CALIFORNIA
CHERRIES

October 22, 2013

Mr. Douglas M. Bell
Trade Policy Staff Committee Chair
Office of the U.S. Trade Representative
600 17th St. NW
Washington, DC 20508

Dear Mr. Bell:

The California Cherry Board (CCB) is writing in response to the U.S. Trade Representative's (USTR) request for assistance in compiling the 2014 National Trade Estimate Report on Foreign Trade Barriers (NTE).

The CCB represents the growers and packers of all cherry varieties grown in the state of California. Exports have become increasingly important to the California cherry industry. The value of the 2012 U.S. sweet cherry export crop was over $498.3 million dollars[1].

In this submission, the CCB identifies the significant tariff barriers that U.S. cherry exports (HS 0809.29) face in Brazil, Canada, China, the European Union (EU), Japan, Norway, Thailand and Vietnam.

The CCB respectfully requests that the information in this document be considered for inclusion in the NTE report published by USTR.

Please contact me should you have any questions regarding this submission.

Sincerely,
California Cherry Board

Chris Zanobini
Executive Director

[1] All export figures in this report are sourced from the USDA/FAS Global Agricultural Trade System (GATS).

BRAZIL

I. Restricted Access/Tariffs

Brazil imposes a 10% tariff on U.S. cherries, which restricts access to this market.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

U.S. cherry exports to Brazil totaled $580,543 in 2012. Brazil was the 20th largest export market for the U.S. cherry industry. The removal of the Brazilian tariff could increase U.S. sweet cherry exports to Brazil by $3 million annually.

CANADA

I. Restricted Access/Tariffs

Although California sweet cherries enter Canada freely under the North-American Free Trade Agreement (NAFTA), many horticultural goods have been threatened with retaliatory tariffs due to U.S. country-of-origin labeling (COOL) regulations.

In 2008, Canada initiated World Trade Organization (WTO) dispute settlement proceedings claiming the U.S. COOL law violated the WTO Technical Barriers to Trade Agreement. Despite U.S. modifications to the law as a result of the dispute, the Canadians continue to pursue the issue. On June 7, 2013, the Canadian Minister of International Trade and Minister of Agriculture and Agri-food released a press statement announcing a list of goods subject to potential retaliatory measures by Canada due to the U.S. final ruling on mandatory country of origin labeling (COOL). Fresh cherries are included on this list of goods liable to possible trade retaliation.

The CCB will continue to follow this issue in the hopes that it can be successfully resolved so that such retaliation does not occur or, at the least, that cherries are removed from this list.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In the 2012/13 marketing year, Canada was the top export market by value for the U.S. cherry industry, with exports totaling approximately $149.8 million. Total California cherry exports to Canada in 2012/13 were $70 million.

To ensure continued export growth in this market, the California Cherry Board requests the U.S. government's assistance in resolving this issue.

CHINA

I. Restricted Access/Tariffs

U.S. cherries face a 10% tariff when entering China. This tariff was achieved in China's World Trade Organization (WTO) accession negotiations.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In 2012, China was the sixth largest export market for the U.S. cherry industry, with exports totaling $40.3 million.

The removal of the Chinese tariff could increase U.S. sweet cherry exports to China by $5 million annually.

THE EUROPEAN UNION

I. Restricted Access/Tariffs

The European Union (EU)'s Entry Price System (EPS) is a complicated and costly tariff scheme that increases the price of imported products for European consumers while protecting European producers.

The United Kingdom (UK) is one of the California cherry industry's largest export markets. The EPS is applied on cherry imports entering during certain periods of the year; when applied, the EPS results in tariffs that equate to between 0-27.40 EUR per 100 kg. Product entering outside of the EPS period (August 11 to May 21) still faces a restrictive 12% tariff.

The CCB supports the reduction of these tariffs through the Trans-Atlantic Trade and Investment Partnership that is currently being negotiated between the U.S. and the EU.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In 2012, the UK was the U.S. cherry industry's 8th largest market by value, with exports worth approximately $12 million. Exports to the EU in total amounted to $17.9 million.

Lowering the tariff for cherries entering the EU could result in an additional $5 million of U.S. cherry exports to the UK annually.

JAPAN

I. Restricted Access/Tariffs

Japan imposes an 8.5% tariff on cherries from the U.S. This tariff is high for a developed country.

With Japan's entry into the Trans-Pacific Partnership (TPP) negotiations, the CCB seeks the complete elimination of the Japanese sweet cherry tariff. This request was previously stated in the CCB's submission to USTR in response to the May 7, 2013 *Federal Register* notice seeking industry priorities for Japan's inclusion in the TPP.

Competitors have already achieved reductions of Japan's sweet cherry tariff through bilateral trade agreements. For example, as a result of the 2007 Japan-Chile Economic Partnership Agreement, Chilean cherries currently enter Japan at a 1.1% tariff rate and will enter duty-free beginning in 2014. Similarly, in 2004, Mexico and Japan signed the Japan-Mexico Agreement for Strengthening Economic Partnership, which resulted in Mexican cherries receiving duty-free access to the Japanese market in 2012.

In order to effectively compete against foreign table grape producers, the U.S. cherry industry requests that Japan immediately eliminate this tariff for TPP members.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In 2012, Japan was the top export market for California cherries, and was within the top three markets for the U.S. cherry industry as a whole. Total cherry exports to Japan totaled approximately $78 million in 2012.

The removal of the Japanese tariff on U.S. sweet cherries could increase exports by $7 million annually.

NORWAY

I. Restricted Access/Tariffs

Norway applies an excessive 5.57 NOK/kg (approximately US$0.43/lb.) tariff on imports of California cherries, which has restricted access to the Norwegian market.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In 2012, the U.S. shipped $96,000 worth of California cherries to Norway. Norway was the 34th largest export market for the U.S. cherry industry.

If the tariff is removed, exports of U.S. cherries to Norway could increase by an additional $3 million annually.

THAILAND

I. Restricted Access/Tariffs

For U.S. cherry imports, Thailand charges a prohibitively high 40% or 33.50 THB/kg (approximately $0.48/lb.) tariff, whichever is higher. This tariff restricts exports of California cherries to this lucrative export market.

In the event that the U.S. and Thailand resume their free trade talks, the CCB requests that USTR address the Thai tariff on California cherries in those negotiations. In the meantime, the CCB requests that discussion concerning the reduction of this tariff be advanced in other bilateral forums.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In 2012, the U.S. shipped just over $3.7 million worth of cherries to Thailand, making it the 9th largest export market by value for U.S. cherries.

Should the restrictive tariff be eliminated, exports of U.S. sweet cherries to Thailand could increase by $5 million annually.

VIETNAM

I. Restricted Access/Tariffs

Vietnam's applied tariff rate on U.S. cherries is 10%. This rate was negotiated as part of Vietnam's WTO accession agreement.

Chinese cherries enter Vietnam duty-free under the ASEAN-China free trade agreement.

For California cherries to compete on a level playing field with China, the CCB requests that Vietnam eliminate its tariff on U.S. cherries in ongoing Trans-Pacific Partnership (TPP) negotiations.

II. Estimate of Potential Increase in Exports if Barriers Were Removed

In 2012, the U.S. shipped $1.7 million worth of cherries to Vietnam. Vietnam was the 15th largest export market for the U.S. cherry industry.

The removal of the Vietnamese tariff could increase U.S. sweet cherry exports to Vietnam by $5 million annually.