

May 2016

### **Freshfel position paper on the restart of the MERCOSUR – negotiations**

Freshfel Europe is the association of the European fresh fruit and vegetable sector. It represents more than 200 members across the EU with a cross-section of the whole supply chain from retailers to producers to wholesalers and traders. The past two years have been particularly challenging for the EU fresh fruit exports to third countries. With the introduction of the Russian embargo the major trading partner of European fruit and vegetable exporters fell away. Despite emergency measures taken by the European Commission, the core challenge, to diversify the export markets still proves itself as a complex and complicated exercise. The exports to Russia normally amounted around 2 million T in volume and roughly estimated € 1.8 billion in value. From 2014 to 2015 the export of fresh produce to third countries declined by 8% in volume and nearly 14% in value. The exploitation of new markets and the facilitated access to third countries for our products therefore stays at the core of fresh produce sector's interest.

The trade relationship of the European fresh produce sector with the Mercosur-countries stands out as an exceptionally positive example of export growth over the past ten years. While in 2005 EU-28 producers exported only 36.000 T with a value of € 21 million, it amounted already 330.000 T worth € 185 million in 2015. The leading exporting countries enhance The Netherlands, Spain and Portugal. The most important trading partner is Brazil with receiving 98% of all export volumes. Trade with Argentina, Paraguay and Uruguay stays comparably marginal. Most important products are apple, pear, stone fruit as well as onions and shallots. Even though imports from Mercosur countries were declining over the past ten years, they still constitute 880.000 T of fresh produce worth € 1 billion, with Brazil being the main supplier of fresh produce. European countries are mainly importing lemons, melons, apples and pears, garlic, table grapes and other exotics. Despite a decline in trade coming from Mercosur countries, the European Union is still the most important partner when it comes to fruit and vegetables. It is worth reminding that in case of fresh fruit and vegetables, Mercosur and the EU are complementary given seasonality. The respective assortment of the two partners could help sustaining a permanent supply of fresh produce throughout the year for the benefit of consumers on both sides.

Freshfel Europe is observing the current debate about the re-start of the EU-Mercosur negotiations. We take note of the concerns expressed by several agricultural sectors leading to a defensive approach while the fruit and vegetable sector rather has a more offensive perspective towards the upcoming negotiation. This is witnessed by the figures indicated above. Moreover, independent researches such as from the LEI Wageningen UR as well as the impact assessment conducted by the EU itself confirm a positive impact on the trade of fruit and vegetables, when abolishing essential barriers to trade with regard to standards and regulations. We therefore urge the Commission, to consider all relevant positions, when kicking-off the negotiations with the first exchange of offers with the negotiation partners.

## **Tariff barriers**

Negotiations on tariff liberalisation should not only address the abolishment of import tariffs but should also take the existing additional tariffs into account. Despite the general tariff rate for EU priority products being relatively low (around 10%), e.g. Brazil charges moreover a contribution for Social Integration Programmes as well as a Tax on Circulation of Goods and Services, which creates – added together – 19 % of tariff burden for exporters. Argentina's tariff policy has been repeatedly used in the past to counterweight internal economic fluctuation on the back of third-country exporters. While tariff barriers for EU fresh produce should be dismantled for export to Mercosur countries, it will be appropriate to also review the EU tariffs for import of fresh fruit and vegetables which are currently in an unlevelled playing field with other Southern Hemisphere suppliers which already enjoy an FTA (Chile, Peru, South Africa). This is particularly relevant for stone fruit, citrus fruit or fresh table grapes - a situation which was recently aggravated by the loss of the GSP status for the Mercosur countries.

## **Market access and phytosanitary measures**

The biggest and most costly problem concerns phytosanitary measures. The European Union operates with an open plant import system, which allows Mercosur countries to import into EU member states as long they comply with plant health directive 2000/29. EU exporters meanwhile will have to instruct their national plant protection authorities to negotiate bilateral protocols for each commodity with the respective national plant protection office of the destination concerned. Additionally, application procedures which include also a pest risk analysis, on average take up to four years until approval, not allowing reactivity to market opportunities. Once implemented, the time-consuming procedures cannot be considered to allow flexibility to adapt to a fast-changing commodity market which is strongly dependent on harvest and weather conditions.

Despite being an alleged common economic zone, phytosanitary conditions and procedures differ in all four countries and complicate application for market access essentially. For all four countries concerned, Freshfel observes a general lack of capacity to process European applications as well as opaque and complicated procedures. Mercosur countries are pleased to secure a market access to the EU as a single entity but might keep EU Member States to still negotiate individually with each of the Mercosur countries. This therefore creates four market access status for Mercosur in case of export to the EU, to be contrasted with up to 72 applications for the 28 EU Member States to the four different destinations.

Consequently, Mercosur countries shall all be pledged to act as one country when it comes to Market Access procedures and phytosanitary conditions. The harmonization of all four systems towards one common approval system should be the outmost priority to tackle. Moreover, Mercosur countries shall establish fast-track procedures for priority products coming from EU member states, to tackle delay and accelerate access. Third, the European plant protection system shall be recognized as sufficient standard without adding additional treatment burden or concluding long-lasting pest risk analysis. The above mentioned issues could be bundled in an improved single window system for imports and exports with defined step-by-step processes, to enhance transparency, readability and more simplicity of the application processes.

## **Measures for trade facilitation and diversification within the region**

Mutual trust and economic and political stability are the essence of lasting and balanced trade relations. Next to technical discussions, Freshfel Europe encourages the establishment of measures to improve the dialogue between the respective plant protection authorities to foster cooperation, coordination and exchange. With regard to improved trade relations with Argentina, Uruguay and Paraguay, additional analysis will have to be conducted, to isolate non-technical trade barriers, hindering similar growth to these country destinations as to Brazil.

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**Attachment below:**

Statistical factsheet EU-Mercosur negotiations – Fruit and Vegetable Trade Flows at one glance

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## Statistical factsheet: Fruit and vegetable trade flows at one glance

### European Union exports to Mercosur countries:

Fruit and vegetable exports from EU-MS to Mercosur countries increased by 857 % in volume and 705 % in value from 2005 – 2015

Exports in 2015 amounted 330.525 T worth € 185 million out of which 60.9% vegetables, 39.1 % fruit

Leading EU exporters in 2015: The Netherlands, Spain, Portugal,

Main export destination: Brazil, receiving 98% of EU fruit and vegetable exports

Main exported products: Apples, pears, stone fruits, kiwifruits, onions and shallots

### Mercosur exports to European Union countries

Fruit and vegetable exports from Mercosur countries decreased by 41% in volume and 5% in value from 2005 – 2015

Exports in 2015 amounted 880.183 T worth € 1 billion out of which 98.5 % fruit, 1.5% vegetables

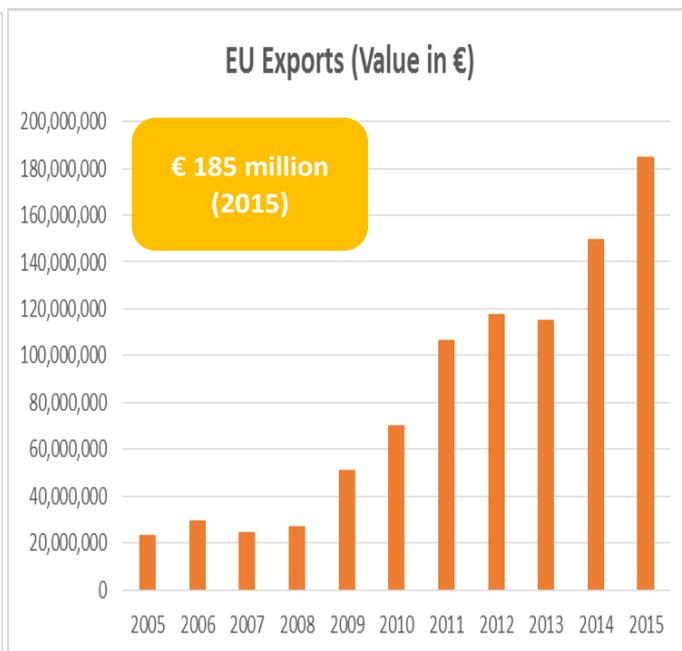
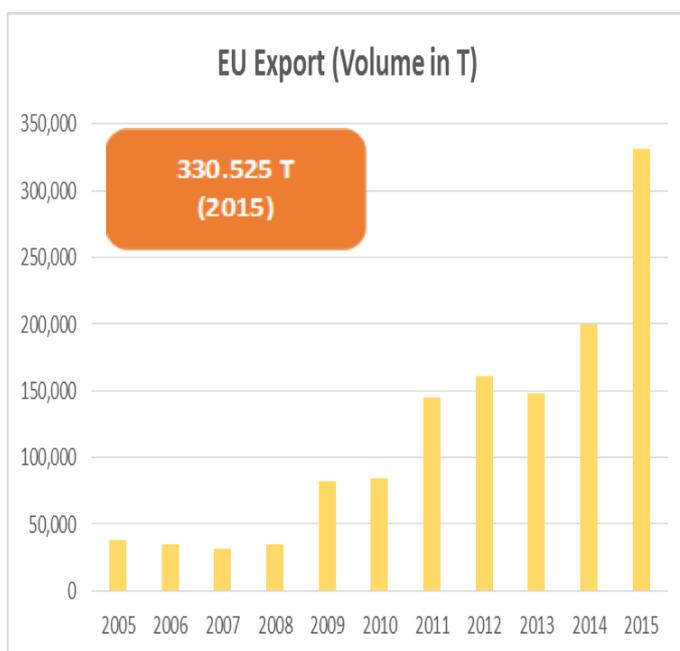
Mercosur countries maintain trade relations with 26 EU member states

Leading importers: The Netherlands, Spain, UK,

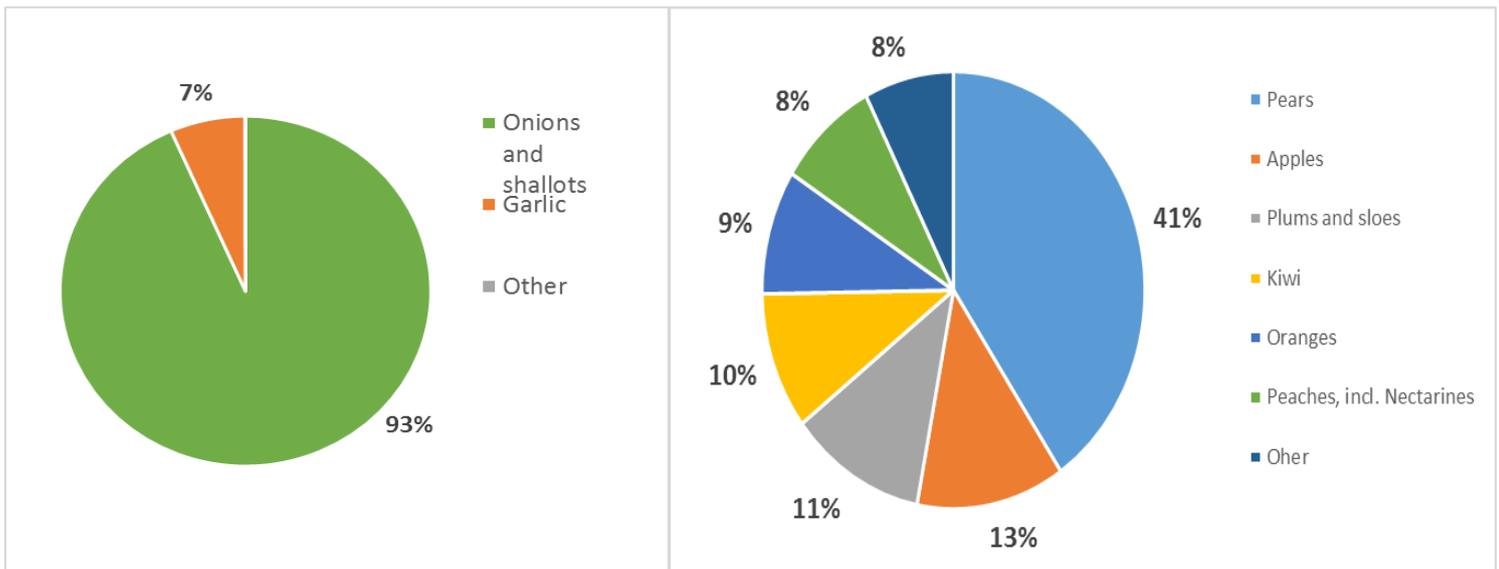
Main supplier: Brazil with 60% of all fruit and vegetable exports

Main exported products: Lemons, melons, mangoes, oranges, pears and apples

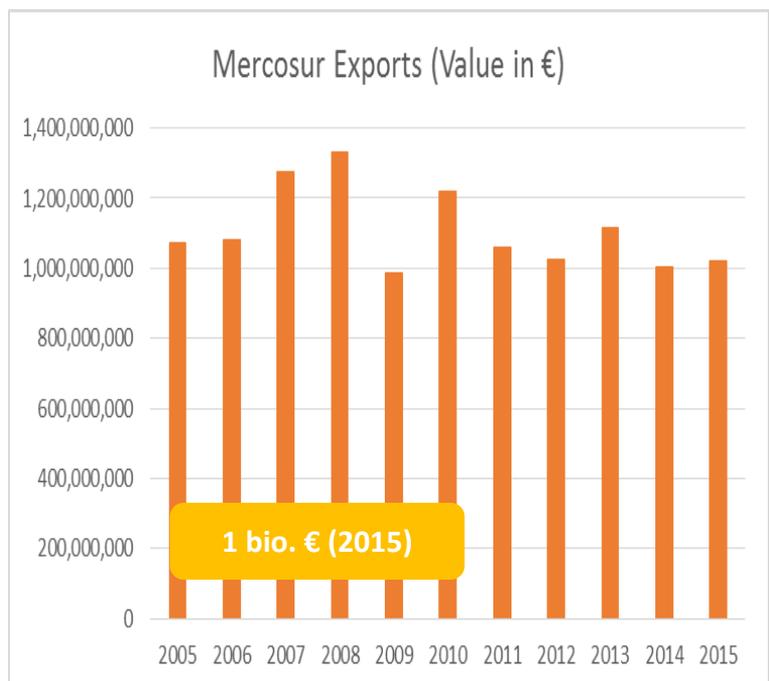
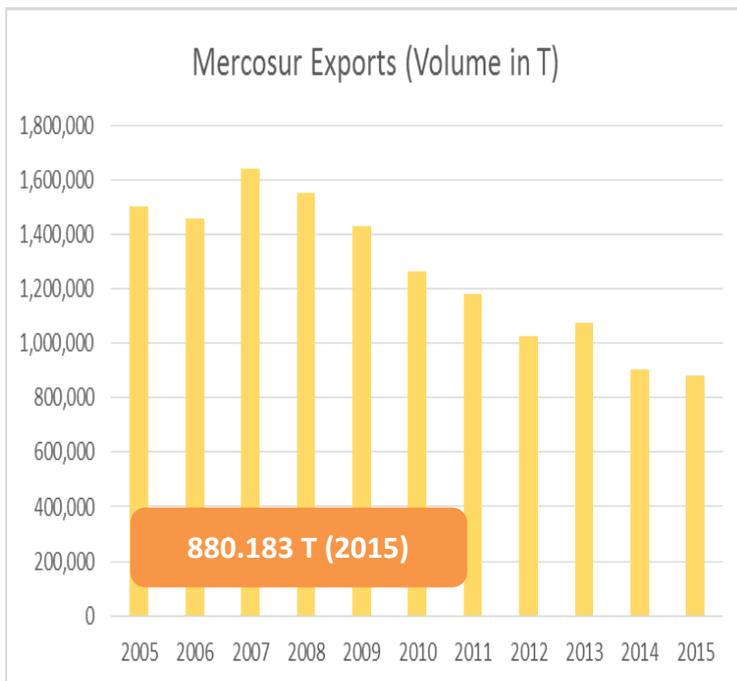
### EU exports to Mercosur countries 2005 – 2015



## EU exports to Mercosur countries: Products (Percentage of Volume, 2015)



## Mercosur exports to EU 2005 -2015



### Mercosur exports to EU: Products (Percentage of Volume, 2015)

