GATT-Uruguay Round: Impact on Demand for Horticultural and Meat Products in North America, Europe, and Asia

A Synthesis of Three Commissioned Papers

Analytical Report No. 3

Regional Agribusiness Project
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by

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GATT-UR: SYNTHESIS OF THREE BACKGROUND PAPERS

This report synthesizes the findings of three papers that were commissioned by the Regional Agribusiness Project (RAP).[1] RAP was initiated in November 1993 to serve the Asia Bureau Missions of the U.S. Agency for International Development. The three papers were commissioned to analyze the impact of the treaty agreements of the General Agreement on Tariffs and Trade-Uruguay Round or GATT-UR. Each paper examines the historical trend in imports to its respective region — North America, Europe, and Asia — including the record of imports from the developing countries of Asia. The papers then provide estimates of the growth in imports that would be occasioned by universal passage of the new GATT-UR agreements.[2]

BACKGROUND TO GATT-UR

Prior to GATT-UR and continuing today, severe distortions exist in worldwide trading relationships for horticulture and meat products because each country has developed its own unique set of production and export subsidies as well as distinct tax and incentive programs. Hence, the notion of a worldwide competitive market structure falls well short of realization. Moreover, the rules and regulations that govern the treatment of agricultural commodities in both domestic and international markets vary widely for each product in each country. With extensive international trade currently taking place with more than 36 major commodities among more than 115 countries, this amounts to well over 4,000 distinct sets of rules and regulations. This presents a daunting mosaic for any individual producer or exporter in any country.

To harmonize these conditions that impact on the trade of these and other commodities and to create a level playing field on a worldwide basis, the major trading partners instituted GATT. GATT has served as a forum at which these countries have attempted to reach a common stance on the degree to which traded goods should be supported and protected, or in other circumstances, completely liberalized without any supports, taxes, duties, or levies at all. GATT negotiations were initiated in 1948 and have gone through eight rounds of negotiation since then; the last one, the Uruguay Round, was begun in 1986 and is just now in the process of final ratification by GATT signatory countries. Implementation of the measures stipulated by the GATT-UR will be initiated in 1995 and will evolve over the next decade before the final levels of the provisions of the agreement are attained in full. Although seven rounds of negotiation preceded the Uruguay Round, agriculture has been noticeably absent, to any substantive degree, from the negotiations prior to this round. However, agriculture has now come to the fore and is perhaps the leading sector addressed by the major trading partners.

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[1]Ron Bobel, "North American Market Access under the Uruguay Round for Philippine Agribusiness: Opportunities and Risks," September 1994; Greta R. Boye and Montague J. Lord, Part 1, "GATT Impact on European Trade," September 1994, and Part 2, "The GATT Impact on European Meat Trade," October 1994; Michael Plummer, "Implications of the Uruguay Round for Agricultural Exports of the Philippines: The Case of Asian Markets," September 1994.

[2]The papers are available upon request to Kenneth Swanberg, Regional Agribusiness Project, Development Alternatives, Inc., 7250 Woodmont Avenue, Suite 200, Bethesda, Maryland, 20814, USA; fax: 301-907-2655; cost for reproduction and mailing of each paper is $10.

T! GATT-UR Provisions

The specific provisions of the GATT-UR address five basic categories of taxes and incentives. These include market access, export subsidies, internal supports, sanitary and phytosanitary measures, and special provisions. Each category has several components. The major points for each category are presented below:

Market Access

- Any commodity currently under a quota regime will be forced to convert to an import tariff equivalent, a procedure known as "tariffication." The resulting tariff levels will then be treated the same way that existing tariffs will be treated.
- On a simple average basis across all commodities, tariffs, including tariff equivalents, will be reduced by 36 percent. Such reductions will be executed in equal installments over 6 years for developed countries and 10 years for developing countries.
- A minimum tariff cut of 15 percent will be established for each commodity, in equal installments over the respective implementation period.
- A minimum access level of 3 percent of domestic consumption will be offered to expand imports, rising to 5 percent over the implementation period.
- For those countries whose imports are already greater than 5 percent of domestic consumption, current access levels (in other words, import agreements) will be maintained for those products covered by nontariff barriers (quotas).
- Quantity- and price-triggered import safeguards will be established for agricultural products subject to tariffication.

Export Subsidies and Enhancements

- The number of export commodities receiving export subsidies will be reduced by 21 percent.
- Budgetary outlays for export subsidies will be reduced by 36 percent.
- The use of export subsidies for any product not subsidized during the base period, 1986-1990, will be banned.
- Budgetary disciplines for processed products will be imposed.

Internal (Domestic) Supports

- The total Aggregate Measurement of Support (AMS) will be reduced by 20 percent.
- Criteria for non-trade-distorting production support programs and corresponding guidelines for production-limiting policies will be established.

Sanitary and Phytosanitary Measures

- Sanitary and Phytosanitary (SPS) measures will be based on scientific criteria, using risk assessment methodologies.

- The use of international (or stricter) standards for all trade commodities, ensuring transparency at all stages of implementation, will be encouraged.

Special Provisions for Developing Countries

- Developing countries will be required to adhere to only two-thirds of the reduction commitments required by developed countries and will have 10 as opposed to 6 years to implement the reductions.

- Least-developed countries will be exempt from all reduction commitments.

Existing Degree of Trade Protection

Overall, support and protection for agricultural commodities in the countries negotiating in the GATT-UR are quite high, although they vary considerably across regions. Protection is measured by calculating what is known as producer subsidy equivalents (PSEs). PSEs include such measures as disaster, deficiency, diversion, and storage payments, as well as a host of price supports, loan forfeit benefits, entitlements, subsidized services, and facilities improvement credits. The levels of support that brought this issue of agricultural subsidies to a head, based on average values for 1982 to 1986, range from a high of 72 percent (of the domestic consumer price) for Japan to 61 percent for South Korea, 42 percent for Mexico (prior to the North American Free Trade Agreement or NAFTA), 36 percent for the European Community-10 (now the European Union or EU), 31 percent for Canada, 24 percent for New Zealand and the United States, 19 percent for Taiwan, and 12 percent for Australia and Indonesia.

With the ratification of the GATT-UR treaty agreements, the effects of tariff reductions will average 44 percent for Japan, 37 percent for Australia, and 54 percent for New Zealand, compared with 22 percent for the United States and 23 percent for the European Union. PSEs, which are a combination of export subsidies and various producer supports, will also be cut dramatically by the end of the implementation period.[3] The following paragraphs describe the tariff and protection systems in each of the three regions analyzed in this study.

North America

The United States and Canada, unlike the industrial countries of Europe and Asia (particularly Japan and Korea), have already adopted very liberal trade policies for fruits and vegetables. Tariff rates have either been eliminated, under the Generalized System of Preferences (GSP), NAFTA or the

[3]Hong Kong and Singapore do not produce these products and as a result they are not protecting their internal markets and no PSEs have been calculated for them.

Caribbean Basin Initiative (CBI), or are quite low, especially during the winter off-season for North American producers. Most of the Asian developing countries qualify for the GSP.

Of the products selected in the three studies under review, only onions, beans, the processed products, and roses have tariffs that are not exempted under the GSP in the United States. Canada has tariffs on onions, broccoli, and cauliflower, canned asparagus and tomato paste, and cut flowers. All of these products will experience increased demand in these markets as a result of the GATT-UR tariff reductions. However, these products do not benefit from production or export subsidies, nor are there any quotas in the North American market for them. Thus, reductions in these measures will not affect these crops. The famous "marketing orders" in the United States (which ostensibly stabilize local market prices but actually prop up local producer prices) so far have not been addressed by the GATT-UR reductions.

Both the United States and Canada have quotas and complex tariffs for meat products, which will be modified by the GATT-UR measures of reduction.

Much has been made about the strictness of sanitary and phytosanitary restrictions that affect these products. However, for North America, these measures will be the same before and after the GATT-UR implementation.

Europe

The situation in Europe is much more complex. The complexity of the administrative, regulatory, and budgetary controls over imports are often daunting to foreign suppliers attempting to penetrate these markets, particularly for nontraditional export products. Current tariff levels vary by the type of trade preference a country may enjoy. Most-favored nation (MFN), GSP, Lomé Convention (ACP), and other arrangements for Latin America grant exemptions or lower rates for specific commodities to countries that are members of each agreement. All of RAP's targeted countries receiving assistance in Asia from USAID receive at least MFN status. Table 1 gives some of the tariff schedules for different Asian products in the EU market. Table 2 indicates reductions after GATT.

For the product categories reviewed by this study, the unweighted average MFN tariff is 14.5 percent. However, there is considerable diversity across products, with 8.6 percent for fresh fruits and nuts and 20 percent and 26 percent for processed vegetables and fruits, respectively. Moreover, pineapples are taxed an additional duty plus a variable European Union levy. This shows that processed products are protected more vigorously than fresh or unprocessed products, which has been part of the European scheme to discourage producing-country processing activities and thereby protecting European processors from foreign competition. Tariffs for fresh fruits and nuts vary from zero for cashews to 20 percent for bananas. The MFN tariffs for fresh vegetables and cut flowers tend to be seasonal tariffs, levied at higher rates from June to October and lower rates during the winter months of November to May, generally varying by five percentage points. This is an additional attempt to protect domestic producers during peak production periods in Europe.

In addition to the MFN tariff rates, the countries assisted by USAID in Asia all qualify for the GSP trade agreements, with Bangladesh and Nepal qualifying for GSP for Less Developed Countries (LDCs). However none of these countries qualifies for any of the other preferential trade arrangements such as the ACP or Latin American accords of the Andean Pact or Central American Common Market.

TABLE 1

EUROPEAN UNION TARIFF RATES ON SELECTED AGRICULTURAL PRODUCTS
(Drawn from the paper by Boye and Lord)

Product		MFN	GSP	GSP for LDCs
Fresh Fruit and Nuts				
Bananas		20%	0%	—
Mango		6%	0%	—
Melons		11%	0%	—
Papaya		6%	0%	—
Cashews		0%	—	—
Fresh Vegetables				
Onions		12%	—	—
Garlic		12%	—	—
{Broccoli	5/15-8/30	17%	—	—
Cauliflower	1/12-4/14	12%	—	—
Beans	10/1-6/30	13%	—	0%
	7/1-9/30	17%	—	0%
Processed Fruit and Vegetables				
Pineapple		32%-22%	—	0%
Tomatoes		18%	—	0%
Asparagus		22%	20%	0%
Flowers				
Roses	6/1-10/31	24%	7%	0%
	11/1-5/31	17%	7%	0%
Chrysanthemums	6/1-10/31	24%	—	0%
	11/1-5/31	17%	—	0%
Orchids	6/1-10/31	24%	15%	0%
	11/1-5/31	17%	—	0%

To qualify for GSP, products must satisfy the criteria of "rules of origin." Nevertheless, tariff reductions are still subject to safeguard clauses that limit total amounts imported from any specific source. Under the GSP, cut flowers, one of the products covered by these studies, are granted the most relief. Import tariffs for roses, with seasonal MFN tariffs of 17 and 24 percent, are reduced to 7 percent for both under GSP, and to zero percent for countries with GSP for LDCs qualifications. However, chrysanthemums are not covered by GSP, and the tariffs for orchids are reduced only during June 1 to October 31. For mangoes, melons, bananas, and papayas, the MFN rates are reduced to zero for GSP countries but are unchanged for GSP for LDC countries, at 6 percent, 11 percent, 20 percent, and 6

TABLE 2

EUROPEAN UNION TARIFF REDUCTIONS AFTER GATT
(Drawn from the paper by Boye and Lord)

Product		MFN		GSP	
		Base Rate	Reduced Rate	Base Rate	Reduced Rate
Fresh Fruit and Nuts					
Bananas		20%	16%	0%	0%
Mango		6%	0%	0%	0%
Melons		11%	8.8%	0%	0%
Papaya		6%	0%	0%	0%
Cashews		0%	0%	0%	0%
Fresh Vegetables					
Onions		12%	9.6%	No GSP	
Garlic		12%	9.6%	No GSP	
{Broccoli	5/15-	17%	13.6%	No GSP	
	8/30	12%	9.6%	—	
Cauliflower	1/12-	13%	10.4%	No GSP	
	4/14	17%	13.6%		
Beans	10/1-				
	6/30				
	7/1-				
	9/30				
Processed Fruit and Vegetables					
Pineapple		32%	25.6%	No GSP	
Tomatoes		18%	14.4%	No GSP	
Asparagus		22%	17.6%	20%	17.6%
Flowers					
Roses	6/1-	24%	12%	7%	5%
	10/31	17%	8.5%	7%	5%
	11/1-	24%	12%	No GSP	
	5/31	17%	8.5%	No GSP	
Chrysanthemums	6/1-	24%	12%	15%	8.5%
	10/31	17%	8.5%	No GSP	
	11/1-				
	5/31				
Orchids	6/1-				
	10/31				
	11/1-				
	5/31				

percent, respectively. For fresh vegetables, only Bangladesh and Nepal receive tariff reductions for beans. None of the other RAP countries receives GSP relief for fresh vegetables. Similarly, processed pineapple receives no relief for GSP countries but GSP for LDCs receive complete exoneration down to 0 percent for both processed fruit and processed vegetables. GSP countries are granted a 2 percent reduction for processed asparagus and no relief for tomato paste.

In addition to tariff measures, the European Union uses nontariff barriers to control the level of imports. Licensing is one of these measures, and is applied to chilled onions or shallots and prepared tomato products. Surveillance is employed for cut flowers. Antidumping duties and countervailing duties are other trade restricting measures used in Europe but are not applied for the commodities reviewed under this study. Price controls, called reference prices, are applied to cauliflower and broccoli from April to November. Processed pineapple is subject to a levy to bring the c.i.f. price in line with domestic EU prices. New quality control measures have also been instituted in the EU markets since 1993, and require more stringent controls on proper packaging, labeling, and grades.

Perhaps the most controlling measure that constrains the volume of imports of our selected commodities is the European Union's system of value added tax (VAT). These domestic taxes are imposed on imports to bring their values more in line with domestic prices for these commodities. VATs vary by product and by country. Fresh fruits, nuts, and vegetables have the lowest average VAT at 7 percent, but vary from zero percent in Ireland and the United Kingdom, to 25 percent in Denmark. The average VAT for processed fruits and vegetables is 10.4 percent, once again varying from zero percent to 25 percent. The average for live plant material is even higher at 13.5 percent.

TABLE 3

EUROPEAN UNION VALUE ADDED TAX (VAT)
(Drawn from the paper by Boye and Lord)

Country	Fresh Fruits and Nuts	Fresh Vegetables	Processed Fruits and Vegetables	Flowers
Belgium	6%	6%	6%	19.5%
Denmark	25%	25%	25%	25%
France	5.5%	5.5%	18.6%	5.5%
Germany	7%	7%	7%	7%
Greece	8%	8%	18%	8%
Ireland	0%	0%	0%	21%
Italy	9%	9%	9%	9%
Luxembourg	3%	3%	3%	3%
Netherlands	6%	6%	17.5%	17.5%
United Kingdom	0%	0%	0%	15%
Spain				17.5%

Asia

The tariffs for the products selected in this analysis vary considerably among the several principal markets in Asia. For fruits, tariffs are 6 percent for fresh mangoes and 4 percent for fresh papaya in

Japan, 27 percent for both in Singapore, and 60 percent and 100 percent, respectively, in China. Thailand generally runs at 60 percent for fruits and many vegetables. New Zealand and Australia's fruit tariffs are zero except for processed pineapple at 10 percent and 56 percent, and zero for Hong Kong's fruits except for processed pineapple, which is 50 percent. Bananas are generally the same as other fruits in most Asian markets except for Japan, where the rates are 40 percent from April to September and 50 percent from October to March.

Vegetable tariffs are pegged at 2 percent for Australia, 5 percent for fresh vegetables in Japan and about 20 percent for processed, 10 percent in New Zealand, 27 percent in Singapore, and more than 60 percent in Thailand. Thailand also has a quota for onions that will be tariffied to 158 percent. Indonesia's tariffs vary from 60 percent to 90 percent and Malaysia's are 10 percent to 15 percent.

With respect to meat products, Japan's chilled and frozen beef tariff is 93 percent and 18 percent for pork. Thailand's tariff for poultry and pork is 60 percent and Indonesia's is 70 percent. Nontariff barriers to trade are even more significant in the Asian markets considered by this study. Information gathered for this study shows that Japan's NTB tariff equivalents are 72 percent compared with 33 percent for the European Union and 44 percent for the United States.

Current Trade Situation

World trade in fruit and vegetables, flowers, spices, and meat products has expanded every year over the last few decades and will continue to grow in the short run, reaching close to a 10 percent increase over current levels by the year 2000. The trade liberalization catalyzed by the introduction of the measures of the GATT-UR agreements and commitments, principally the quota tariffications and tariff reductions, will generate even greater trade expansion. Trade liberalization will create significant export opportunities for developing countries by the end of the decade. Although the price reductions occasioned by changes in tariff rates will be significant, the consumer surpluses that result will stimulate significant growth in world income. World income is expected to increase by $200 to $300 billion per year above current levels during this time frame; this represents an increase of more than 8 percent over the next decade, as a direct result of the trade liberalization caused by the GATT-UR agreements.

The direct effects of the initiation of the GATT-UR agreements will be felt more in terms of access to markets as opposed to increases in demand due to price reductions or income increases. As production and export supports, incentives, and subsidies are phased out in the horticulture and meat-producing developed countries, their comparative advantage in production over the developing countries located in more tropical environments will diminish and new export opportunities for developing countries to fill the vacuum will arise. Nevertheless, expanded access to all of these markets will be conditioned by the developing countries' own ability to produce quality products and maintain strict adherence to basic phytosanitary standards. Those countries and entrepreneurs who can meet these challenges will experience significant growth in the export of the nontraditional agricultural commodities highlighted in these three studies..

Table 4: Tariff Reductions by Product and Country, with implementation of GATT-UR Current Tariff (Tariff after GATT-UR Reduction)

Product	Australia	Indonesia	Japan	Malaysia	New Zealand	Singapore	Thailand	U.S.	Canada	EU
Mango	0%	90% f (50%) 90% pst (60%)	6% f (3%) 20% sg (12%)		0%	27% f,d (10%)	60% (40%)	2.8% pst (1.3%) 3.34c/kg pk (1.54c/kg) 8.27c/kg f (6.6c/kg)	0%	6% f,d (0%)
Melons Papaya		90% (40%)	4% f (2%) 20% sg (12%) 15% p (7.5%)	90% f (66.1%)	0%	27% (10%)	60% (40%)	8.5% f (5.4%) 17.5% p (11.2%) 4% d (1.8%)	0%	5.5% ck (2.3%) 6% f (0%) 4% d (2%)
Citrus (Pomelo)		60% (40%)					60% (40%)	.9% (.8%)		16% (12.8%)
Banana	(0%)		40% a-s 20%) 50% o-m (25%)		0%	27% (10%)	60% (40%)	(0%) f 3.5% d (0%)		20% d (16%)
Pineapple	10% p (8%)	90% f,d (50%) 90% j ([illegible]0%)	20% f (17%) 73% p (23.5%)	30% f,d (0%) 105% j (20%)	0% f,d	27% f,d (10%)	60% p,j (40%)	.55c/kg p (.35c/kg) .64c/kg f (.51c/kg)	0%	9% f (5.8%) 23% p (18%)
Cashew	(0%) f,d	90% (60%) 140% (100%)	(0%)	5% (0%)		27% (10%)	60% (40%)		0%	(0%)
Asparagus	2% (1%)	70% (50%)	5% f (3%) 20% fz (17%) 20% p (16%)	10% (9%)	10% (7.5%)	27% (10%)	60% (40%)	25% f (5%) 17.5% p (14.9%)	15% f (7.5%) 22.5% fz (19.13%) 22.5% p (14.4%)	16% f (10.2%)
Garlic	2% (1%)	60% (50%) [illegible]0% d (40%)	5% f (3%) 16% pd (9.6%)	15% (10%)	10% (7.5%)	27% (10%)	63% (57%)	1.7c/kg (.43c/kg) 35% d (29.8%)	5% (0%)	12% (9.6%)
Onion	2% (1%)	90% (40%) 80% cont (40%) 60% d (40%)		15% (10%) 30% ps (10%) 10% d (1%) 25% p (15%)	10% (7.5%)	27% (10%)	158% q (142%) 60% ps (40%)	1.3c/kg f (.83c/kg) 8% p (5.1%) 35% pd (29.8%) 25% d (21.3%)	15% (9.6%) 12.5% ps (8%)	12% (9.6%)

Table 4 -- Continued

Product	Australia	Indonesia	Japan	Malaysia	New Zealand	Singapore	Thailand	U.S.	Canada	EU
Cabbage		90% (50%)	5% (3%)	100% q (90%) 9% (8%)		27% (10%)	60% (40%)	1.2c/kg (.54c/kg)	15% (12.7%)	15% (12%)
Potato	10% (5%)	80% sd (50%) 90% fz,f (50%) 70% (40%)	5% f (3%) 10% ck (8.5%) 15% p (12.8%)	6% f (5%) 12% fz (10%)	0%	27% (10%)	139% q (125%) 60% fz (30%) 60% d (40%)	.77c/kg f (.5c/kg) 17.5% ck (14%) 2.9c/kg d (2.3c/kg)	.77c/kg f (.49c/kg) 10% ck (6.4%) 10% d (6.4%)	7% sd (4.5%) 9% st (5.8%) 15% j-m (9.6%) 21% m-j (13.4%) 18% j-d (11.5%)
Beef			93% ch,fz (50%) 15% org (12.8%) 33.2% off (21.3%) Y190/kg slt,d,sm (Y161.5/kg)					31.1% q (26.4%) 7.5% p,ps (3.4%) 7.5% ps/cont (0%) 10% pkl (4.5%)	37.9% q (26.5%) 0% off 17.5% p (11.2%)	20% ch,fz (12.8%) 24% slt,d,sm (15.4%)
Poultry		70% cts,off (40%) 100% oth (40%)					60% (30%)	11c/kg f,fz (8.8c/kg) 22c/kg cts,off (17.6c/kg) tarifcat'n	Overall 15% reduc tarifcat'n	Overall 56% reduc tarifcat'n
Pork		70% f (50%) 100% oth (40%)	Overall 18% reduc High Valued Pork 5% (4.3%)				60% (30%)	0% f 2.2c/kg oth (1.4c/kg) 10% p,ps (6.4%)	15% (9.6%) 17.5% p (11.2%) 20% oth (12.8%)	Overall 46% reduc
Shrimp & Prawns			15% (4.8%)					0%		12% f 20% p

Letter code key
- c/kg = cents/kilogram
- ch = chilled
- ck = cooked, steamed
- co, cont = containers
- d = dried
- f = fresh
- fz = frozen
- j = juice
- j-d = july-dec
- j-m = jan-may,
- m-j = may-jun,
- off = offals
- org = organs
- oth = other types
- p = prepared
- pd = powdered
- pk = pickled
- pst = paste, puree
- ps = preserved
- q = out-of-quota
- reduc = % reduction in tariffs
- sd = seed potatoes
- sg = sugared
- slt = salted
- sm = smoked
- seasonal tariffs:
- tarificat'n = quotas are tariffied

FUTURE FOR ASIAN MARKETS

Marked Growth Potential

Although existing trading patterns from Asia to North America and Europe are weak, the three studies reviewed for this synthesis paper revealed that significant market shares are in the offing, and, as total market size increases, many new suppliers will be required to meet the new demands.

The papers show that current protectionist instruments in these developed country markets present an extremely complex array of tariff levels, quotas, and other nontariff enhancements or constraints (NTBs). As a result, the overall impact of trade liberalization will be felt in several key areas:

- First, imports will be cheaper for many of the horticultural and meat products entering the regional markets covered by these studies, due to the direct reduction in tariff rates;
- Second, existing quota restrictions will be translated into tariffs and subsequently reduced;
- Third, countries excluded from access to any market because of the lack of a previous quota will be able to compete for the new market shares reserved for nonquota countries. This volume will have to be equal to at least 3 percent, rising to 5 percent over six years, of the domestic consumption in each signatory country; and
- Fourth, measures will be implemented that will decrease budgetary expenditures for support subsidies for producers of export commodities in developed countries. This will lead to a reduction in the relative comparative advantage that these countries have controlled up to this time in many principal export markets.

All of these measures are designed to reduce the aggregate measure of support in each participating country and will in turn create many new market opportunities for the developing countries of Asia.

Although it is evident that the demand will increase significantly over the next decade for fresh and processed horticulture crops, and for meat products and crustaceans, penetrating specific markets at any given moment remains a complex task at best. Seasonality of domestic production in temperate climates causes acute volatility in wholesale prices throughout the year in North America and Europe. This phenomenon is then combined with a whole array of different seasonality situations in the developing, tropical-climate countries that supply the off-season products to the developed country markets, thus creating conditions that almost defy prediction. What emerges is an expanding market with significant opportunities for those who can carve out a market niche for themselves in spite of the inherent demand uncertainty that exists in each specific market.

Potential in Asian Markets

Perhaps the most striking and relevant point made in the papers is to shed light on the rapid growth that is occurring in the principal Asian markets. The Newly (emerging) Industrializing Economies (NIEs) and several ASEAN countries have experienced phenomenal, almost double-digit, growth rates over the last two decades, far in excess of comparative rates in North America and Europe. As a result, imports of all agricultural commodities have expanded 20- to 40-fold since 1970 throughout the region (NIEs at 35 times and ASEAN at 24 times), compared with 12-fold expansion for the United States and the world as a whole; 9-fold for Canada, Australia, and New Zealand; and 13-fold for Japan. Taiwan and Korea markets have expanded 43 times and 41 times, respectively. Growth rates for GDP in these countries are presented below:

TABLE 5

GDP GROWTH RATES FOR SELECTED ASIAN COUNTRIES

Country	1971-1980	1981-1990	1995
Hong Kong	9.3	7.1	5.9
Korea	8.7	9.9	6.9
Singapore	7.9	6.3	6.0
Taiwan	9.3	8.5	6.6
Indonesia	7.7	5.5	7.0
Malaysia	7.8	5.2	8.4
Philippines	6.0	1.0	5.5
Thailand	7.9	7.8	8.5
China	7.9	10.1	9.0

The impact of these levels of growth will be spread throughout the region. Markets for export commodities from the USAID-assisted countries highlighted in this analysis are expanding rapidly and will be the focus of attention in the developing Asian countries in the near future, more so than for those markets in Europe and North America

Current Import Levels and Existing Trade Patterns

Analysis of imports in the three regions studied of the commodities selected for analysis shows that the level of imports is greatly influenced by the capacity of each country to produce the given product. Hence, the United States imports more cashews, mangoes, and bananas, as well as canned pineapple, than it does broccoli, beans, or canned asparagus and tomato paste. On the other hand, Europe imports relatively more of these latter products because of their limited production capacity and, to a certain extent, their differences in taste. The European Union imports significantly more bananas, onions, beans, broccoli, cauliflower, and canned fruits and vegetables than the United States and Canada, even though it has relatively the same sized population. In contrast, the United States and Canada import almost 10 times the volume of roses and chrysanthemums than do the European countries. In Asia, there does not seem to be a set pattern. Although the principal markets studied (Japan, Hong Kong, Singapore, Taiwan, Australia, and New Zealand) are roughly two-thirds of the size of the U.S. market, their levels of imports do not correspond in any noticeable trend. For some commodities they import much less; for others, they import more. Table 6 shows the volume of imports of the selected products for 1993.

TABLE 6

TOTAL CURRENT COMMODITY IMPORTS FOR ALL THREE REGIONS

Product	United States	Canada	Europe Community	Asia (80 percent)*
Mangoes	111,000	15,000	79,000	50,632
Melons	430,000	191,600	686,961	175,588
Papaya	14,200		10,845	26,791
Pineapple				121,863[a]
Bananas	3,500,000	383,100	4,895,000	345,000
Cashews	59,920	6,000	22,177	30,604
Onions	227,000	139,000	899,772	105,192
Beans	11,500	16,000	116,592	644[b]
Broccoli, Cauliflower	19,500	87,129	340,330	610[c]
Garlic	49,400	6,700	22,177	81,315
Canned Pineapple	342,000	36,400	409,154	150,418
Canned Asparagus	1,500	105	119,873	18,376[d]
Tomato Paste	28,100	82,000	553,747	4,106[e]
Roses	613,000		67,512	
Chrysanthemums	231,000	182,000	43,924	148[f]
Orchids	14,000		6,627	
Other flowers				748[g]

Notes: * reflects not more than 80 percent of the region's imports; a - Japan fresh; b - Taiwan green beans, 1987; c - Taiwan only; d - Japan fresh asparagus; e - Taiwan only, 1987; f - Taiwan only; g - Taiwan only.

The relationship between total agricultural imports in the Asian markets compared with North America and Europe is as follows. Whereas the United States accounts for 11 percent of total world agricultural imports and the European Union 22 percent, Japan registers 10 percent, Korea 3 percent, and Hong Kong and Singapore approximately 5 percent. Australia, New Zealand, Indonesia, India, and Taiwan are part of the Cairns Group, which accounts for 17 percent of total world agricultural imports. In total, the Asian markets appear to account for more than 25 percent of world imports of agricultural products, not including China. If one recalls the point made earlier that these Asian countries will experience phenomenal growth rates of GDP and increases in personal incomes over the next decade, it becomes evident that the future export potential resides within the region rather than in Europe or North America.

Sources of Supply

For those commodities heavily imported by the United States, the majority come from Mexico, and secondly from Central and South America. Very little originates in Asia or Europe. However, some products lend themselves to Asian imports, such as cashews (50 percent of imports come from India) and orchids (97 percent from Thailand). In addition, Thailand, China, and the Philippines have penetrated the processed fruit and vegetable U.S. market with prepared pineapples (50 percent from Thailand and 40 percent from the Philippines); prepared asparagus (60 percent from China, 8 percent from New Zealand); and tomato paste (China, Thailand, and India have supplied this product in the past). Although this history of imports does not reveal many strong comparative advantages for Asian developing countries, it does demonstrate that it is possible to export to North America — the market is not closed.

In Europe, the situation is somewhat similar. India holds 70 percent of the cashew market share and 9 percent of the processed pineapple market. The only other major participants from developing Asia in the EU market are Indonesia, with 43 percent of the processed pineapple market, and Thailand, with 61 percent of the orchid market. Extremely minor shares are reached by India (2 percent for guavas), the Philippines (.31 percent for bananas), Malaysia (2.6 percent for papayas), Bangladesh (2.6 percent for processed pineapple) and Indonesia and Thailand (.86 percent and .93 percent, respectively, for processed asparagus).

In Asia, more than 90 percent of the imports of the commodities selected for this review come from within the region. Very little is sourced from outside the region, as is shown in Table 7.

As noted above, intraregional trade is significant. The Philippines exports 96 percent of its meat products, 86 percent of its spices, and 48 percent and 31 percent, respectively, of fruits and vegetables to the developing countries of Asia. Frozen shrimp (74 percent), fresh vegetables (52 percent), bananas (69 percent), and mangoes and melons (65 percent) are shipped to Japan. Significant amounts of fruit and vegetables go to Hong Kong and Singapore as well, which are considered to be part of "developing Asia." Thirteen percent of the flowers end up in Japan and 23 percent in developing Asia. Table 7 indicates the source of the imported commodities, listing the code letter for the major countries, in descending order of importance, from which these products are imported. Although the table shows that the majority of these products are sourced from the Asian region at present, opportunities do exist for supplanting ex-Asian sourcing from Europe and Africa.

Potential Growth of Trade from GATT-UR Ratification and Implementation

Projection techniques are used for estimating future import levels for each market region for products emanating from the developing countries, and the RAP countries in particular. For the United States and Canada, straight-line extensions of current trends were utilized because the majority of products experienced zero tariffs on account of GSP treatment or low tariffs due to Most Favored Nation status. However, more elaborate estimates were made for Europe and the Asian markets that took into account two scenarios, one in which there were only income effects due to the increase in world incomes

TABLE 7

CURRENT LEVELS OF COMMODITY IMPORTS TO MAJOR ASIAN MARKETS AND THEIR SOURCES OF SUPPLY

Product	Japan	Taiwan	Singapore	Hong Kong	Australia	China	Total*
Bananas	239,311	9,222 Ch, Ph	60,654 Ma, Ph	35,955 Ph, Th, Ido			345,142
Cashews	6,400	1,422 Ida, Ido	8,433 Ida, Ido, Nig, Mad	9,665 Ida, Nig, Ch, Ido, VN		4,684	30,604
Melons	21,824 Mex, US	4,084 Ma, Ph, US, Th	53,665 Ma, Aus, Ch	98,015 Ch, Si, Ma			175,588
Pineapple (fresh)	121,863 Ph						121,863
Processed P'apple	29,946	9,581 Th, Ido, Ph	43,037 Ma, Ph, Th	12,400 Ph, Ch, Th	55.454		150,418
Asparagas	18,376 Aus, Ph, Th, Pr						18,376
Mangoes	9,131 Ph	2 Th	10,300 Ma, Th, Ph	31,201 Ph, Th, Aus			50,632
Papayas	4,831 US, Mex		21,960 Ma				26,791
Garlic		4,363 Hk, J	61,546 Ch, Ma, Hk	15,406 Ch			81,315
Onions		15,166 US, NZ, Hk, J	75,064 Ida, Ne, Ph	14,962 US, NZ, Ch			105,192
Tomato Paste		4,106 Th, US					
Chrysan		148 Ma, Ne					
Other Flowers		786 Ne, Th, Ma					

* = reflects not more than 80% of the region's imports.

Letter keys for countries: Aus=Australia, Ch=PRChina, Hk=Hong Kong, Ida=India, Ido=Indonesia, J=Japan, Ma=Malaysia, Mad=Madagascar, Mex=Mexico, Ne=Netherlands, Nig=Nigeria, NZ=New Zealand, Ph=Philippines, Pr=Peru, Si = Singapore, Th=Thailand, US=United States, VN=Vietnam

stimulated by the establishment of the GATT-UR trade regime and, secondly, that tariffs would be reduced such that lower prices in importing countries would lead to demand increases. Table 8 presents these estimates. For Europe, the larger number presents the combined effect and the lower number shows the impact without the income effect, or price reductions only. The last column presents the potential impact on demand for Philippine exports, measuring the combined effect on top and the tariff/price only effect below.

TABLE 8

TOTAL PROJECTED COMMODITY IMPORTS FOR ALL THREE REGIONS

Product	United States	Canada	European Union	Asia (Phil Only)
Mangoes	120,000	18,702	161,533 151,103	18,212[a] 11,118
Melons	733,000	251,829	1,163,813 1,142,890	
Papaya	19,189		21,705 19,594	
Bananas	4,929,000	454,200	9,041,663 8,500,000	95,608 64,212
Cashews	98,361	7,080	35,451	2,982 2,081
Onions	352,621	207,728	1,000625 998,914	
Beans	12,013	20,339	151,884 148,679	4,240 2,608
Broccoli, Cauliflower	24,490	100,333	469,967 454,379	
Garlic	56,884	8,957	162,145 158,551	
Canned Pineapple	413,000	35,000	797,550 790,283	18,150 12,128
Canned Asparagus	1,500	100	160,444 148,999	
Tomato Paste	28,100	105,000	1,971,014 1,941,914	
Roses	859,000		116,141 108,273	
Chrysanthemums	267,800	210,000	54,677 50,036	
Orchids	27,000		7,452 7,166	

Notes: The last column is for Philippine exports only; a - is for melons, mangoes, and papayas.

The overall estimates for the increase in demand for the commodities studied in this review are dramatic in just a short six-year time frame. This is especially true for the effects of the GATT-UR in Europe, with some increases reaching 100 percent. The effect is equally dramatic for Philippine exports, reaching almost 30 percent in each case and up to 100 percent for beans. If more baseline data were available it could be shown that similar effects are projected for the other commodities. Table 8 shows the estimates from each paper, and Table 9 gives the percentage increase over current levels by the year 2000.

The Most Notable Finding

Perhaps the most notable point to be taken with respect to individual countries in the RAP region is that, if they do not join the GATT-UR trade agreement, their current special treatment under either the GSP or the MFN could be forfeited and they could revert back to nonfavored status, thus incurring tariffs that they currently do not incur. It is not clear in the agreement how this situation will be handled, but the tariffication rules tend to suggest that "favored" status levels may be eliminated. GSP status is due to be renewed in Europe and the United States in light of these new rules and regulations, and there is always the threat that if a country does not ratify the current GATT agreement, its favored status will be forfeited. This threat in and of itself should lead most countries to ratify the GATT-UR.

TABLE 9

PERCENTAGE INCREASE IN COMMODITY IMPORTS
(from 1993 to 2000)

Product	United States	Canada	European Community
Mange	8%	25%	104%
Melons	70%	31%	69%
Papaya	35%		100%
Bananas	41%	19%	85%
Cashews	64%	18%	60%
Onions	55%	49%	11%
Beans	4%	27%	30%
Broccoli	26%	15%	38%
Garlic (canned)	15%	34%	180%
Pineapple (canned)	21%	-4%	95%
Asparagus	0%	-5%	34%
Tomato			
Paste	0%	28%	256%
Roses	40%		72%
Chrysanthemums	16%	15%	24%
Orchids	93%		12%

CONCLUSIONS

The three papers reviewed in this synthesis indicate clearly that demand in the principal import markets will expand considerably with the passage of the GATT-UR trade agreement. Moreover, in addition to the expansion of demand, there are indications that current constraints to access to certain markets will be relaxed and more transparency in sanitary and phytosanitary restrictions will emerge, thereby eliminating arbitrary and discriminatory practices in sanitary controls that currently restrict trade. Demand estimates in all three regions studied showed significant increases, ranging from 10 percent to more than 100 percent, depending upon the commodity. The passage of the GATT-UR trade agreements will lead to dynamic trade liberalization throughout Asia as well as the rest of the world and will create significant opportunities for those countries that are capable of responding to the new regulations.