariff rates for its exports to China in the potential bilateral FTA.
- There has been a marked upturn in bilateral engagement between Canada and China since the election of Canadian Prime Minister Justin Trudeau in late 2015. When Chinese Premier Li Keqiang visited Prime Minister Trudeau in September 2016 to explore bilateral trade and investment opportunities, the two sides set a goal of doubling trade between Canada and China by 2025. In 2015, bilateral merchandise trade reached approximately \$85 billion, a 10 percent increase versus 2014.

USDA Evaluates Impact of European Union's Domestic Market Protection Policies

- According to a recent U.S. Department of Agriculture (USDA) Foreign Agricultural Service (FAS) [GAIN report](#), the domestic market protection policies of the European Union (EU) suppress agricultural imports.
- Although the EU's Common Agricultural Policy (CAP) has been reformed multiple times in an effort to improve the competitiveness of EU agriculture, high tariffs and restrictive tariff rate quotas (TRQs) continue to protect the domestic market. The report identifies policies utilized by the EU which discourage imports of processed agricultural products in particular, such as its system of tariff escalation.
- The report compares the exponential growth of U.S. agricultural exports to the rest of the world to the slow growth of U.S. agricultural exports to the EU. This divergence is attributed to the EU's high tariffs, non-tariff barriers, and changing regulations. The U.S. has had a deficit in agricultural trade with the EU since 1999 and the deficit expanded to a record level of \$12 billion in 2015. FAS concludes the restrictive agricultural import policies of the EU have limited an expansion of agricultural import volumes from the U.S., particularly for highly processed or consumer-ready products.