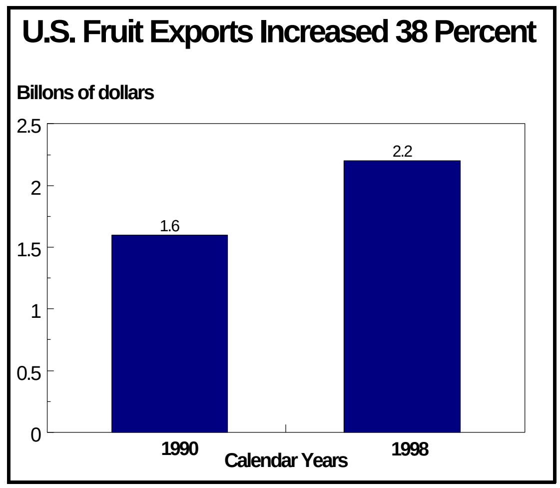
WTO and Agriculture
What's at Stake for Non-Citrus Fruit?

Future prospects for the U.S. fresh and processed fruit sector will continue to depend greatly on its ability to maintain and expand export markets. The World Trade Organization (WTO) and trade negotiations offer comprehensive new trade agreements aimed at achieving these objectives.

Why Trade Matters for U.S. Fresh and Processed Fruits

U.S. fresh and processed non-citrus fruit exports were valued at $2.18 billion in calendar year 1998, an increase of 39 percent since 1990. Exports of apples expanded more than 50 percent from $213 million in 1990 to $329 million in 1998. Other fresh fruits with significant increases were cherries, which increased 68 percent from $68 million in 1990 to $114 million in 1998, and table grapes (more than 20 percent from $216 million in 1990 to $262 million in 1998).



Exports have become critical to the success of the U.S. fresh fruit industry. In 1998, exports of prunes accounted for 36 percent of production. Similarly, about 36 percent of cherries, 32 percent of grapes, 28 percent of pears, and about 23 percent of apples for fresh use are exported overseas. High percentages for many other fruits are also shipped, and producers increasingly rely on reductions of trade barriers to increase sales and expand their markets.

How Trade Agreements Expand Market Opportunities

The United States is a leading exporter of fresh and processed fruit. The fruit sector has benefitted, and is expected to benefit further, from the tariff cuts and market opening provisions of the Uruguay Round Agreement and the North America Free Trade Agreement (NAFTA). Agreements to remove technical barriers to trade have also opened markets for a range of U.S. fresh and processed fruits.

Under the WTO agreement, the Philippines lowered its tariffs on fresh grapes from 50 percent to 35 percent. It also reduced the tariff for apples from 50 percent to 45 percent. As a result, U.S. grape exports to the Philippines have risen more than 100 percent since 1990 to $8 million, and apple exports reached $7 million in 1998, an increase of 38 percent over shipments in 1990.

Mexico was a minor market for U.S. apples in 1990. Trade increased rapidly after Mexico eliminated import permits in 1991. Under NAFTA, the 20 percent tariff on apples is reduced

by 2 percent every year until it is completely phased out in 2003. By 1998, Mexico was the third most important market for U.S apples, with exports valued at $39 million. Under NAFTA, Mexico reduced to15 percent the tariff for fresh pears, quinces, plums, and prunes imported from the United States. This tariff was eliminated at the beginning of 1997. Mexico is today the second largest export market for U.S. pears. In 1998, Mexico's imports of U.S. pears were valued at $27 million, compared to $12 million in 1990.

Tariff rate quota negotiations with Israel have increased the opportunity for U.S. fresh and processed fruits, such as apples and dried fruit exports. U.S. apple exports to Israel were valued at $1.2 million in 1998 as compared to no shipments a few years ago. Since 1990, the value of U.S. exports of prunes had tripled and raisin exports had increased by more than 180 percent.

Why Further Trade Negotiations Are Needed

Key markets around the world still apply high tariffs to U.S. fresh and processed fruits. The reductions of these tariffs would be essential for the success of the U.S. fruit industry. A few examples follow:

Currently, the Philippines maintains high tariffs for citrus fruit, grapes, apples, and pears in the range of 20 and 30 percent. These are excessive duties in light of the fact that the Philippines does not produce commercial amounts of most of these products. U.S. exports of these products could increase by $50 million were tariffs to be reduced significantly.

The Indonesian duty on fresh apple and grape imports is 25 percent and 20 percent, respectively. If these duties were to be reduced, the U.S. apple and grape industry could increase sales by $20 million, assuming a healthy, stable domestic economy in that country.