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European fruit and vegetables industry recommendations for SPS Chapters in FTAs

CDG – F&V Sector, 27 September 2019

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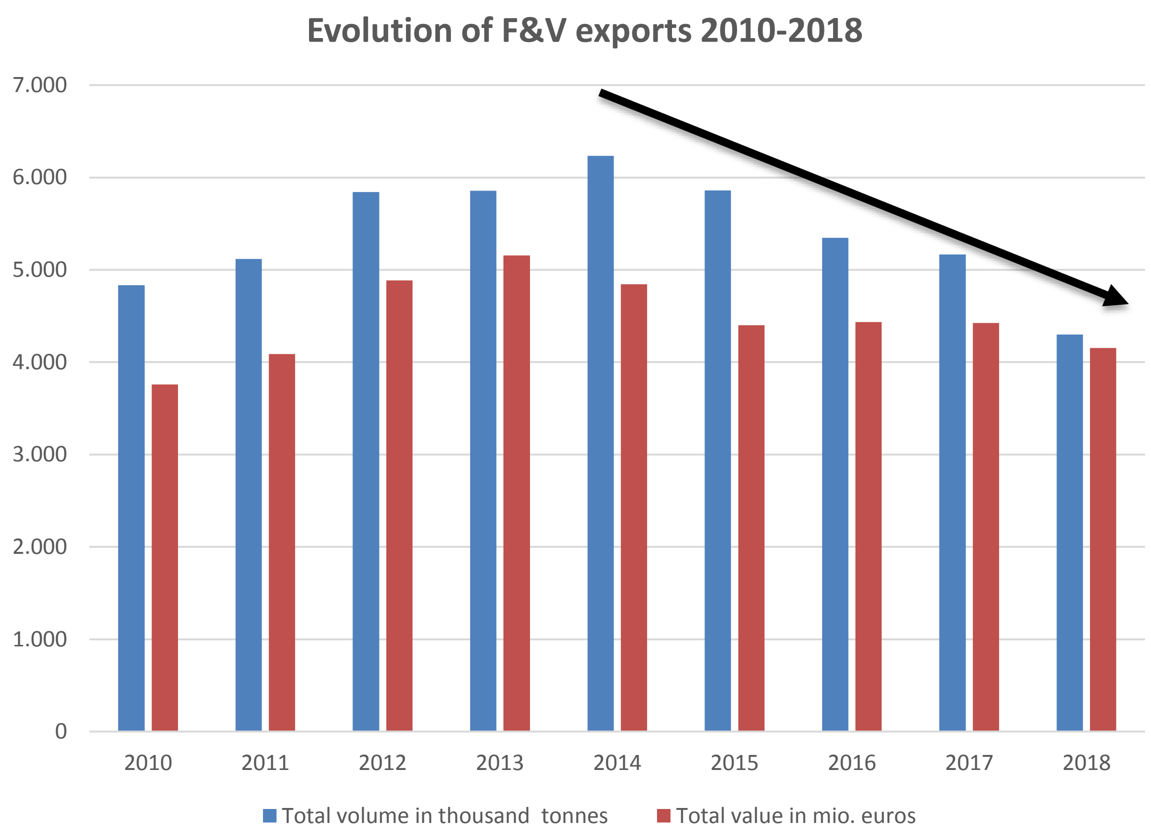
Freshfel Europe

EU F&V exports: diversification as a must



- Loss of key neighbour market to the East and South
- Intense international competition NH and also from SH
- Need to address production (varieties & growing practice) and logistics for export to more distant markets
- Uncertainty in production patterns exacerbated by climate change
- Stagnant EU consumption despite health assets and promotion
- Industry response: **NEED FOR MARKET DIVERSIFICATION**

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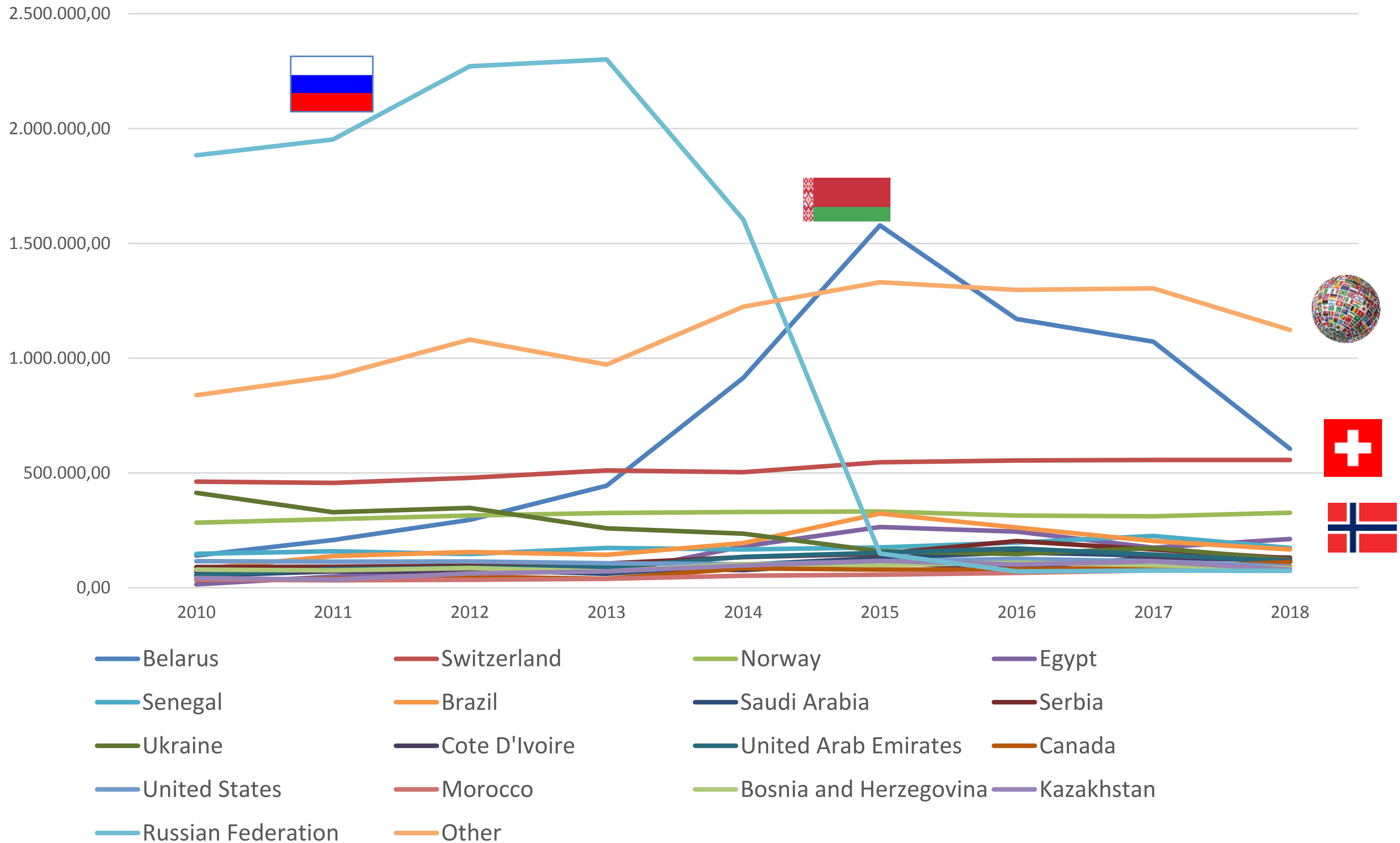
Evolution of EU F&V exports in key markets



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A lot of room for growth beyond the neighbourhood

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	Top global importers (by total value of imports)	Total value	Total volume	EU exports in volume	% of EU export over total imported volume
	Total	105,367,214,905.00	94,537,483.56	3,335,074.60	3.528%
	United States	19,562,890,053.00	14,736,072.67	115,110.00	0.781%
FTA	Canada	5,318,254,361.00	2,973,767.46	87,833.00	2.954%
Blocked	Russian Federation	5,126,778,727.00	6,553,875.11	73,961.60	1.129%
	China	3,206,658,043.00	2,433,843.16	38,697.50	1.590%
FTA	Japan	2,660,734,231.00	2,312,761.00	10,474.10	0.453%
	Hong Kong	2,447,858,857.00	2,055,161.78	19,423.20	0.945%
Ongoing negotiations	Indonesia	1,603,844,876.00	1,295,640.18	25,647.20	1.980%
FTA	Korea, Republic of	1,359,250,771.00	1,182,499.70	3,945.50	0.334%
EFTA	Switzerland	1,309,201,928.00	694,544.77	556,861.80	80.177%
	Belarus	1,187,537,600.00	1,368,204.44	1,071,874.50	78.342%
Ongoing negotiations				,311.30	6.293%
EFTA				,987.30	68.562%
FTA				,099.90	5.430%
Scoping exercise				,043.00	7.305%
FTA				391.40	0.055%
Ratification	Brazil	718,868,345.00	591,467.77	203,536.50	34.412%
	Kuwait	550,434,090.00	690,661.10	13,436.30	1.945%
DCFTA	Ukraine	465,379,207.00	723,603.25	172,749.30	23.873%
EPCA	Kazakhstan	450,562,115.00	796,873.16	113,939.40	14.298%
Ongoing negotiations	Australia	384,397,021.00	138,214.23	9,275.00	6.711%
Ratification	Argentina	340,441,041.00	576,109.14	10,911.70	1.894%
Ongoing negotiations	Philippines	337,124,950.00	424,276.89	23,942.90	5.643%
	Pakistan	261,119,571.00	463,854.12	668.40	0.144%
AA	Egypt	258,360,711.00	236,624.52	174,133.20	73.591%
	Oman	248,205,547.00	418,656.48	12,106.70	2.892%
FTA	Colombia	222,719,928.00	237,170.06	14,974.20	6.314%
Ongoing negotiations	New Zealand	221,028,057.00	164,241.91	1,791.60	1.091%
CU	Turkey	200,813,954.00	388,165.10	28,152.30	7.253%
AA	Jordan	200,421,579.00	189,325.30	53,795.80	28.414%

What is preventing growth in key importing markets?

Surmounting SPS barriers: A herculean task for EU exporters

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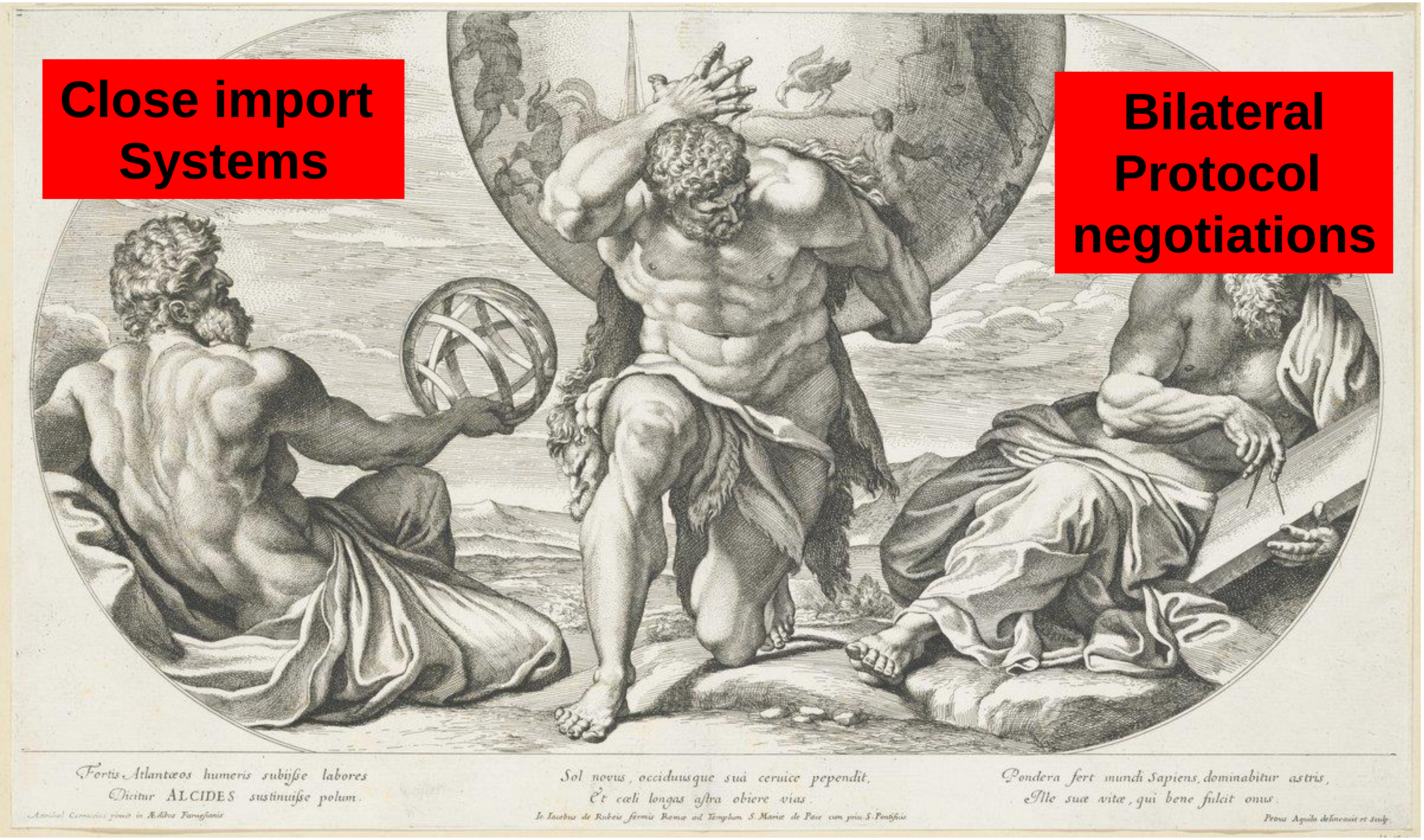


A different market acces & Plant health approach

*Approval: Most often with protocol and pre-clearance, cost: several **tens of thousands EUR for approval** plus approx. **15 EUR cents. extra per kg** exported for maintenance **=> main challenges = market access***

TO BE NEGOTAITED PRODUCT BY PRODUCT, MEMBER STATE BY MEMBER STATE

*No pre-approval necessary – exports can immediately take place => **main challenges: EU regulatory & customers requirements***

CONDITIONS APPLLY TO ALL SUPPLIERS EU AND NON EU WITH NO DISCRIMINATION

Key challenges of protocols for F&V market access

1. Huge burden to open markets

- *Individual, bilateral negotiations*
- *Long, between 2 & over 20 years!*
- *Investment vs. volume at stake question*
- *Limited capacity of the parties*

2. Addressing biosecurity concerns?

- *Progress often based on factors unrelated to plant health*
- *Science & international standards usually set aside…*
- *Different conditions for different MS & commodities*
- *Excessive conditions beyond biosecurity concerns*

3. Protocols vs. business reality

- *Orchards must be approved many months before season – impossible to react to short-term market opportunities = Frustration for exporter and customers*
- *Wide range of conditions increasing costs:*

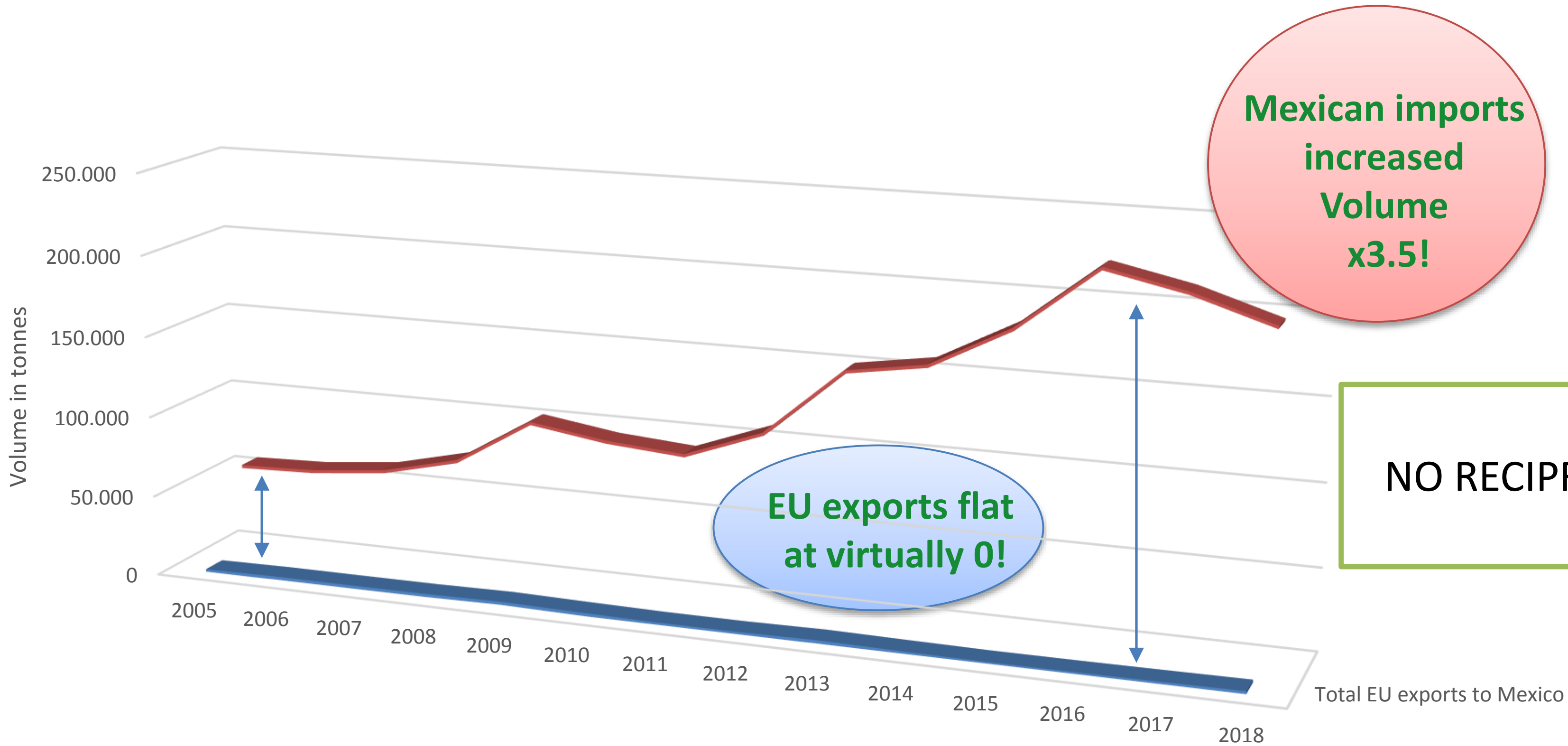
COUNTRY	KOREA	USA	MEXICO	CHINA	JAPON	AUSTRALIA	SOUTH AFRICA
Field selection & management	0.016	0.016	0.016	0.016		0.016	
Inspeccion travel costs	0.020	0.020	0.038		0.038		
Cold treatment and special pre-cooling	0.055	0.055	0.055	0.055	0.055	0.055	
Additional phyto requirements in storage	0.005	0.005	0.005	0.005	0.005	0.005	0.005
Inspeccion upon arrival	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Certification costs	0.02	0.02	0.02	0.02	0.02	0.02	0.02
TOTAL €/Kg	**0.126**	**0.126**	**0.144**	**0.106**	**0.128**	**0.106**	**0.035**

EU FTAs: an opportunity to improve protocol-based system?

- Historical focus of FTAs – tariffs and quantitative restrictions
- **SPS Chapters** = less developed areas

- **<u>Limited benefits for F&V exports as long as SPS issues are not tackled</u>**

EU-Mexico FTA (2000): a case in point



NO RECIPROCITY !!

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total EU exports to Mexico	587	1.153	1.167	1.278	1.912	1.091	466	446	1.066	485	34	128	391	777
Total Mexico exports to EU	54.417	55.846	60.547	71.700	100.314	93.173	89.489	107.215	148.878	156.356	181.703	220.321	209.906	194.561

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FTAs & SPS: What can they offer?
A wish list from the F&V sector…

- **Soft provisions**
- **Hard/binding provisions**

SPS ‘Soft’ power in FTAs

	SPS AREAS	KOREA	SINGAPOUR	VIETNAM	JAPAN	CANADA	MEXICO	MERCOSUR
‘SOFT’ PROVISIONS NOT ENTAILING CONCRETE OBLIGATIONS	Enhanced transparency	YES	YES (15 days to inform about progress in applications)	YES (15 days to inform about progress in applications)	YES	YES	YES	YES
	Cooperation on international standards & standard-setting bodies	YES	YES	YES	YES	YES	YES	YES
	Structured dialogue on SPS	YES	YES	YES	YES	YES	YES	YES

Towards international standard-setting

FTAs
SPS Chapters could foster dialogue to address challenges & more towards international standards

EU strategic agenda of key standards for EU F&V exports

Making the most of ‘soft’ SPS provisions – sector engagement

- **Sector engagement in definition of key standards to support EU exports:**
  - Cold treatment of Euromed fly (*Ceratitis capitata*), mainly on citrus, and prunus, but also on apples & pears
  - European Grapewine moth (*Lobesia botrana*), mainly on grapes and prunus
  - Tomato leafminer (*Tuta absoluta*), mainly on tomato, also on aubergine
  - Alternatives to methyl bromide (e.g. EU-Canada workshop under the CETA framework)

SPS 'Hard' power in FTAs

	SPS AREAS	KOREA	SINGAPOUR	VIETNAM	JAPAN	CANADA	MEXICO	MERCOSUR
'HARD' PROVISIONS ENTAILING CONCRETE OBLIGATIONS & FACILITATIONS TO ACCESS THE MARKET	Exchange of lists of regulated pests	NO	NO	YES	YES	NO	NO	YES
	Fast-track procedures	NO	NO	NO	NO	YES ('priority commodities)	YES (6 months for same commodity)	YES (similar PRAs to be used as basis)
	Group procedures	NO	NO	NO	NO	YES (EU assessments)	YES (EU applications not to take longer)	NO
	Abolition of pre-clearance	NO	NO	NO	NO	YES	YES (& costs of audits to be shared by the parties)	NO
	Timelines for applications	NO	NO	NO	NO	NO	YES (1 year for PRA completion)	NO

'Hard SPS provisions'
A crucial element for improved Market Access

Gains to be maintained in future negotiations

- Exchange of lists of pests of concern
- Fast-track procedures for 'subsequent' & 'priority' commodities
- Obligation for EU group files to be possible and of similar length
- Abolition of pre-clearance
- Timelines for applications

Other suggestion for MA improvement…

- Bundle of audits pre-import
- Costs of audits pre-export to be borne by importing party (and not by EU producers!)
- Replacement of 'foreign' audits by EU inspections
- Principle of obligation of results (=no interceptions) vs. fulfilling requirements in individual "protocols" not related to biosecurity (e.g. registration of orchards)

+ Enforcement of agreed provisions on SPS – a role for the Chief Trade Enforcement Officer?

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Economic diplomacy & FTA enforcement

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ENJOY IT'S FROM EUROPE

- EU proactivity to promote exports:
  - Promotion policy
  - SPS Seminars, High Level Missions
  - Foreign Policy Instrument

- Key elements:
  1) Momentum to push for FTAs implementation
  2) Reciprocal agenda & info exchange
  3) Close engagement with the industry to ensure programmes are tailored-made & strategic for each partner
  4) Opportunity to build “in house” trust among actors in the field
  5) Close cooperation AGRI-TRADE-SANTE needed in these efforts

A trust-building exercise… also at home!

- Intra-EU cooperation for market access is a win-win-win situation:
  - Larger EU export volume
  - Increase EU produce visibility
  - Facilitation of logistics
- EU industry strongly supports pre-competitive cooperation on Market Access
- EU Commission & MS can build more synergies in market access
- Increased knowledge-sharing:
  - EU database with 'responses type' to questionnaires for protocol applications (e.g. EU legislation)
  - Common database of SPS conditions for exports (EU EXP@DON)

CONCLUSION:

Moving towards more reciprocity, boosting trade in both directions

1. The EU fresh produce sector is still struggling diversify exports to recover from the **Russian embargo** and to take the benefit of EU FTAs due to **SPS barriers**;

2. **FTAs** are an important **tool to improve market access**, especially thanks to **binding provisions** that can accelerate and facilitate access & the promotion of **international standards**;

3. **EU economic diplomacy** efforts are key, provided that a strategic, **tailor-made agenda** is implemented for each destination and there is close **coordination among different services** involved in trade relations (TRADE/AGRI/SANTE/EEAS) and among EU MS.

4. Overall, the EU **needs to be smarter** in trade negotiations by increasing coordination on exports among MS and Commission services

Thank you!

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