
WTO and Agriculture

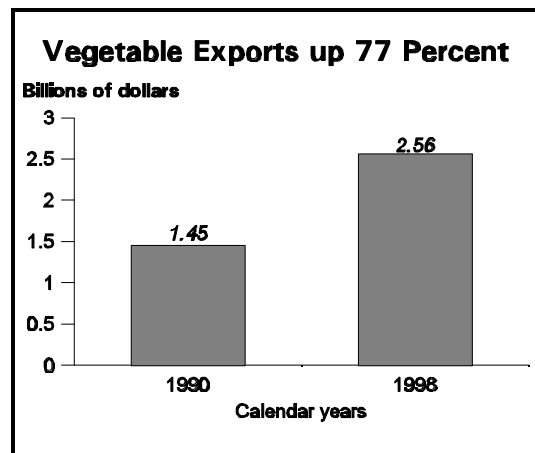
What's at Stake for Vegetables?

Future prospects for U.S. fresh and processed vegetables depend greatly on the United States' ability to maintain and expand export markets, ensure fair competition, and further 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. Fresh and Processed Vegetables

U.S. fresh and processed vegetable exports reached a record \$2.56 billion in 1998, an increase of 77 percent since 1990. One of the bigger success stories continues to be frozen french fries. French fry exports vaulted from \$124 million in 1990 to \$325 million in 1998. Japan accounted for nearly 53 percent of the total value, followed by Canada, Hong Kong, Mexico, Korea, Taiwan, and the Philippines.

Other vegetable products with significant growth included broccoli, which expanded from \$39 million in 1990 to more than \$96 million in 1998, and carrots, which nearly tripled from \$23 million to \$60 million. Canada is the largest market for U.S. vegetable exports. Japan, Hong Kong, Mexico, Korea, and the EU are also important markets.



Today, U.S. vegetable farmers look more and more to overseas markets for new marketing opportunities. In 1998, exports accounted for 31 percent of U.S. cauliflower production. Similarly, about 26 percent of all fresh asparagus, and 17 percent of all fresh broccoli is shipped overseas. Approximately 13 percent of U.S. frozen french fry production is exported.

How Trade Agreements Expand Market Opportunities

Trade agreements have opened markets, reduced unfair competition such as trade distorting subsidies, and have added new disciplines to sanitary-phytosanitary regulations.

Through the Uruguay Round, many concessions were realized which have led to increased exports of U.S. fresh and processed vegetables:

- ▶ Korea reduced tariffs on frozen french fries (18 percent); and canned sweet corn (15 percent). Korea also removed the ban on fresh potatoes and potato flour, meal, pellets, and flakes. It established a 60-ton tariff rate quota for potato flour, meal, pellets and flakes, and agreed to reduce the in-quota tariff rate by 40 percent by 2004.

- ▶ The Philippines removed its ban on imports of fresh vegetables.
 - ▶ Thailand will cut in half the tariffs on tomato juice, french fries, canned sweet corn, and vegetable juice mixtures.
- # Japan lifted its prohibition on U.S. fresh tomatoes in 1997 following the negotiation of a new quarantine protocol. The value of U.S. fresh tomato exports to Japan was valued at \$829,000 in 1998, compared to \$154,000 in 1997. The U.S. tomato industry expects to substantially increase tomato exports to Japan in the coming years.

Why Further Trade Negotiations Are Needed

- # While the Uruguay Round provided many beneficial tariff reductions for frozen french fries, duties still remain high in many growing Asian economies where fast food demand continues to expand. After Uruguay Round duty cuts, duties applied on frozen french fries will remain high in Thailand (30 percent), Korea (18 percent), Japan (10 percent) and the Philippines (10 percent). Additional duty reductions in these countries would produce strong gains in U.S. frozen french fry exports as the Asian economic outlook improves. Also, China's duty on french fries of 45 percent is expected to be reduced as part of its accession to the WTO.
- # Switzerland still applies a restrictive tariff rate quota import scheme that limits the import of U.S. fresh asparagus during the height of California's and Washington State's seasons, from May 1 to June 15. The within-quota tariff that U.S. exporters pay during this period is 3.50 Swiss Francs per 100 kilograms, and the out-of-quota tariff during the same period is as high as 799.00 Swiss Francs per 100 kilograms (to be reduced to 734 Swiss Francs per 100 kilograms by the year 2000). From June 15 to April 30, any amount of green asparagus can be imported into Switzerland at a tariff of 3.50 Swiss Francs per 100 kilograms (equivalent to 1.5 U.S. cents per pound).