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**FRESHFEL EUROPE
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I am very pleased to be able to present to you today the view of European exporters of plant products, and especially fruits and vegetables, which is my field of activity regarding the forthcoming FTA negotiation. My name is Pino Calcagni and I am the President of Freshfel Europe, the European fresh produce Association.

This seminar is the first - ever official consultation by the Commission to collectively identify EU offensive interest in agriculture prior to the negotiation of Free Trade Agreement. I wish to thank and congratulate the European Commission and in particular DG AGRICULTURE for having taken this initiative. We reckon that the Commission will incorporate our recommendations into the negotiation agenda to remedy the current unsatisfactory situation of the European fruit and vegetable export.

Indeed, much is to be gained from such a consultation to secure a mutual and reciprocal benefit of FTA negotiations. The European Commission negotiated in the past a large number of bilateral free trade agreements, namely with the Mediterranean basin, Chile, Mexico,... These negotiations

often remained without tangible results for our fresh fruit and vegetables exports.

A good example to illustrate my views is the EU-Mexico Agreement on Economic Partnership and Political Cooperation which came into force on 1 October 2000. This agreement provided the complete elimination of custom duties both ways for most of the fruit and vegetables. As a result, Mexico has been able to further develop its fresh produce exports to the European Union, while European produce remained totally banned by Mexico on the ground of excessive phytosanitary barriers which were not sufficiently talked and solved by the agreement. This is much to our regret as our exporters are being called by Mexican importers keen to be supplied with European produce.

We could also highlight in the frame of our neighbourhood policy the case of Egypt who still prefer to buy its apples from the USA rather than from its closer European neighbours.

Overall, despite association agreements with most of the countries, European produce encounter huge difficulties to find their ways on a natural market such as the ones of the Southern rim of the Mediterranean. Tunisia and Morocco also remain fairly closed for European fresh produce either on the ground of excessive and unjustified phytosanitary requirements or undismantled high tariffs

To further illustrate our frustration, another good example is the EC Turkey Association Agreement from 1995. This agreement provided the basis of a Custom Union and provided that *"The Community and Turkey shall progressively improve, on a mutually advantageous basis, the preferential arrangements which they grant each other for their trade in agricultural products. The Association Council shall regularly examine the improvements made to these preferential arrangements"* Unfortunately, twelve years later I regret to note that nothing has been done to achieve free circulation from the EU to Turkey in so far fresh produce is concerned. Turkey still levies prohibitive duties for most of the fresh fruit and vegetables namely EU citrus. The duties remains fixed at the 1995 prohibitive level of 54,6% while at the same time citrus from Turkey are imported into the UE in total exemption of duty! Where is the reciprocity? For the anecdote, we could also report that in the margin of the Freshfel Annual Meeting and Congress in Istanbul earlier this month one of our members decided to ship 4 boxes of watermelons as a sample for tasting during the conference networking breaks. These watermelons could never be custom cleared and remained blocked at the border with the justification that Turkey does not import watermelon after 1 June. The watermelons were finally indeed tasted but only by the Istanbul customs officials.

As the Commission is getting prepared for new rounds of negotiations for FTA with several third countries, mistake from the past and the sharp asymmetry in the concrete results of such negotiations can not be repeated.

Importantly, it is worth to remind that for our sector neither the multilateral nor the bilateral policy was so far favourable for the development of the European fruit and vegetables export. Europe has one of the lowest international growth rate regarding fresh produce export. Clearly this situation and lack of reciprocity in concession is becoming unsustainable. Something strong needs urgently to be done to reverse this appalling situation

Consumption of fruit and vegetables is at best stagnating on the EU markets. Therefore to secure a balance on its domestic market, the EU should not neglect export opportunities towards emerging markets such as those in Asia and India, Latin America, but also in the neighbouring countries such as Russia, Ukraine and the Mediterranean basins.

To secure that the sector might take full benefit from the tariff dismantling reached in FTA negotiation, there is a real matter of urgency to establish a partnership and mutual understanding between public authorities and its operators on an export strategy. We call upon the EU to work with its exporters to set up an all encompassing export strategy articulated around the following pillars:

- Step 1 of the strategy: Gaining market access: Today and despite a WTO SPS agreement , too many countries remain protected by SPS and also TBT barriers. To export to many third countries , the European exporters need first to undergo a case by case and country by country complex , costly and time consuming negotiation of a phytosanitary protocols to overcome the general interdiction approach applied by these countries . In contrast, third countries have access to the EU market on the basis of a permissive approach and provided they comply with transparent published rules. Reinforced coordination at the European level should take place to facilitate solving SPS matters, avoid costly and duplicate measures and unjustified protection. As a point of comparison the USA has a centralised negotiating power and further support its agricultural sector with a grant program worth 20 million USD to focus resources on addressing international sanitary and phytosanitary issues faced by the sector.
- Step two of the strategy : Be competitive: This is today one of the most crucial point after gaining the "right" to export. The strength of the € is making European fresh produce commercially unviable on many markets , in particular on the long distant markets in Asia , Latin America,...In the last 5 years, the € had an appreciation of close to 40%, leaving European produce and their quality assets progressively out of many markets. The recent decision of the EU to phase out unilaterally export refunds - without conducting any impact study - will

have severe impact on our exports; in particular on long distance dollar markets. Following the recent decision taken in the frame of the CMO reform to phase out export refund, the situation need urgently to be reassessed and refunds should be reintroduced where appropriate pending the elaboration of an comprehensive export strategy. As a point of comparison , and while the EU is giving away its 30 million € support to its own exporters, the US counter part is developing an "expand technical assistance for speciality crops". This instrument should reached 10 million USD by 2015 to assist US fresh produce exporters in tackling non tariff barriers More importantly US exporters are also assisted by new budget to "enhance the market access". Through this programme , the US government plan to support its fresh produce exporters with 225 million annually to help them to be more competitive in world market. With other suppliers from China or the Southern Hemisphere coming with additional advantages, the space for European exporters will continue to decrease if action is not taken.

- Step three of the strategy : Play on an levelled playing field regarding marketing: Once on the market and able to supply competitive fruit and vegetables, EU produce still need to be promote properly their many qualitative assets. The existing tools under Council Regulation 2702/1999 pn the promotion of agricultural products on third countries markets are good instruments which however need to be reinforced and be made more flexible. It should also allow under the coordination and direct management of the Commission , the possibility to launch real

pan-European initiative such as the setting up of a European fruit and vegetable pavilion in some specific markets with the interested exporters.

I hope that my words and policy recommendations will be taken on board by the Commission. Before concluding I would like also to emphasise on the need for the negotiators to secure when applicable a greater reciprocity in fresh produce trade. I would like to give a few example of obvious lack of reciprocity:

China: The EU import from China more than 200.000 T of fruit and vegetables and the EU exports are less than 1.000T. This poor performance is due to the lack of phytosanitary protocols allowing imports into China of EU produce. Reasons are manifold: complexity of negotiating protocols, costs relating to the process, administrative silence for authorities in third countries, duplicate and burdensome requirements, unsecurity regarding final clearance of products..

Turkey, Tunisia ,Morocco are other good example of absence of reciprocity for fruit and vegetables , as the slide on trade flows both ways should the huge asymmetry in import and export despite market potential in the Southern part of the Mediterranean for European fresh produce

To address this lack of reciprocity in FTA negotiations, I will have three recommendations:

- the tariff lines should be dismantled in parallel to be moved down to existing tariff as applied in the EU.
- the tricky SPS issue should be discussed in depth. More transparency and less protectionist rules should be put in place by our partners. Mutual recognition of phytosanitary measures should also allow reducing costs and better guarantee trade in both direction.
- the condition affecting the competitiveness of European produce should be scrutinize to avoid possible disadvantage for European exporters and traders. To illustrate my thoughts, I could mention that while the European are phasing out the export refunds in fruit and vegetable , Turkey – a major competitor of the European citrus production is assisting its lemons exporters with subsidies worth 120 USD/T (EU refunds due to be abolished is currently set at 50 €/T for lemons). Consequently, European citrus are progressively excluded from various important markets in the black sea and in Russia.

Ladies and gentlemen, representatives of the services of the Commission, falling to a priori solved altogether the above matters, all forthcoming negotiation aiming at “opening up” markets will remain void and EU market shares on international fruit and vegetables market will continue to decline until effectively disappearing. Engaging Europe resources into complex negotiation of FTA will only be worth if the European authorities and Member States take seriously this matter in a global and comprehensive manner.

Against this background , I would like as a conclusion to make a number of suggestions in regard to forthcoming FTA negotiation:

- Need to reinforce EU competence regarding SPS export matters: .FTA could provide a framework for greater reciprocity and transparency in this respect. Korea but also Tunisia among the targeted countries all have excessive SPS constraints
- Need to dismantle high tariff. Morocco, India, Turkey are some of the good example where tariff in excess of 40 to 50 % must be urgently dismantled
- Need to consider some logistic development: action to secure that fresh produce which require temperature controlled logistics could be distributed to local consumer under proper logistic conditions (India, Thailand, Indonesia,..) Support to develop infrastructure should therefore be considered
- Need to reassess urgently the situation regarding export refunds and reintroduce them where appropriate pending the elaboration of an export strategy.
- Need to consider all non tariff barriers: According to Commission own words , tariff reductions are of little use if the market remains closed by excessive sanitary and phytosanitary requirements....without ensuring that non tariff barriers are not equally dismantled

Representatives of the Commission, your task is huge. Negotiating tariff reduction will be of no value for the sector if the strategy is not considering all the aspects relating today to international competition in a global markets. European fruit and vegetables are often demanded for their premium quality and diversity, but contract can not be honoured because of market access conditions or biased competitiveness.

The fruit and vegetables sector is expecting concrete results from these negotiations hoping that the Commission will consider that the task is indeed broader than just dismantling tariff

Many thanks for your kind attention.

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