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## WTO and Agriculture

# What's at Stake for Tree Nuts?

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Future prospects for U.S. tree nuts are highly dependent on the United States' ability to maintain and expand market access, ensure fair competition, and level the international playing field for U.S. producers and exporters. The World Trade Organization (WTO) and trade negotiations offer comprehensive new trade agreements aimed at achieving these objectives.

### Why Trade Matters for U.S. Tree Nuts

U.S. tree nut exports reached \$1.17 billion in 1998, a 46-percent increase over 1990. In 1998, almonds and walnuts accounted for the majority of tree nut exports, valued at \$760 million and \$151 million, respectively. Pistachio exports remained a strong third, valued at \$120 million. In 1998 the largest markets for U.S. tree nuts were Germany, at \$204 million; Japan, at \$122 million; and Spain, at \$111 million.

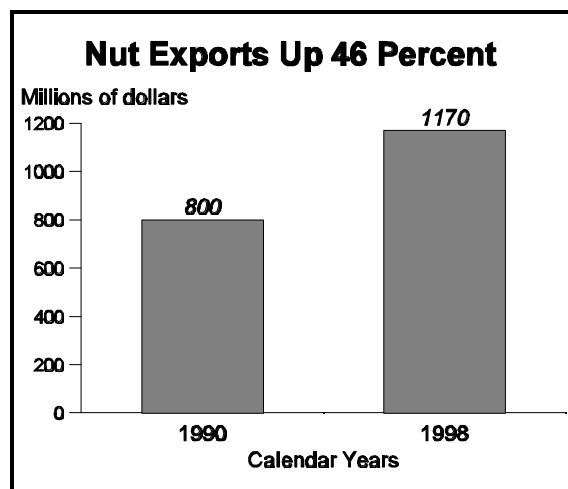
Export markets remain important for U.S. tree nut sales, farm prices, and producer income. In 1998, almond exports accounted for more than 75 percent of production. Walnut exports accounted for nearly 51 percent of production.

### How Trade Agreements Expand Market Opportunities

Trade agreements have opened markets, reduced unfair competition such as farm subsidies, and eliminated sanitary-phytosanitary barriers.

# Under the Uruguay Round agreement, a number of countries made commitments benefitting U.S. tree nut exports. For example:

- ▶ The EU, the largest market for U.S. tree nuts, agreed to a 50-percent tariff cut for shelled almonds and in-shell walnuts and a 36 percent cut for shelled walnuts, roasted almonds, and roasted pistachios. Also during the recent EU-15 enlargement, the tariff rate quota for almonds was expanded from 45,000 metric tons to 90,000 metric tons.
- ▶ South Korea will reduce tariffs on in-shell almonds from 50 percent to 21 percent and walnuts from 50 percent to 30 percent.
- ▶ Thailand will cut in half its tariffs on walnuts and roasted almonds. The new duties for tree nuts will be 10 percent or 8.50 baht per kilogram, whichever is higher. In 1998, U.S. tree nut exports to Thailand reached \$.7 million, up 71 percent since 1990.



- ▶ Malaysia will reduce the tariff on almonds, walnuts, hazelnuts, chestnuts, and pistachios from just over 5 percent to zero. The tariff for roasted nuts will be reduced from 30 percent to 20 percent. U.S. tree nut exports to Malaysia increased 82 percent since 1990, reaching \$2 million in 1998.
- # Several trade negotiations with India since 1988 have succeeded in opening that market for U.S. almonds. By the end of 1998, these efforts had helped U.S. tree nut exports reach \$51 million, making India our ninth largest market - up from tenth place in 1997.

### **Why Further Trade Negotiations Are Needed**

- # Although the EU has expanded its tariff rate quota for almonds, the termination of the duty on almonds by the EU would result in additional exports of approximately \$30 million. The EU is the largest export market for California almonds. Also, further negotiations are needed to reduce the EU's subsidization of the production, processing, and marketing of tree nuts (almonds and walnuts).
- # While China represents a large potential market for U.S. almonds, it maintains a restrictive high duty. Also, substantial Chinese tariffs, mandatory inspection, restrictive licensing, and government control of currency conversion limit U.S. walnut exports.
- # The elimination of India's duty on in-shell almonds would result in an increase of U.S. almond exports to India of approximately \$100 million. Also, a reduction of the duty for pistachios is essential to expand exports.