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***A Report for
Northwest Fruit
Exporters***

SPECIFIC ISSUES INVOLVING APPLES AND PEARS:

India Encouraged to Reconsider Wax Standards

- The government of India has implemented a ban on the use of all waxes on food products. This ban resulted from some domestic applications of non-food grade wax on some Indian foods. Matt Lantz, (BCI on behalf of Northwest Fruit Exporters) prepared a brief for the U.S. Embassy in New Delhi that documented the acceptance of food grade waxes by the United States, Japan, Canada, Codex, Australia and the European Union.
- On Monday, November 10, Bill Bryant (BCI, on behalf of Northwest Fruit Exporters) and Tracy King (Washington Apple Commission), as part of the USDA delegation, requested the Indian Ministry of Commerce coordinate with the Ministry of Health and adjust the standard to permit the use of food grade waxes on fruits and vegetables. Unfortunately, meetings with India's Health Ministry were postponed, but the brief on international acceptance is compelling and with that information the U.S. Embassy is prepared to request, and if necessary, push for a revision in India's wax standard. Bill Bryant and USDA Counselor Chad Russell, (New Delhi) are coordinating very closely on this issue.

USDA Delegation Requests India to Lower Tariffs

- On November 10 and 11, a USDA delegation comprised of U.S. government and horticultural industry representatives met with Indian Ministry of Agriculture, Ministry of Commerce, and Ministry of Finance officials and requested the tariffs for fruits and vegetables be reduced. Indian tariffs on fruits and vegetables vary between 30-115%. Bill Bryant and Tracy King represented the NW apple industry. Jeff Correa represented Pear Bureau Northwest. During these meetings the U.S. delegation argued that the quality of Indian produce, the cold chain infrastructure, and the prices Indian growers are receiving have increased as a result of India opening its market to certain imported fruits and vegetables. Despite the improvements in the Indian market that have resulted because of increased investment and competition, Indian government officials argued that further tariff reduction could disrupt the countryside. Bill Bryant and U.S. Embassy agricultural officials are developing a report that quantifies how the presence of U.S. apples has benefited the Indian apple grower. Bryant will return to India in March 2004 to attend a Codex meeting on pesticide residues, and plans to meet with Indian tariff officials to present the report at that time.
- On November 10, Bill Bryant also met with New Zealand's trade attaché to India, and discussed opportunities to coordinate on the India tariff issue. New Zealand is also working to reduce the apple tariff. (See next paragraph).

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India and New Zealand to Discuss Market Access Issues

- India and New Zealand agreed to consider each other's requests on market access issues in the 8th India-New Zealand Joint Trade Committee meeting. Among its requests, New Zealand has asked for a reduction in the tariff on **apples**. India agreed to examine whether imports of New Zealand apples could be facilitated during the off-season.
- Bill Bryant, on behalf of NFE and the Washington Apple Commission, will meet with representatives of the New Zealand industry on November 25-26 in Canberra, Australia. Coordinating on issues such as market access into Japan and Australia, as well as coordinating on the India tariff, will be discussed.

U.S. and Mexico resume exchange on New Apple Work Plan

- Over the last year the U.S. and Mexico have been exchanging positions and proposals for a new work plan. A revised work plan is needed in order to complete the transfer of the inspection system from Mexican inspectors to USDA/APHIS. Unfortunately, Mexican proposals have requested strengthening the work plan. Changing the positioning of probes, developing rules for relidding, adding new pests to the quarantine list, requiring certification procedures for hardware and software used by cold storage facilities, requiring an inspector seal all trucks, are only some of the restrictions Mexico has requested. The U.S., on the other hand, believes that after a decade of shipments without the detection of a single quarantine pest, the work plan should be streamlined. On Monday, November 17, Bill Bryant and Jim Archer will work with USDA/APHIS officials in developing a revised work plan for Mexican consideration. Undersecretary of Agriculture Bill Hawk's office (APHIS) is supportive of NFE's position that the work plan be simplified so that it is consistent with minimal risk presented by commercially grown and packed apples from the Pacific Northwest.

WTO Rulings May Result in Higher Apple (and Pear) Duties in EU

- The U.S. has lost two cases at the World Trade Organization that could result in foreign countries imposing retaliatory duties on U.S. products unless the WTO-illegal laws are changed.
- *FOREIGN SALES CORPORATION TAX (FSC)*: The European Commission approved last week a proposal to impose tariffs on selected U.S. products in response to a lack of change to the U.S. FSC tax. In 1999, the U.S. lost a WTO case on this issue, and unless the U.S. changes its law, the EU is authorized to impose tariffs up to the amount of losses from the FSC.
- In March, the EU announced its retaliation list and **apples** were included. The complete FSC retaliation list can be found at: http://waysandmeans.house.gov/media/pdf/fsc/FSC_Retal_List.pdf
- On Wednesday, November 5, 2003, the European Commission stated that once the European Council adopts the proposal, the duties would be imposed beginning March 1, 2004. There will be a gradual imposition of EU countermeasures "from 1 March 2004 at the level of 5%, followed by automatic, monthly increases of 1% up to a ceiling of 17% to be reached in March 2005."
- The U.S. Congress is trying to move another version of the FSC reform to avoid these sanctions, but disagreements and a crowded legislative schedule is causing problems in passing reform legislation.
- *STEEL TARIFFS*: This week, the World Trade Organization ruled that the United States' increased steel duties were WTO-illegal. Like the FSC ruling, this finding will allow countries that brought the case (including the EU, Japan, China, and Brazil) to impose sanctions on US products, unless the U.S. changes its policies.
- Again, **apples** are included on the EU's retaliation list (as are **pears** in this case). The EU is threatening an additional 15% duty if the steel duty is not repealed. This duty could be applied as early as December 10. A complete list of proposed EU steel duties can be found at: http://europa.eu.int/eur-lex/pri/en/oj/dat/2002/l_157/l_15720020615en00080024.pdf

FAS Report

- The Foreign Agricultural Service released the following report on Italy's production of apples, pears, and table grapes: <http://www.fas.usda.gov/gainfiles/200311/145986681.pdf>

Chinese Fruit Floods Thai Market Under New Pact

- More than 24,000 tons of fruit from China (worth \$12.7 million) have moved into Thailand since the bilateral FTA for fruit and vegetables went into effect on October 1. That is marked increase from the 13,247 tons of fruit (worth \$10.7 million) that Thailand imported from China between January and September 2003. Among the fruit imported from China in October, **apples** topped the list at 18,294 tons, followed by Chinese pears (5,344 tons) and western **pears** (891 tons).

ISSUES OF INTEREST TO NORTHWEST FRUIT EXPORTERS:

India Wants Tougher Norms for Pesticides

- In the wake of a controversy over the presence of pesticide residues in bottled drinking water, carbonated soft drinks and other food products, India's Ministry of Agriculture has decided to strengthen its process for registering pesticides. The Ministry has directed the country's Central Insecticides Board (CIB) to estimate the effects of pesticide residues on food on the basis of scientific data and acceptable dietary intake (ADI) estimates.

India Pesticides - continued

- For now, the CIB has been instructed to provide the Directorate of the Prevention of Food Adulteration with data on those pesticides that can have a significant impact on human health and the environment. To date, 183 pesticides are registered under the Insecticides Act of 1968. The CIB is now reviewing the impact of all the 183 registered pesticides.
- Peter Lacy, BCI's Research Director, is monitoring this process for Northwest Fruit Exporters.

Japan Announces Draft Provisional Standards for Pesticide MRLs

- On October 28, Japan announced provisional standards for about 450 pesticides. Japan's Ministry of Health, Labor, and Welfare (MHLW) has set up a three month comment period on the provisional MRLs. Comments are due by January 27, 2004.
- Initial indications are that Japan established MRLs using the following decision tree:
 1. If there is an existing domestic MRL, it is used.
 2. If there is a temporary domestic standard at the time of registration of the chemical in Japan, it is used.
 3. If there is a Codex standard, it is used.
 4. If there is a standard in one of the countries establishing MRLs based on scientific data, such as toxicological data, recognized by JMPR, or JECFA (the U.S., Canada, EU, Australia, New Zealand), it is used.
 5. If there are different standards in two or more of the countries, the average of the standards is used.
 6. If there is a legitimate reason, a value other than the average is used.
 7. If a standard exists in the EU, it is used; otherwise, the universal tolerance of 0.01 ppm is used
 8. If a processed food has a Codex standard, it is adopted. Otherwise, there are no standards for processed foods.
- BCI will be working with USDA and the Embassy on a number of chemicals of interest to various U.S. commodities, and if requested by NFE and/or the Washington Apple Commission, could work on those chemicals of interest to the Northwest tree fruit industry.

GENERAL ISSUES OF INTEREST:**FTAA Ministerial to Take Place November 20-21**

- The U.S. and Brazil have moved closer to agreeing how to determine the size and scope of the proposed Free Trade Agreement of the Americas. An unofficial, tentative understanding between these two major negotiating parties might provide for different levels of involvement and membership. This would allow those countries that want to proceed with rapid liberalization to do so and would enable others to liberalize on varying schedules.

Update on Morocco's FTA Negotiations with the U.S. and the EU

- A fifth round of negotiations in the U.S.-Morocco FTA ended on October 16, 2003, in Morocco. Both sides are confident that the negotiations will be completed by the end of this year, despite difficulties regarding agriculture. An agriculture chapter will be included in the agreement, although details are not yet available. The U.S. assistant trade representative admitted that the agriculture chapter was a very sensitive issue.
- Meanwhile, the EU on October 25 announced it finalized an agreement with Morocco for agricultural trade liberalization. The agreement now needs formal approval from the European Commission and the European Council as well as the Moroccan government.
- According to the European Commission, the deal would give preferential access to 96% of Morocco's current agricultural exports to the EU. In return, 62% of the EU's current agricultural exports to Morocco would receive preferences. Lower duties and tariff rate quotas are to be provided for a wide range of products, including poultry, cheese, and some fruits and vegetables.

U.S.-Australia FTA Update

- The proposed U.S.-Australia FTA is moving forward although difficult issues remain to be negotiated. Mr. Deady, Australia's chief negotiator, said the various offers from the U.S. were still a long way from what Australia sought. Likewise, access for U.S. products has not yet been finalized. The third round of talks over the FTA concluded last week, with the next round due to be held in Washington the first week of December. Bill Bryant, on behalf of NFE and the Washington Apple Commission, will be meeting with Australian trade and quarantine officials November 25-27 to discuss market access for U.S. apples.