

International Issues for Tree Crops

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Historical background

- Trade is natural, nations were invented.
- International agricultural trade is not new. It began as soon as there were nations several millennia ago.
- Agricultural trade has often led to conflict.
- Globalization is now thoroughly imbedded.
- Global connections always create opportunities and concerns.

Basic economics of more access in global markets

- Trade does not benefit everyone individually
- Positive for producers and workers in industries that export, for consumers of imported products, for each economy and for the world economy as a whole
- This is common sense is backed up by lots of complex models and data

Implications of Opening Agricultural Markets

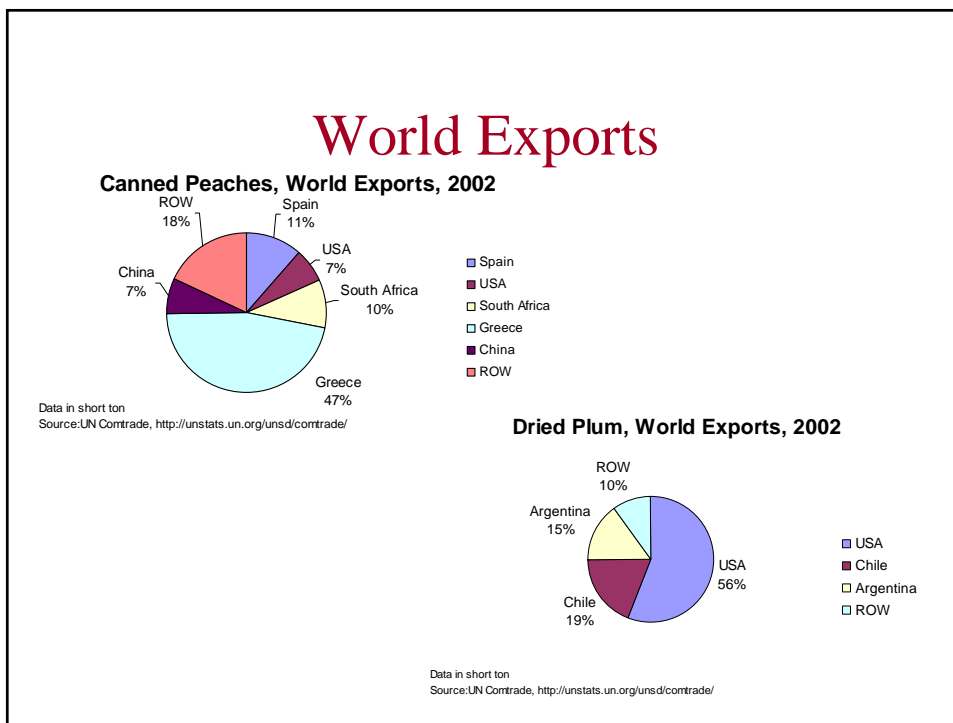
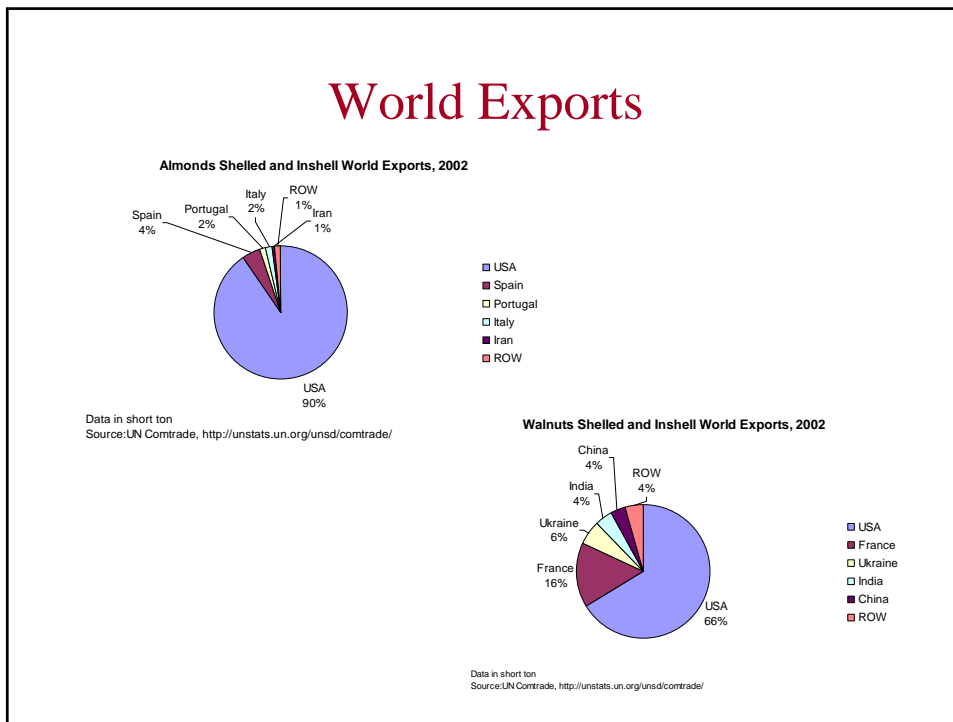
- With fewer government restrictions, relative costs and qualities will drive sourcing of raw materials and consumer products
- Economics more than politics will explain investment choices for plant location and even agricultural research investments

Agricultural trade is important in California and the U.S.

- We import and export agricultural goods.
- We also trade in non-agricultural goods and services that are vital to the economy and to agriculture.
- For the U.S. and California, comparative advantage in agriculture remains strong for the foreseeable future.

Tree crops win from more global access and reduced subsidy

- California agriculture as a whole and tree crops specifically are a major **net** exporters
- California tree crops gain the more access it gets to global markets
- Naturally, narrow interests would open customer markets and keep our market closed to competitors
- But, that is not a real option





Negotiations

Nations use the WTO and trade negotiations to move towards the goal of a more open global market for goods and services.

- The US is in the midst of many current negotiations that will set the rules for trade for the decades to come.
- What do these negotiations mean for tree crops?

Tariff Reductions

- Central to the next round of multilateral negotiations.
 - Many tariffs remain high or prohibitive.
- Tariff elimination would reduce other problems in agricultural trade.
- Zero tariffs would expose other barriers to added pressure.

Tree crop tariffs in the US

		Tariff Rates	%
Almonds	In shell	\$0.077/kg	3.18%
	Shelled	\$0.24/kg	9.9%
Walnuts	In shell	\$0.07/kg	5.88%
	Shelled	\$0.265/kg	22.26%
Dried Plums		14%	14%
Cling Peaches		17%	17%

Converted to % using 2002 Prices,
ERS/USDA

Tree crops tariffs facing the US

		China	Korea	Japan	EU
Almonds	In shell	24%	45%	2.4%	5.6%
	Shelled	10%	21%	2.4%	3.5%
Walnuts	In shell	25%	45%	10%	4%
	Shelled	20%	30%	10%	5.1%
Prunes		25%	18%	2.4%	9.6%
C. Peaches		10%	54%	6.7% - 29.8%	15.2% - 46.5%

Source: WTO

Domestic subsidies for tree crops

- Of course domestic subsidy also can affect trade
- Most distorting forms are easing anyway
- The WTO rules seem to limit these more tightly, but compliance remains hard to monitor and enforce
- Little legal scope for large new subsidies that stimulate production

Subsidy programs in Europe and elsewhere

- E.U. Subsidies remain significant especially for Greek Peaches and French Prunes
- Greek growth in peaches was driven by subsidies
- French Prune subsidies keep an old, inefficient system in place
- French Prune production would fall substantially without subsidies.

Subsidy programs, Cont.

- For both subsidy programs, the economics and politics are now moving against them
- E.U. expansion eastward means more budget pressure
- E.U. has substantially cut grain, beef and other subsidy programs
- The WTO negotiations and dispute settlement adds to the pressure

Sanitary and Phytosanitary rules

- The sanitary and phytosanitary (SPS) agreement covers food safety as well as exotic pests
- Sanitary or phytosanitary barriers must be based on sound science.
- Disputes adjudicated through reviews and panel judgements.

Sanitary and Phytosanitary Measures

- The goal is more access, with legitimate protection
- Phony trade barriers can hide behind legitimate concerns so progress is case by case
- The US is challenged on some rules and we challenge others too
- Every trading industry must keep the pressure importers to play by rules

“Unfair” trade practices

- Anti-dumping duties make little sense in a competitive cyclical industry like agriculture
- Countervail involves government programs and may be a useful tool
- The WTO agreement has scope to enforce anti-subsidy provisions and these are likely to get stronger
- Current WTO cases suggest reforms of subsidy programs in Europe and elsewhere

Conclusion: Strategy for more tree crop market opening

- Renewed assurances on human and environment health--keep science mandate
- Use WTO and bilateral free trade deals to keep tariffs declining as rapidly as possible
- This is consistent with the US government efforts
- Do not let market opening be stymied by effort to protect US subsidies or domestic markets