

HORT ALLIANCE

Horticultural Organizations for Responsible Trade

BACKGROUND

The HORT Alliance has been formed to ensure that issues of interest to the US horticultural sector are addressed during the course of the Doha Round of the World Trade Organization (WTO) negotiations. Specifically, the Alliance is dedicated to pursuing aggressive and meaningful reform in the WTO agricultural rules governing market access, trade distorting internal supports, the use of export subsidies, and special consideration of seasonal and perishable products.

The long-term goal of the HORT Alliance is to secure an overall WTO agricultural agreement that produces tangible benefits for the fruit, nut and vegetable sector by correcting disparities that disadvantage U.S. growers, through the framework negotiations and, if necessary, through sector-specific negotiations. If the general framework agreed upon by WTO members is not aggressive enough to address the interests of horticultural and specialty crop producers, the HORT Alliance will likely request a sectoral initiative be negotiated to secure more aggressive reform for interested commodity groups within the specialty crop sector.

The HORT Alliance supports:

1. New rules that restrict how much a government may provide a trade distorting (amber box) subsidy to any particular horticultural or specialty crop.
2. Aggressive and significant reform in market access (tariffs, quotas, reference and entry price systems).
3. Immediate elimination of export subsidies for horticultural and specialty crop products.
4. Special consideration of seasonal and perishable products.

TRADE DISTORTING INTERNAL SUPPORTS

Some countries, particularly the European Union and to a lesser extent Japan, provide their horticultural producers with trade distorting internal supports. These WTO amber box programs, either through direct payments, or through indirect mechanisms that are measured in Equivalent Measure of Support, help stabilize/increase prices and/or grower income. While in recent years, the European Union's budget appropriations suggest that it is shifting its horticultural expenditures out of trade distorting amber box mechanisms and into green box programs, its creative use of such trade distorting support in the horticultural sector continues.

In 2002, €143 million was appropriated for withdrawals that helped increase prices and defrayed certain producer organization costs, including processing of withdrawn product and the transport and sorting of certain products. In addition, €86 million was

appropriated for support of producer organizations. While the EU claims most (or perhaps all) of this €86 million qualified as green box programs, it is not always clear how these funds are being used at and below the member state level, nor is it always clear which commodities are being supported.

In addition to restricting the amount that a specific horticultural or specialty crop product can be subsidized (most probably as a percentage of production value) with amber box programs, the HORT Alliance will also request greater transparency in how and for which commodities funds are spent.

The HORT Alliance supports aggressive reform in trade distorting internal support payments, and in particular encourages rules that would limit the amount provided to any particular horticultural crop to a percentage of that crop's production value.

MARKET ACCESS

Many U.S. horticultural and specialty crop producers have little or no tariff protection as products enter the United States duty free or with only a minimal tariff levied. Similarly, most tariffs on horticultural products around the world are in the 0 to 25% range. However, in many emerging markets, tariffs on US horticultural products remain high, upwards of 30-80%. This is particularly true in China, Egypt, South Korea, Thailand, and India.

In Egypt, for example, tariffs on vegetables are generally about 20% and on fruits and nuts the tariff can be as high as 30-40%. In India, tariffs on imported vegetables are generally about 30%, and the tariff on fruit can be as high as 50%. Thailand collects import duties equal to 33% to 60% on certain fruits and vegetables imported into the country. South Korea maintains tariffs on horticultural and specialty products that range from a high 27% to absurd levels that exceed 100% of value. Israel and the Dominican Republic maintain tariffs in the 20-25% range.

In addition to tariffs, some countries such as Israel use tariff rate quotas (TRQs) to regulate import volumes. Other countries, such as the European Union, maintain more complicated systems of entry and reference prices, designed to keep the prices of imported products at certain levels and to protect domestic markets.

The HORT Alliance supports a WTO agreement that addresses market access barriers and harmonizes tariffs near the U.S. levels, at a minimum. If the market access modality agreed to does not address these barriers in a meaningful way for horticulture, the Alliance may request special modalities be negotiated for certain horticultural and specialty crop products. Rules regarding the application of reference or entry prices might also be a part of this sectoral agreement.

EXPORT SUBSIDIES

Export subsidies for horticultural and specialty crops are used primarily by the European Union. In 2002, €35 million was budgeted for EU fresh fruit and vegetable export refunds. While this level is small relative to overall EU expenditures, most countries, including the United States, do not provide any trade distorting export subsidies for their horticulture and specialty crops sectors. The use of export subsidies provides the European Union with a competitive advantage versus other world horticultural producers.

The HORT Alliance supports the immediate elimination of export subsidies for fresh fruit and vegetable products.

SPECIAL CONSIDERATION

The treatment of seasonal and perishable products should be taken into account by negotiators. To that end, trade policy mechanisms should be considered that address the needs of such products.

The HORT Alliance encourages special consideration be given to the needs of seasonal and perishable products.

SECTORAL INITIATIVE

The HORT Alliance encourages WTO member countries to consider a modalities agreement as the minimal reform required and that, as necessary and appropriate, invites WTO members to consider a sectoral agreement that goes beyond the general framework to address horticultural-specific interests.