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TABLE GRAPE
COMMISSION

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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:
This document is in response to the Office of the U.S. Trade Representative's (USTR) request for assistance as announced in the *Federal Register* notice issued on August 19, 2013 (FR Doc No: 2013-20074) identifying significant international trade barriers to U.S. exports for inclusion in the 2013 National Trade Estimates Report. This submission addresses traditional trade barriers, specifically focusing on tariffs. Non-tariff barriers are covered in the California Table Grape Commission's submissions on sanitary and phytosanitary (SPS) and standards-related barriers.

With this letter, the commission is submitting comments on the following significant tariff and trade barriers that California table grapes (HS 0806.10) face in Canada, China, Egypt, the European Union (EU), India, Indonesia, Jamaica, Japan, Mexico, Switzerland, Taiwan, Thailand and Vietnam. The commission is charged with maintaining and expanding the market for fresh California table grapes worldwide. California produces 99 percent of the table grapes grown commercially in the U.S. with a value of over $1.7 billion in the 2012/13 season. Despite an active commission trade policy program designed to eliminate international trade barriers in foreign markets, a number of significant trade barriers remain. These trade restrictions adversely affect table grape exports. Of particular concern to the commission are the numerous competitor nations that have implemented free trade agreements with export markets and are receiving tariff reductions as a result. This allows competitive grapes a significant price advantage over U.S. product.

The following report provides a summary of the most significant tariff and trade barriers currently facing California table grape exports. A full description of tariff barriers to California grapes is available in the 2013 California Table Grape Commission Tariff Report that has been provided to USTR and USDA.

The commission respectfully requests that information in this document be included in the final report published by USTR.

Regards,

S.L. Day

Susan Day
Vice President, International Marketing

cc: Kathleen Nave, President, California Table Grape Commission
Jeff Jones, USDA/FAS/ONA

CANADA

I. Restricted Access/Tariffs

Although California table grapes enter Canada freely under the North-American Free Trade Agreement (NAFTA), many horticultural goods have been threatened by possible retaliatory tariffs.

On May 24, 2013 the U.S. issued a final ruling on country of origin labeling (COOL) in response to a 2008 World Trade Organization (WTO) dispute settlement initiated by Canada, claiming that the U.S. COOL law violates the WTO Technical Barriers to Trade Agreement. As a result, the Canadian Minister of International Trade and Minister of Agriculture and Agri-Food released a press statement on June 7, 2013 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). While U.S. table grapes are currently not included on that list, they are still threatened by possible inclusion.

The commission will continue to follow this issue in the hopes that it can be successfully resolved and short of that, that grape tariffs will not be included on any Canadian retaliation 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 California table grape industry, with exports totaling $217.3 million.

PEOPLE'S REPUBLIC OF CHINA

I. Restricted Access/Tariffs

California table grapes face a 13 percent tariff when entering China. This tariff was achieved in China's World Trade Organization (WTO) accession negotiations in the early 2000's.

Since 2006, China has made two major changes regarding its table grape tariffs.

First, under a free trade agreement (FTA) implemented by China and Chile in October 2006, the Chinese tariff on Chilean table grapes is being reduced by 1.3 percent annually, with complete elimination by 2015.

Second, under an FTA implemented by China and Peru in March 2010, the Chinese tariff on Peruvian table grapes is also being reduced 1.3 percent annually, again with complete elimination by 2015.

The Chinese tariff on both Chilean and Peruvian table grapes is currently 2.6 percent, and will be zero by 2015.

As California table grapes compete for market share with Chilean table grapes during the first few months of California's season and Peruvian table grapes in the later months of the season, it is important to address these tariff discrepancies on imported U.S. table grapes.

The commission requests that USTR address the Chinese tariff on California table grapes in the ongoing WTO Doha Development Agenda negotiations or bilateral talks.

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

In the 2012/13 marketing year, China* was the second largest export market by value for the California table grape industry, with exports totaling $108.6 million.

If the Chinese tariff could be eliminated, the Chinese market could grow to $122 million.

*Includes Hong Kong

EGYPT

I. Restricted Access/Tariffs

Egypt applies an excessive 20 percent tariff on imports of California table grapes, which has restricted access to the Egyptian market. Competitor grape producers also face this same tariff. This tariff limits table grape imports to the market. The commission seeks the elimination of this tariff through the ongoing WTO negotiations.

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

In the 2012/13 marketing year, the U.S. did not ship any table grapes to Egypt. However, this may have been due to the current political situation in the country. In 2011/12 the U.S. shipped $74,360 worth of California table grapes to Egypt.

The commission expects to return to 2011/12 marketing year levels once the political situation in Egypt calms. Should the 20 percent Egyptian tariff be eliminated, exports of California table grapes to Egypt could grow to $5 million annually.

THE EUROPEAN UNION

I. Restricted Access/Tariffs/Support

Tariffs: The European Union (EU), especially the United Kingdom (U.K.), is an important market for California table grapes. Unfortunately, California table grapes face a costly and restrictive Entry Price System (EPS) when exporting to the EU. This system results in tariffs that equate to between 8-17.6 percent ad valorem faced by California table grapes. The EPS not only restricts U.S. table grape exports, but it elevates prices for European consumers and protects European producers.

Through the course of the WTO Doha Round negotiations, the commission has worked with USTR to eliminate the EPS along with the aforementioned EU tariffs on table grapes. More recently, when the Transatlantic Trade and Investment Partnership (TTIP) was announced earlier this year, the commission submitted comments in response to the April 1, 2013 USTR *Federal Register* notice regarding the negotiations.

The commission urges the USTR to continue tariff-reducing efforts as the TTIP and WTO negotiations continue and seeks the immediate elimination of EU table grape tariffs on U.S table grapes through these talks.

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

In the 2012/13 marketing year, the U.K. and Ireland combined were the U.S. grape industry's 15th largest market by value, with exports worth approximately \$13.7 million. Exports to U.K. and Ireland represented 89 percent of exports to the EU in 2012/13.

Eliminating the tariff for table grapes entering the EU could result in U.S. grape exports to the U.K. reaching an estimated \$35 million annually.

INDIA

I. Restricted Access/Tariffs

U.S. table grapes entering India face a 30 percent tariff and an array of other taxes that may or may not be imposed domestically. This tariff and taxing structure is unreasonably high and inhibits export growth.

While the commission anticipates that India will continue to grow and become an important market for California grapes, it requests that the U.S. government work through both the annual Indian budgeting process and the WTO Doha Round negotiations to eliminate India's excessive tariffs and to ensure that India's taxes are applied equally to both domestic and international products.

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

In the 2012/13 marketing year, the U.S. shipped $5.6 million worth of table grapes to India. India represented the 23rd largest export market by value for California table grapes in 2012/13.

The commission anticipates that the Indian market will grow to become a $20 million market once the excessive tariffs and taxes are reduced.

INDONESIA

I. Restricted Access/Tariffs

U.S. table grapes entering Indonesia face a five percent tariff rate.

In September 2013, Indonesia again revised and reissued regulations concerning the importation of certain horticultural products, making it the third time the Indonesian government changed its import requirements since January 2012. Under the previous regulation, California table grape growers were subject to an import volume allocation set by Indonesia's Ministry of Agriculture. Revised regulations issued in September, 2013 will remove this import allocation requirement as of January 1, 2014. However, the 12,334 metric ton (MT) import allocation for U.S. table grapes in the July through December 2013 period, which is significantly lower than the 21,185 MT exported in the same period in 2012, remains in place. The new regulations therefore do not resolve the current volume restrictions faced by the California table grape industry for the remainder of 2013. Exports of California grapes are typically the highest September through December, meaning that these allocations continue to significantly limit the exports of California table grapes to Indonesia.

Indonesia is, however, maintaining its import permit system associated with horticultural imports. The commission remains concerned about this policy which could continue to limit grape imports.

Indonesia's trade policies in 2013 have had a significant impact on California table grape exports. Grape exports to Indonesia have dropped 83 percent from January through July 2013 as compared to the same period in 2012.

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

In the 2012/13 marketing year, the U.S. shipped a record $42.8 million worth of table grapes to Indonesia. Indonesia represented the fifth largest export market by value for California table grapes in 2012/13. Indonesia's recent policies continue to significantly curtail this market for 2013. Addressing these trade barriers will result in the market returning to previous levels and expanding further in years to come.

JAMAICA

I. Restricted Access/Tariffs

Jamaica charges a 40 percent tariff on California table grape imports. This tariff negatively affects California table grape exports to Jamaica.

In ongoing WTO negotiations, the commission seeks the elimination or significant reduction of the Jamaican table grape tariff.

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

In the 2012/13 marketing year, the U.S. shipped $335,000 worth of California table grapes to Jamaica.

If Jamaica reduced its excessive tariff, the Jamaican market could grow to an estimated $1 million annually.

JAPAN

I. Restricted Access/Tariffs

Japan applies an excessive 17 percent tariff on table grape imports from March 1 to October 31 each year. Table grapes entering at other times of the year face a 7.8 percent tariff. California table grape exports are mostly shipped during the higher tariff period, which hinders U.S. exports.

With Japan's recent Trans-Pacific Partnership (TPP) membership, the commission seeks the complete elimination of the Japanese table grape tariff.

The commission provided details of its priorities for Japan in the TPP negotiations in its response to the *Federal Register* notice published May 7, 2013. California table grapes currently enter Japan under the Most Favored Nation tariffs as mentioned above. These tariffs are high for a developed country, reaching up to 17 percent for table grapes, and the TPP provides the best opportunity to seek their elimination. The commission also provided details in response to the *Federal Register* notice on Japan's crop protection maximum residue levels (MRLs). As a result of efforts by USTR, USDA, and the commission, numerous MRLs for table grapes have been established in Japan. However, the commission still has concerns with the length of time Japan requires to establish new MRLs.

The California table grape industry's competitors have already achieved Japanese grape tariff reductions through bilateral trade agreement negotiations. For example, as a result of the 2007 Japan-Chile Economic Partnership Agreement, Chilean table grapes enter Japan from March 1 to October 31 with a 9.6 percent tariff in 2013. The Japanese tariff the rest of the year on Chilean product is 2.8 percent. These tariffs are decreasing and will be eliminated in 2022 and 2017 respectively. As a result of these tariff reductions, Chile has grown to be the largest table grape exporter to Japan in 2012.

Similarly, the 2009 Japan-Mexico Agreement for Strengthening Economic Partnership resulted in a zero duty on Mexican grapes exported to Japan from April 1 to July 31 at the height of the Mexican shipping season.

In order to effectively compete against foreign table grape producers, California table grape growers and shippers need an even playing field. The TPP will allow Japanese tariffs on grapes to be applied equally to all TPP members, including the U.S., Chile and Mexico.

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

In the 2012/13 marketing year, the U.S. shipped a record $26 million worth of California table grapes to Japan. Japan represented the 8th largest export market by value for California table grapes in 2012/13.

If the Japanese tariff were eliminated, the Japanese market could grow to over $30 million annually.

MEXICO

I. Restricted Access/Tariffs

Mexico imposed retaliatory tariffs on U.S. grapes and other products in March 2009 after the U.S. Congress removed funding for a pilot program that allowed Mexican trucks to operate in the U.S. under the North American Free Trade Agreement (NAFTA). The 45 percent grape tariff was the highest agricultural tariff imposed.

While Mexico's retaliatory tariffs were indefinitely suspended in October 2011 following an agreement by the U.S. and Mexico, the commission remains concerned that the retaliatory tariffs could be reinstated due to a slow start to the registration of Mexican carriers under the pilot program.

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

In the 2008/09 season (May through January), Mexico was the California table grape industry's second largest export market, with shipments valued at approximately $60 million. In the 2009/10 season, Mexico placed a 45 percent retaliatory tariff which resulted in a decrease in California table grape exports to $16.6 million.

Since the suspension of the retaliatory tariff in 2011/12, exports of California table grapes to Mexico have been increasing, reaching a record $75.8 million in 2012/13.

To ensure continued export growth in this market, the commission requests the U.S. government's assistance in resolving this issue and fully eliminating the retaliatory tariff.

SWITZERLAND

I. Restricted Access/Tariffs

Switzerland applies a specific tariff on table grape imports that ranges from $0.05-$0.07 per pound during the shipping season.

This tariff is excessive for a developed market. It restricts California table grape exports to Switzerland.

The commission requests that Switzerland's table grape tariff be eliminated through ongoing WTO negotiations.

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

In the 2012/13 marketing year, the U.S. shipped $73,000 worth of table grapes to Switzerland.

If the Swiss tariff were eliminated, the Swiss market could grow to $5 million annually.

TAIWAN

I. Restricted Access/Tariffs

Taiwan applies a 20 percent tariff on table grape imports. This tariff is excessive for a developed market and restricts California table grape exports to Taiwan.

The commission requests that Taiwan's tariff on U.S. table grapes be eliminated through the course of future U.S. trade negotiations with Taiwan or through ongoing WTO multilateral negotiations.

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

In the 2012/13 marketing year, the U.S. shipped $21.4 million worth of table grapes to Taiwan. Taiwan represented the 10th largest export market for California table grapes by value in 2012/13.

If the Taiwanese tariff were eliminated, the Taiwanese market could grow to $30 million annually.

THAILAND

I. Restricted Access/Tariffs

Thailand charges a prohibitively high 30 percent tariff on U.S. table grape imports.

Since 2003, Thailand made two major changes regarding its table grape tariffs. First, through a non-comprehensive market access agreement with China, Thailand eliminated all of its fresh fruit and vegetable tariffs for imports from China. Chinese table grapes now enter Thailand duty-free. Second, Thailand implemented an FTA with Australia and New Zealand in 2005, allowing grapes from those countries to also enter Thailand with a preferential duty. Under this agreement, the Thai duty on table grapes from Australia and New Zealand will be eliminated in 2015. The 2013 Thai tariff on Australia/New Zealand grapes is 6 percent.

As California table grapes compete for market share with Chinese grapes during the peak of California's season and Australian/New Zealand grapes during other periods of the year, it is important to address these tariff discrepancies on imported table grapes.

While the commission understands that the U.S. and Thailand have suspended their free trade negotiations, the commission requests that USTR address the Thai tariff on California table grapes if those negotiations resume, or in the ongoing WTO negotiations or separate specific bilateral talks.

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

In the 2012/13 marketing year, the U.S. shipped $23 million worth of California table grapes to Thailand. Thailand represented the 9th largest export market by value for California table grapes.

The commission anticipates that the Thai market will grow to become a $30 million market once trade-distorting tariffs are eliminated.

VIETNAM

I. Restricted Access/Tariffs

The commission has worked closely with USTR and USDA to reduce the Vietnamese table grape tariff over the last decade. During the 2001 bilateral trade agreement (BTA) talks, and in Vietnam's WTO accession talks in 2005, Vietnam agreed to lower its grape tariffs. The tariff rate was reduced to 10 percent in 2012 as part of Vietnam's WTO accession agreement.

The commission welcomes this reduction, but notes that Chinese table grapes have entered Vietnam duty-free since 2007 due to the implementation of the China-Association of South East Asian Nations (ASEAN) FTA and its Early Harvest Program. China is by far the largest supplier of table grapes to Vietnam, and Chinese grapes compete directly with California table grapes in the market. China's expanding table grape production and tariff advantage make it increasingly difficult for California table grape shippers to remain competitive in Vietnam.

Additionally, as a result of the ASEAN-Australia-New Zealand FTA, Vietnam will reduce its grape tariffs for Australian grapes according to the following formula:

Vietnam Table Grape Tariff Concession in ASEAN-Australia-New Zealand FTA

Item	Base rate	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fresh table grapes (HS 0806.10)	25%	25%	20%	20%	15%	15%	10%	10%	**7%**	**5%**	**0%**

Given this tariff reduction schedule, Australian grapes will enter the market with an advantageous tariff beginning in 2016. By 2018, they will face a zero duty, while California grapes will continue to face the 10 percent Most-favored-nation (MFN) WTO tariff rate. Although Australian grapes typically enter Vietnam outside of California's shipping season (May through January), there are times when they compete directly with California table grapes in Vietnam. For example, in May 2012, Australia exported 765 MT which directly competed with 190 MT of U.S. table grape exports to Vietnam.

For California table grapes to compete on a level playing field with China and Australia, the commission requests that USTR seeks the immediate elimination of Vietnam's table grape tariff under the Trans-Pacific Partnership (TPP) Agreement.

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

In the 2012/13 marketing year, the U.S. shipped a record $17.8 million worth of California table grapes to Vietnam. Vietnam represented the 11th largest export market by value for California table grapes in 2012/13.

If the Vietnamese tariff were eliminated, the Vietnamese market could grow to $25 million.