

NORTHWEST HORTICULTURAL COUNCIL
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June 10, 2014

Joint Legislative Oversight Committee on Trade Policy
ATTN: Edward L. Redmond
Cherberg Building 304
15th AVE SW, Suite 412
Olympia, WA 98504

Dear Members of the Joint Legislative Oversight Committee on Trade Policy:

Thank you for inviting me to participate at the June 16, 2014 meeting of the Joint Legislative Oversight Committee on Trade Policy. Regrettably, I am unable to attend and hope my written comments will be of some assistance to the committee in understanding the impact of various trade policies on the growers, packers and shippers of tree fruit in Washington state. Specifically, I was asked to comment on the Panama, Colombia and South Korea free trade agreements and our organization's position on the Trans-Pacific Partnership and Trans-Atlantic Trade and Investment Partnership trade negotiations.

The Northwest Horticultural Council, located in Yakima, Washington, represents the growers, packers and shippers of apples, pears and cherries in Idaho, Oregon and Washington. The Washington state apple industry alone generated an estimate \$7.5 billion of economic activity in 2012-2013, with exports accounting for 30% or more of annual sales. Historically, some 90% of U.S. apple, 92% of U.S. pear, and 65 to 75% of U.S. sweet cherry exports originate from the Pacific Northwest, predominantly Washington state.

The United States does not assess tariffs on imports of apples and cherries and only assesses a minimal tariff (duty free from April through the end of June and 0.3 cents/kg the rest of the year) on imports of fresh pears. Therefore there is little to no economic downside to apple, pear and cherry growers when the U.S. tariff rates are eliminated and oftentimes significant economic gains from lowering tariffs affecting our exports to other nations.

Increasingly, it is non-tariff trade barriers, especially sanitary and phytosanitary (SPS) measures that are of most concern to our growers, packers and shippers. In agricultural trade, SPS measures are allowed as a mechanism to protect countries and their consumers from the potential transmission of plant, animal and human health threats. It is these barriers to trade that prevent Washington state tree fruits from being sold overseas or raise the costs of mitigating potential SPS threats to prohibitive levels. Commodity specific SPS barriers are not traditionally negotiated away under trade agreements. Rather, the rules governing application of measures and the resolution of disputes are enshrined in trade agreements. Other than in the TPP and perhaps TTIP agreements now under negotiation, SPS commitments in previous bilateral and regional U.S. trade agreements deferred to the World Trade Organization rules on SPS.

Agreement Specific Comments

Panama: The United States – Panama Trade Promotion Agreement entered into effect October 31, 2012 and resulted in the immediate elimination of all tariffs affecting apples, pears and cherries. Prior to the enactment of the trade agreement, Panama’s tariff on apples was 2% with the pear and cherry tariff at 5% and 1% respectively. Washington state fruit growers have benefitted as a result of the tariff rate elimination and there are no SPS barriers that prevent the export of these fruits to Panama.

Colombia: The United States – Colombia Trade Promotion Agreement entered into force on May 15, 2012. Under the agreement, Colombia immediately eliminated the 15% tariff that it charged on apples, pears and cherries imported from the United States. Eliminating the tariff reduced the price of a carton of apples or pears by \$2.50 to \$4.00 (\$2,500 to \$4,000 per ocean container).

The tariff rate cut is a material economic benefit to the apple, pear and cherry growers in Washington state. It has allowed our growers to more effectively compete against their Chilean, Argentine and European competitors. The price reduction resulting from the tariff rate cut helps to offset our industry’s higher transportation and production costs and protect against exchange rate appreciation.

South Korea: The Korea – U.S. Free Trade Agreement entered into force on March 15, 2012. The 24% tariff on sweet cherries was immediately eliminated resulting in an 86% increase in cherry sales that year. Korea’s 45% tariff on apples and pears will be eliminated 10 years following implementation of the agreement, except as applied to Fuji apples, in which case the tariff is phased out over 20 years.

Of most importance to producers of apples and pears is phytosanitary access. U.S. apples and pears are not allowed entry into South Korea due to restrictive concerns regarding plant pests and disease.

Trans-Pacific Partnership: The U.S. free trade agreements with Singapore, Chile, Australia, Mexico, Canada and Peru provide Washington state exports of fresh apples, pears, and sweet cherries duty free access to these foreign markets. Duty free access should be preserved under the TPP and obtained from Brunei Darussalam, Japan, Malaysia, Vietnam, and any other country that joins the agreement in the future. New Zealand also provides duty free access to apples, pears and cherries and this duty free access should be maintained.

Pacific Northwest apple, pear and sweet cherry producers face tariff barriers in Vietnam of 10%. Vietnam, with a population of 93 million, is a priority market for our industry and one that provides excellent growth potential. Japan’s tariffs on apples, pears and cherries are 17%, 5% and 9% respectively and their elimination is also a high priority.

Other nations not currently invited to join TPP include Cambodia, Laos, Indonesia and Thailand, all countries of strong interest to our growers either as important current markets (Indonesia and Thailand) or potential future markets (Cambodia and Laos). In the future, expanding duty free access under TPP to these countries would deliver great export benefit and revenue to Washington state tree fruit growers.

Trans-Atlantic Trade and Investment Partnership: Apple and pear exports to the European Union from the Pacific Northwest have declined significantly in recent years due primarily to differences between the two country's regulatory requirements for pesticides and food additives and the requirement by European Union retailers that suppliers follow a plethora of nongovernmental food safety standards. In addition, the European Union's tree fruit growers are the world's largest producers of cherries and the second largest producers of apples and pears with growing and harvest seasons similar to those in Washington state.

Historically, Europe has protected its fruit growers through tariffs, entry prices, trigger volume and tariff safeguards and government subsidies. If trade distorting domestic and export subsidies are not disciplined under the proposed Transatlantic Trade and Investment Agreement it would be helpful to obtain an in-depth accounting from the European Union as to its expenditure (and that of individual member states) on subsidies provided to various crops.

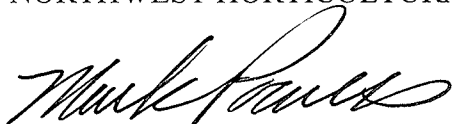
Immediate duty-free access for tree fruit, of the kind obtained during the Chile, Australia, and Dominican Republic-Central America FTA negotiations, should be a negotiating objective under the proposed Transatlantic Trade and Investment Agreement with the European Union.

The European Union's tariff on apples changes throughout the year with the highest rate, 9%, in place from August through December and a 4% tariff in effect during January through March. The European Union charges minimal tariffs (4 percent) on in-quota early season sweet cherries. After that quota is exceeded, the cherry tariff increases up to 12%. The European Union's tariff on pears changes throughout the year with the highest rate (10.4%) in place from August through December, an 8% tariff applies during January and a 5% tariff from February through March.

Again, thank you for providing an opportunity to comment on various trade agreements and their importance to the tree fruit sector of Washington state.

Sincerely,

NORTHWEST HORTICULTURAL COUNCIL



Mark Powers
Executive Vice President

cc: Jon DeVaney, Executive Director, Yakima Valley Growers-Shippers Association