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INSIDE THIS ISSUE

- European Commission Adopts New Rules to Support Fruit and Vegetable Producers
- Senate Finance Committee Holds Hearing for U.S. Trade Representative Nominee
- British Prime Minister Will Trigger Article 50 on March 29 to Begin EU Withdrawal Talks
- U.S. Department of Agriculture Assesses Impact of Canada-European Union Free Trade Agreement on U.S. Exports to Canada
- European Union, New Zealand Complete Preparatory Talks for Free Trade Agreement

A REPORT FOR THE CALIFORNIA CHERRY BOARD

GENERAL ISSUES OF INTEREST TO THE CCB:

European Commission Adopts New Rules to Support Fruit and Vegetable Producers

- The European Commission has drafted an amendment to existing EU Regulation ([Regulation \(EU\) No 1308/2013](#)) aimed at enhancing financial support and reducing the administrative burden for European fruit and vegetable Producer Organizations (PO), according to a recent [press release](#).
- POs are voluntary groups of producers that come together with the aim of strengthening their market position, not only by enhancing their bargaining position with the retail sector, but also through production planning, innovation and crisis prevention, and management measures.
- The draft regulation proposes to: 1) make POs more attractive to non-members by providing greater clarity on actions eligible for EU funding; 2) set a maximum percentage of produce able to be marketed outside a PO at 25 percent; 3) simplify legislation regarding transnational POs and their associations, linking controls and payments to the territory where the action of the transnational organization is implemented; and 4) increase support available to the fruit and vegetable sector for market withdrawals from 30 percent to 40 percent of the average EU market price over the last five years for free distribution (so-called charity withdrawals) and for withdrawals destined for other purposes (such as compost, animal feed, distillation, etc.) from 20 percent to 30 percent.
- Following the adoption of the proposals by the European Commission, the Council and the European Parliament now have two months to vote on the delegated Regulation which will then enter into force.

Senate Finance Committee Holds Hearing for U.S. Trade Representative Nominee

- On March 14, the Senate Finance Committee held a hearing to evaluate the Trump Administration's nominee for the position of U.S. Trade Representative (USTR)—Robert Lighthizer.
- During the hearing, Mr. Lighthizer reaffirmed the Trump Administration's "America-First" trade policy and noted the importance of negotiating better trade agreements and improving enforcement of trade laws.
- Notably, Mr. Lighthizer acknowledged U.S. agricultural exporters would have been major beneficiaries of the Trans-Pacific Partnership (TPP). He stated the U.S. would pursue new trade deals with TPP members, particularly Japan, to attain the improved agricultural market access conditions achieved in the TPP agreement.
- The USTR nominee also spoke about the Trump Administration's intentions regarding the renegotiation of the North American Free Trade Agreement (NAFTA). He explained that while his focus would be on achieving benefits for the U.S. manufacturing sector, he would also ensure U.S. agricultural products are not put in a precarious position regarding market access to Canada or Mexico.
- The March 14 hearing did not result in much clarity regarding Mr. Lighthizer's alleged need for a waiver to serve as USTR because he represented a foreign government entity in a past job. While Senate Finance Committee Chair Orrin Hatch, the White House, and Mr. Lighthizer himself claim the waiver is not necessary, congressional Democrats disagree.

British Prime Minister Will Trigger Article 50 on March 29 to Begin EU Withdrawal Talks

- The British Parliament recently [approved legislation](#) giving Prime Minister Theresa May legal authority to trigger [Article 50](#) of the Treaty of Lisbon, thereby initiating the United Kingdom's (U.K.) withdrawal process from the European Union (EU). Following parliamentary approval, Prime Minister May announced the U.K. Government will trigger Article 50 on March 29, 2017.
- In response, the EU will create draft guidelines on handling Britain's withdrawal to present to the remaining 27 EU member states. The EU will require between four to six weeks to consult with the other member states to settle on an initial negotiating position; a meeting including the leaders of the 27 remaining EU member states is scheduled for April 29, 2017.
- Negotiators will have two years—or until March 29, 2019—to draw up a deal for the U.K.'s future relationship with the European bloc. The negotiations must address issues such as the U.K.'s participation in free trade agreements between the EU and other countries as well as the U.K.'s terms of trade with the EU itself. Additionally, as the EU sets rules regarding agriculture for all of its members, the forthcoming withdrawal may lead to significant changes in the agricultural policies of the U.K.

U.S. Department of Agriculture Assesses Impact of Canada-European Union Free Trade Agreement on U.S. Exports to Canada

- The U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) recently published a [GAIN report](#) evaluating the trade implications of the Canada-European Union (EU) free trade agreement for U.S. agricultural exports to Canada. The report asserts the tariff concessions for EU imports granted by Canada have the potential to adversely affect U.S. agricultural exports to Canada.
- The Canada-EU Comprehensive Economic and Trade Agreement (CETA) will enter into force—on a provisional basis in the EU—on the first day of the second month following the date both sides notify each other of the completion of their respective internal procedures. On February 15, 2017, Members of European Parliament (MEPs) approved CETA, clearing the way for provisional entry into force in the EU (*BCI Monitor* 2-21-17). On the Canadian side, [Bill C-30](#)—Canada's implementing legislation for CETA—remains under review in the Senate. The legislation is expected to be passed quickly and published in Canada's Official Gazette. Accordingly, USDA anticipates a June 1, 2017 CETA implementation date.
- The vast majority of EU agricultural exports will enter Canada duty-free upon CETA implementation. In 2016, Canada's overall agricultural imports were valued at \$34 billion, with the U.S. and EU representing 62 percent and 10 percent of this total, respectively. Notably, 80 percent of the value of U.S. exports to Canada is accounted for by high-value consumer-ready products, meaning over a quarter of these types of U.S. agricultural exports go to Canada.
- Canada's most favored nation (MFN) tariff rate for fresh sweet cherries is already zero, so imports from the EU and U.S. both enter duty-free. That said, greater economic and regulatory cooperation between the two sides could facilitate an increase in trade volumes of products such as cherries.

European Union, New Zealand Complete Preparatory Talks for Free Trade Agreement

- Trade representatives from the European Union (EU) and New Zealand recently completed preparatory talks for a potential free trade agreement (FTA), according to a European Commission [press release](#).
- Following the successful conclusion of preparatory talks, the European Commission will ask EU member states for a negotiating mandate regarding the potential EU-New Zealand FTA. According to the European Commission's [trade management plan](#) for 2017, it is aiming to formally launch FTA negotiations with New Zealand in the third quarter of this year.
- The European Commission is simultaneously engaged in preparatory talks with Australia and hopes to launch FTA negotiations with the country in the third quarter of 2017 as well, concurrently to its FTA negotiations with New Zealand. The EU, Australia, and New Zealand may decide to launch joint negotiations for a plurilateral FTA involving all three parties.
- Bilateral trade in goods between the EU and New Zealand amounted to \$8.5 billion in 2016, while trade in goods between the EU and Australia surpassed \$48 billion that year.